

Foreign Direct Investment and Economic Performance of Pakistan: Is There Any Relation?

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ABSTRACT Foreign Direct Investment (FDI hereafter) has a number of economic consequences on the capital receiving country that's may be positive or negative. According to the accessible literature, the positive developmental role of FDI in general is well documented. In this paper an attempt has been made to explore the relationship between FDI and economic performance for Pakistan by using OLS regression analysis and time series data. The nature of FDI's impact is elucidated by tracing through its effect on GDP, export, import, per capita income, employment and manufacturing. It is scrutinized that in Pakistan, FDI effects on domestic output, employment, exports and overall growth are positive but the impact of FDI on imports is negative. If FDI is concentrated in import substitution industries, then it is expected to affect imports negatively and export positively because the goods that were imported are now produced in the host country by foreign investors. These results advocated that FDI is complementary to local enterprises and capabilities after a certain level of development.