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A JOINT CENTER OF COLUMBIA LAW SCHOOL AND
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

Columbia FDI Profiles

Country profiles of inward and outward foreign direct investment
issued by the Vale Columbia Center on Sustainable International Investment
January 18, 2011
Editor-in-Chief: Karl P. Sauvant
Editor: Thomas Jost
Associate Editor: Ken Davies
Managing Editor: Ana-Maria Poveda-Garces

Inward FDI in Pakistan and its policy context

by

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Pakistan's large domestic market and policy environment are generally attractive to foreign direct investment, but terrorist violence and natural disasters are keeping investors at bay. Pakistan was the tenth largest recipient of inward foreign direct investment (IFDI) in Asia in 2006-2008. Pakistan has also been successful in attracting investment from other developing countries. There are successful joint ventures with parastatals. The policy regime is investor-friendly, and doing business in Pakistan is easier than in any of its neighboring countries. These advantages notwithstanding, inward FDI flows shrank by 60% in 2009-2010, a reflection of global trends and internal difficulties. Governance and terrorism are overriding preoccupations. Retaining the confidence of both foreign and domestic investors is vital. Determined efforts are needed to realize the country's considerable market potential.

Trends and developments

Country-level developments

Foreign direct investment (FDI) has played a small but important role in Pakistan's economic development. The share of IFDI to GDP has been less than 1% in most years. Nevertheless, FDI was crucial for the success of import substitution and infant industry policies in the formative years after independence in 1947, through joint ventures or licensing, franchising and distribution arrangements between start-up Pakistani firms and foreign companies.[1] Non-equity ties facilitated technology transfer. Food processing, manufacturing (consumer goods,

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[1] The entry conditions permitted FDI in a positive list of (mainly manufacturing) industries and otherwise required, for large investments, formation of joint stock companies with local equity participation. These restrictions were removed in the 1990s.

pharmaceuticals, machinery, auto parts, vehicle assembly), and services (banking and insurance) attracted FDI geared to the domestic market.

In the early years, Pakistan attracted more FDI than its much larger neighbors. Annual IFDI flows to Pakistan were greater than those to India for most years from 1947 to 1993, although the amounts involved for both countries were relatively small (averaging less than US$ 200 million annually). As late as 1995, the two countries had about the same level of inward FDI stock, approximately US$ 5.6 billion. Since then India has emerged as one of the world's preferred investment destinations.[2]

Pakistan's stock of inward FDI increased at an average annual rate of 12.5% between 1990 and 2009, reaching US$ 18 billion in 2009 (annex table 1). This relatively good performance, driven by policy liberalization and investment promotion, was comparable to that of other developing countries that have opened up in an expansive period of worldwide FDI growth.[3]

The main distinctive feature was the large FDI inflow from 2005 onwards. IFDI flows averaged US$ 4 billion annually in 2005-2009 (annex table 2), a level commensurate with the size of Pakistan's population (175 million) and its economy. During this period, FDI comprised 15% of gross fixed capital formation compared with an average for developing countries of 12%. Pakistan ranked briefly among the top 10 FDI recipients in Asia.

As a consequence, the stock of Pakistan's inward FDI more than doubled from 2000 to 2009, and its composition (annex table 3) and origin (annex table 4) have become further diversified. The sectoral composition of IFDI had already shifted in the 1990s from manufacturing to services. Manufacturing was predominant in the early years (75% of IFDI flows in 1980), but from 1994 onward the services sector attracted much IFDI. By 2001, the share of services in the stock of IFDI had risen to 72% while that of manufacturing had fallen to 22%.[4] Deregulation and fiscal incentives attracted FDI into power projects. In the past decade privatization attracted sizeable cross-border acquisitions in banking and telecommunications. These were noteworthy for being South-South deals.

The traditional home countries for Pakistan's IFDI have been the United Kingdom and the United States, followed by Switzerland, Japan, the Netherlands, and Germany. Pakistan has also been successful in attracting investment from Asia and the Middle East, with the United Arab Emirates (U.A.E.) being the largest investor in 2006-2008. A third of the inward FDI stock in 2006 originated from developing countries and was diversified in a wide range of industries, including telecommunications, financial services, cement, textiles, construction, real estate, logistics, airlines, and oil and gas.

