

Economic Determinants of Foreign Direct Investment in Pakistan

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ABSTRACT Pakistan aims to increase the investment GDP ratio by attracting foreign direct investment (FDI). The foreign investors mostly from the developed dynamic centers are enhancing international production by investing in resource abundant economies. Having an overview of the influx of cross border investments, this paper empirically attempted to investigate the determinants of foreign direct investment in Pakistan. The analysis enabled identification of some economic determinants of FDI in Pakistan, like GDP growth rate, volume of exports, human population, tariff on imports, and price index. Volume of exports has been emerged the most powerful determinant of FDI. The government should make a paradigm shift in its investment policy to attract FDI. It should focus on export-oriented industries instead of encouraging FDI for domestic consumption.