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Attracting investment

THE government's decision to liberalize the visa policy to facilitate foreign investors and businessmen coming to Pakistan can be seen as a step that will positively impact on investor interest in Pakistan. Most of the countries that are being given this facility already have business links with Pakistan. The step forms part of a wider move to simplify rules and procedures regarding investment and business propositions, particularly those of foreign origin. The purpose is to cut down bureaucratic red tape and other hassles involved in such matters. The decision comes at a time when the government is putting final touches to another initiative to boost foreign investment. Reports say that the government has finalized the draft of a model agreement for the promotion and protection of foreign investment. Under this agreement, a level playing field for foreign investors is to be assured as these investors would be allowed to seek international arbitration in case of any trade-related dispute in Pakistan. It is said that one of the obstacles to foreign investment has been the lack of an effective and transparent judicial system in Pakistan. At present, various disputes amounting to $850 million are pending against Pakistan. One hopes that these cases are expeditiously settled once the model agreement comes into operation.

The adoption of a new strategy this week for rapid industrial growth also touches on the issue of foreign investment. While the strategy concentrates on the cost of doing business in Pakistan, it does pinpoint areas where more attention has to be given to attract investment. This includes reduction in corporate and income taxes and improvement in transportation and shipping to facilitate faster industrial growth. Foreign investors should also be spared the hassles of red tapism. A one-window operation has to be set up to cater to all their procedural requirements speedily. Only then will Pakistan be in a position to compete regionally for much needed foreign investment.

As things stand, the government plans to raise growth rate to about eight per cent by 2007-08 from the present level of over six per cent. Projections indicate that to achieve this target, an investment of Rs2.6 trillion will be needed. The government hopes that this target will help obtain six per cent real growth in per capita income, which would reduce poverty that currently affects about 33 per cent of the population. Social factors like poverty remain a worry for investors as these can be cause for domestic unrest. The government has to address the issue through a multi-pronged approach. It can fight poverty by improving governance and devolution, investing in human capital and targeting the poor and the vulnerable. The other main worry for investors is the volatile law and order situation in the country. Unless this is improved, foreign investors will shy away from making any significant commitments. In addition to a rise in terrorist attacks, the crime graph has gone up in the past couple of years. A growing economy is ideal for investment but unless other factors such as internal security, political stability and a congenial business environment are ensured, expecting foreign investors to come and put their money here would be unrealistic.