

## PAKISTAN'S ROLE IN THE MULTILATERAL INDUSTRIAL POLICY FORUM: ADVANCING SUSTAINABLE INDUSTRIALIZATION

By

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



### Background

The Multilateral Industrial Policy Forum (MIPF) was established by the United Nations Industrial Development Organization (UNIDO) in 2021 in response to calls from Member States to expand the provision of industrial policy advisory services. The Forum quickly evolved into a significant global platform for dialogue on industrial policy, particularly after three sessions of the Development Dialogue set its objectives. The inaugural edition of the MIPF took place in March 2023 at UNIDO Headquarters in Vienna, and the second edition followed in Riyadh from October 23-24, 2024, hosted by the Kingdom of Saudi Arabia. At the heart of these discussions is the goal of tackling global industrial challenges, fostering innovation, and promoting sustainable practices.<sup>1</sup> Pakistan's participation in the Forum is significant and will have broader implications for industrialization, economic collaboration, and sustainable development in the country.

<sup>1</sup> "UNIDO and Saudi Arabia announce MIPF 2024 in Riyadh: From challenges to industrial policy solutions," UNIDO, June 24, 2024, <https://www.unido.org/news/unido-and-saudi-arabia-announce-mipf-2024-riyadh-challenges-industrial-policy-solutions>

## The Emergence of MIPF and its Strategic Goals

The MIPF was conceived to address the pressing need for a collaborative and outcome-oriented approach to industrial policy, particularly in the context of contemporary global challenges such as climate change, digital transformation, and geopolitical tensions. Building on the lessons learned from its pilot edition, the Forum aims to enhance interactivity, foster a collaborative spirit among stakeholders, and prioritize solutions that translate into real-world outcomes.<sup>2</sup>

The themes addressed in the Riyadh edition of the MIPF included key issues such as digitalization and automation in manufacturing, energy transition, and the establishment of sustainable and resilient supply chains.<sup>3</sup> These are areas of critical importance not only for developed economies but also for countries like Pakistan, which face significant challenges in industrial development, energy security, and sustainable growth.

## Pakistan's Participation in MIPF 2024

Pakistan's involvement in the 2024 edition of the MIPF was spearheaded by Rana Tanveer Hussain, the Federal Minister for Industries, Production, and National Food Security.<sup>4</sup> His participation in the Forum underscored Pakistan's commitment to engaging with global industrialization trends and seeking international cooperation to address its domestic challenges. Pakistan's presence at the Forum also highlighted the country's intent to strengthen ties with Saudi Arabia, particularly in terms of trade, investment, and industrial cooperation.

During the Forum, Minister Hussain outlined Pakistan's National Industrial Policy, which is designed to create an enabling environment for industrial growth, with a specific focus on green energy initiatives, women's empowerment, and regional cooperation. These areas align with Pakistan's Vision 2025 and its commitments to the Sustainable Development Goals (SDGs).<sup>5</sup>

## National Industrial Policy of Pakistan: A Focus on Sustainability and Innovation

Pakistan's National Industrial Policy is set to play a pivotal role in driving the country's industrial transformation. One of the central themes of the policy is the transition towards green energy.

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<sup>2</sup> Mohammed Al-Kinani, "UN official issues urgent warning about growing global inequality," Arab News, October 24, 2024, <https://www.arabnews.com/node/2576658/business-economy>

<sup>3</sup> "Pakistan to attend multilateral industrial policy forum in Saudi Arabia from Oct. 23-24," Arab News, October 22, 2024, <https://www.arabnews.pk/node/2576255/pakistan>

<sup>4</sup> "Rana Tanveer departs for Saudi Arabia to participate in MIPF 2024," APP, October 22, 2024, <https://www.app.com.pk/business/rana-tanveer-departs-for-saudi-arabia-to-participate-in-mipf-2024/>

<sup>5</sup> "Industrial policy unveiled at UNIDO," Tribune, October 25, 2024, <https://tribune.com.pk/story/2505134/industrial-policy-unveiled-at-unido>

Pakistan, like many developing nations, faces the twin challenges of industrial growth and environmental sustainability. The policy places particular emphasis on reducing reliance on fossil fuels, enhancing energy efficiency, and encouraging the adoption of electric vehicles (EVs) and other sustainable technologies.

