

BoI expresses serious reservations

Pakistan's Board of Investment (BoI) has reportedly expressed its serious reservations with China for purportedly backing out of commitments on proposed industrial cooperation; well-informed sources in BoI told Business Recorder. Pakistan's Prime Minister Imran Khan is in China with a high-level delegation with high hopes of getting an attractive economic package, which would steer the country's economy out of crisis.

Board of Investment's draft framework was focused on promoting industrial competitiveness through transfer of technology and market access, whereas proposed MoU for industrial cooperation by Chinese side focuses on domestic demand in the Pakistani market.

The sources said, Pakistani side supported industrial relocation from China to Pakistan and is in the process of devising an additional incentives package for relocation of industries from abroad. This point was given significant importance in the framework agreement prepared by the Board of Investment. However, aspect of relocation of industry from China to Pakistan has been totally ignored in the MoU proposed by the Chinese side.

According to sources, Pakistani side framework agreement was devised in such a manner that more industrial sectors could be brought in the scope of industrial cooperation under CPEC. However, Chinese MoU only supports cooperation in their preferred areas i.e. iron, steel, textile, petro chemicals and mines and minerals. Agriculture and other industrial sectors as were agreed in the long-term plan were not included in the MoU proposed by the Chinese side.

In order to achieve the goal of increased investment from China for industrial competitiveness of Pakistan, a financing mechanism was proposed by the Pakistani side for specific projects.

"Chinese side have excluded the scope of any financing arrangements from the scope of industrial cooperation which is significant for Pakistani industry for balancing and modernisation of existing industry and transfer for technology," the sources continued.

In the draft framework agreement, the sources said, the Pakistani side also proposed enhancing bilateral trade under the scope of industrial cooperation. However, the Chinese side has excluded this important aspect of industrial cooperation.

The sources further stated, that the Pakistani side has categorically proposed in the framework agreement how to take forward the cooperation in the agreed priority sectors. However, Chinese MoU was silent regarding any mechanism to make cooperation in the field of priority sectors.

For instance, Pakistan had proposed in the framework agreement "the parties agree that the main objectives of the partnership under the long-term plan, relating to industrial cooperation is to

enhance industrial competitiveness of Pakistan through technology transfer, higher degree of market access by China, skill development and labour productivity."

China, however, proposed: " the parties reiterate that the main objectives of the partnership under the long-term plan relating to industrial cooperation is to meet the demand of Pakistan's domestic market and at the same time, further explore the international market through stronger industrial cooperation based on various SEZs, attraction of more investment from world companies, skill development and labour productivity and promoting industry concentration in Pakistan."

Pakistan had proposed ten locations for Special Economic Zones (SEZs) to cater to domestic demand as well as export, further sites for economic zones to be identified with mutual understandings and agreement to be framed and developed with the consensus of the parties to develop and populate these sites.

China has also excluded proposed SEZ in Azad Jammu and Kashmir whereas the location of SEZ in Punjab has been shifted from Faisalabad to Sheikhupura.

After field investigations made by the Chinese experts group, China has suggested that the Pakistani side should identify two to three prioritized SEZs which have a clear and rational industry layout with a good economic development trend and cooperation foundation. The prioritized SEZs constructions could be started from the development of the projects located on it, and serve as a demonstration to other SEZs" development.

China has also proposed in the MoU that parties agree to jointly promote SEZs based on market rules, and to attract global brands and enterprises, technologies and best practices, standards and compliances and international buyers . The Chinese side would continue to encourage qualified Chinese companies to make investments in Pakistan, giving a priority to SEZs mentioned in Article three of the MoU.

MUSHTAQ GHUMMAN