The principal home countries, whether developed or developing, have investments in all sectors (primary, secondary, tertiary). At the same time, IFDI from developed countries is concentrated more in manufacturing, while that from developing countries is stronger in services.

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[2] Premila Nazareth Satyanand and Pramila Raghavendran, "Inward FDI in India and its policy context," *Columbia FDI Profiles*, March 12, 2010, available at: http://www.vcc.columbia.edu.
[3] See, for instance, the comparator data for Iran and Peru in annex table 1.
[4] UNCTAD, *World Investment Report 2004: The Shift towards Services* (New York and Geneva: United Nations, 2004), p. 55.

IFDI flows to Pakistan receded during the global crisis and short-run prospects are not encouraging. FDI inflows in 2010 were US$ 2 billion – a decline of more than 60% over two years.

The corporate players

Foreign companies have operated in Pakistan for many years, even before independence. The first Swiss cotton trading subsidiary was set up by the Volkart Brothers in 1861 and the London-based Chartered Bank set up operations in Karachi in 1863. Other early entrants and continuing major players include Shell Petroleum (1903), Siemens (1922) and Imperial Chemical Industries (1944).

The initial years after independence (1947-1972) were largely "laissez-faire", attracting market-seeking FDI in a wide range of manufacturing industries. The investments were often undertaken with local partners. The first foreign affiliate, Pakistan Tobacco (British-American Tobacco), was incorporated in 1947. Lever Brothers Pakistan Limited (Unilever) incorporated in 1948; it is today the largest consumer goods manufacturer in the country. Pharmaceuticals have attracted a number of foreign players (from Switzerland, the United Kingdom and the United States), of which GlaxoSmithKline is the largest in the country. The transport equipment industry has been popular with Japanese companies, whose activity has been mainly assembly operations.

A general failure of manufacturing affiliates in all industries has been the reluctance to develop an export-oriented approach, even within the global network of their parent companies. This is in part attributable to the protected markets within which they have operated – the downside of earlier trade and industrial policies that successfully attracted IFDI.[5] Departures from this insular trend include recent vehicle exports by Suzuki to Bangladesh and sheet metal parts exports to Europe, and school buses exports by Hinopak to the U.A.E. ICI Pakistan exports to regional markets in the Middle East and Central Asia. As part of an offset deal for the purchase of aircraft, Boeing has transferred technology to enable the manufacture of spare parts in Pakistan for its global supply chain.[6]

There are several cross-border joint ventures between parastatals. Notable among these is the Pak-Arab Refinery (PARCO), a US$ 1.2 billion joint venture between the governments of Pakistan and the Emirate of Abu Dhabi.

Financial services were privatized in 1991 and now account for nearly 20% of inward FDI stock, much of it originating from developing countries (Bahrain, Kuwait, Malaysia, Oman, U.A.E.). Islamic banking is an emerging niche subsector.

The country's largest privatized bank, Habib Bank (HBL), has a curious history, with ownership changing hands from the Pakistani private sector to the public sector to a foreign investor. The

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[5] For a discussion of trade policy see Parvez Hasan, "Pakistan's trade strategies and performance: missed opportunities and current challenges," in Michael Kugelman and Robert M. Hathaway, eds., *Hard Sell: Attaining Pakistani Competitiveness in Global Trade* (Washington D.C.: Woodrow Wilson International Center for Scholars, April 2008), available at: www.wilsoncenter.org/topics/pubs/asia_hard.sell.pdf.

[6] The US$ 1.8 billion purchase order was made in 2002, the aircrafts were delivered in 2004-2008 and the manufacturing facility for spare parts became operational in 2006.

bank was privately established in 1947 and was also Pakistan's first multinational enterprise (when it opened a branch in Sri Lanka in 1951). After the industry was nationalized in 1972, the original owners set up a new bank in Switzerland with operations in Pakistan.[7] HBL was later privatized in 2003 and is now majority-owned and controlled by the Aga Khan Fund for Economic Development (Switzerland).