The transportation sector, which currently accounts for over 75% of the country's commercial oil consumption, is a major target for reform. Pakistan spends more than 65% of its foreign exchange reserves on fuel imports, a situation that exacerbates the country's balance of payments crisis. To mitigate this, the National Industrial Policy advocates for the decarbonization of the transport sector. This includes the promotion of EVs, investment in decentralized power storage solutions, and the development of solar energy infrastructure. The solar energy sector is experiencing rapid growth, with nine solar panel assemblers currently operating in the country. Pakistan aims to generate 30% of its energy from solar photovoltaic (PV) systems by 2030, significantly reducing its carbon footprint and dependency on imported fossil fuels.<sup>6</sup>

### **Women's Empowerment in Industrial Development**

Another key aspect of Pakistan's National Industrial Policy is the emphasis on women's empowerment. Women's participation in the workforce, particularly in the industrial sector, remains limited in Pakistan due to various socio-economic barriers. The policy seeks to address these challenges by providing financial incentives, reducing tax rates for women-owned small and medium-sized enterprises (SMEs), and creating women-friendly work environments. Measures include the establishment of women's business centres, the development of business facilitation programs, and increased access to markets, both domestic and international.<sup>7</sup>

This initiative aligns with the State Bank of Pakistan's "Banking on Equality" policy, which aims to reduce the gender gap in financial inclusion. By fostering women's participation in the industrial workforce, Pakistan hopes to harness the untapped potential of half its population, contributing to sustainable industrial growth.<sup>8</sup>

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<sup>6</sup> "Minister For Industries and Production Rana Tanveer Hussain Presents Industrial Policy to Boost Foreign Investment," UrduPoint, October 24, 2024, <https://www.urdupoint.com/en/business/minister-for-industries-and-production-rana-t-1875350.html>

<sup>7</sup> ibid

<sup>8</sup> "What is Banking on Equality Policy?" SBP, Accessed on October 25, 2024, <https://www.sbp.org.pk/boe/index.html#:~:text=What%20is%20Banking%20on%20Equality,practices%20in%20the%20financial%20sector.>

## Enhancing Bilateral Industrial Cooperation with Saudi Arabia

Pakistan's participation in the MIPF also presented an opportunity to enhance its bilateral cooperation with Saudi Arabia, a key partner in the South Asian country's industrial and economic development. The Saudi-Pakistan Supreme Coordination Council (SPSCC), established to focus on trade, infrastructure, and energy collaboration, is a central pillar of this partnership. Saudi Arabia has reaffirmed its commitment to expedite a \$5 billion investment package for Pakistan, which includes investments in the Gwadar Oil Refinery and renewable energy projects.<sup>9</sup> These initiatives are critical for Pakistan as it seeks to enhance its industrial capacity and diversify its energy mix.

Furthermore, during the Forum, both nations explored the potential for cooperation in the SME sector, which is considered the backbone of Pakistan's economy. The SME sector in Pakistan accounts for nearly 40% of its GDP and 80% of non-agricultural employment.<sup>10</sup> Strengthening this sector through bilateral cooperation with Saudi Arabia could have significant economic benefits, particularly in terms of job creation and innovation.

## Challenges and Opportunities for Pakistan's Industrial Policy

Pakistan's Industrial policy faces numerous challenges, including infrastructure deficits, energy shortages, and a lack of access to advanced technologies. The MIPF provides a platform for Pakistan to engage with global leaders and stakeholders to address these challenges through international collaboration.

One of the key areas of focus at the 2024 Forum was the role of digitalization and automation in transforming manufacturing industries. For Pakistan, the adoption of Artificial Intelligence (AI) and automation technologies presents both challenges and opportunities. While automation can lead to increased productivity and efficiency, it also poses the risk of job displacement, particularly in labour intensive industries. Pakistan's industrial policy must therefore strike a balance between embracing technological advancements and ensuring job creation and social inclusion.

Additionally, the energy transition is another critical area where Pakistan must align its industrial policy with global trends. The shift towards renewable energy is not only a necessity for reducing greenhouse gas emissions but also a strategic move to enhance energy security. Pakistan's heavy reliance on imported fossil fuels makes its economy vulnerable to external shocks, such as

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<sup>9</sup> "Pakistan, Saudi Arabia to enhance SME ties, agree on more business visits," Tribune, October 24, 2024, <https://tribune.com.pk/story/2505044/pakistan-saudi-arabia-to-enhance-sme-ties-agree-on-more-business-visits>

<sup>10</sup> Hussain Ahmad Siddiqui, "SMEs are vital for boosting economy," Dawn, April 15, 2024, <https://www.dawn.com/news/1827562>

fluctuations in global oil prices. By investing in renewable energy sources like solar and wind, Pakistan can reduce its energy dependency and build a more resilient industrial base.

## **Conclusion**

Pakistan's participation in the Multilateral Industrial Policy Forum reflects the country's commitment to engaging with global industrial trends and seeking international cooperation to drive sustainable development. The National Industrial Policy, with its focus on green energy, women's empowerment, and regional cooperation, offers a comprehensive framework for addressing the country's industrial challenges. However, the successful implementation of this policy will require concerted efforts at both the national and international levels.

Bilateral cooperation with Saudi Arabia, particularly in the areas of energy and SME development, presents significant opportunities for Pakistan to enhance its industrial capacity and achieve its development goals. Moreover, the adoption of advanced technologies and sustainable practices, as discussed at the MIPF, will be critical for Pakistan's future industrial growth. By aligning its industrial policy with global trends and fostering international partnerships, Pakistan can build a more resilient and sustainable industrial sector, positioning itself as a key player in the global economy.