Communications (13% of IFDI stock) has also benefited from privatization and FDI from China, Egypt and U.A.E. The 2006 acquisition by Etisalat (U.A.E.) of a 26% share of the national telecommunications company was valued at US$ 2.6 billion. China Mobile established its first overseas subsidiary with investments of US$ 1.7 billion and plans for an additional US$ 300 million in 2010. Orascom (Egypt) operates the largest GSM network and subscriber base. The second largest GSM provider is Norway's Telenor, which is also innovating in mobile banking.

The power sector has attracted IFDI, but not without cost. Independent power producers (domestic and foreign) proliferated in the 1990s under a generous incentive structure,[8] which entailed large foreign exchange outflows (interest, dividend and fuel payments).[9] Public utilities had difficulty maintaining the payment schedule necessary to sustain the supply of uninterrupted power, contributing to recent power shortages, which abruptly disrupted all industries. Net FDI inflows have so far been negative in 2010, notwithstanding 2008 announcements of US$ 4 billion in alternative energy greenfield projects originating mainly from China, Turkey and the United States.

Extractive industries account for 11% of inward FDI stock and are the main attraction for IFDI in Pakistan at the present time. The Government of Pakistan is aggressively awarding concessions for oil and gas exploration. A dozen foreign companies have invested, including BP, ENI (Italy), BHP Billiton (Australia), OMV (Austria), Petronas (Malaysia), and Premier Oil (UK), and one specifically plans to explore offshore, Petrobras (Brazil).

There was foreign equity participation in about 1,100 enterprises in 2008[10], by approximately 100 British, 66 US and 15 Swiss companies.[11] Dutch multinationals are also big corporate players in Pakistan (Shell, ICI, Lever Brothers, Philips).[12]

Effects of the current global crisis

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[7] The irony of the Habib family operating as a multinational in their own country was commemorated with a 5-rupee postage stamp issued by the Pakistan Post Office in March 2001 displaying the logo and headquarters of the Swiss multinational, *Habib Bank AG Zurich*.

[8] The 1994 Power Policy guaranteed purchase of the power produced at a pre-set, dollar-indexed tariff structure, ensured fuel supply, protected against changes in duties and taxes and also provided foreign exchange convertibility and duty free import of plant and equipment; up to 40% of the capital costs of the project; free repatriation of equity along with dividends; and foreign exchange risk insurance on foreign currency loans. See Ashfaque H. Khan and Yun-Hwan Kim, "Foreign direct investment in Pakistan: Policy issues and operational implications," EDRC Report Series No. 66, Asian Development Bank, July 1999, available at: www.adb.org/documents/edrc/reports/er066.pdf.

[9] The 1994 Power Policy had the support of the World Bank and other agencies, while the United Nations (this author, in particular) had cautioned against the incentive scheme.

[10] The State Bank of Pakistan conducts an annual survey of foreign liabilities and assets (available at: www.sbp.org.pk/publications/iipp). The 2008 survey recorded 81 branches of foreign companies and 698 Pakistani companies with foreign equity participation. The response rate was 70% in 2007, which suggests an overall size of 1,100.

[11] The numbers are rough, culled from membership in chambers of commerce, business councils and embassy press releases.

[12] ICI Pakistan is now Dutch-owned after the global acquisition of ICI by AkzoNobel in 2008.

Pakistan is in a better position than most countries in attracting foreign investment in the current global crisis as it has a large domestic market and untapped natural resources. Pakistan has also been able to maintain economic growth (4% in 2009 and 2010), thanks to a US$ 11.3 billion IMF Stand-By Arrangement, continued inflows of remittances from migrants abroad (US$ 8 billion per year in 2009-2010) and reasonably good harvests (though probably not recently after the 2010 deluge).

Nevertheless, some decline in FDI inflows was to be expected, as Pakistan's main FDI sources are developed countries where the current crisis has been most acute. Also, with the current uncertainty in the global environment, investors are particularly risk averse. On balance, political risk appears to have been an overriding consideration, as FDI inflows to Pakistan in 2009 contracted by more than twice as much as that to developing countries as a whole.[13]

This contraction suggests an erosion of investor confidence. One-third of the fall in FDI inflows since 2008 is explained by lower reinvested earnings and two-thirds are due to lower equity inflows and fewer intra-company loans. Reinvested earnings of foreign affiliates declined by almost 75% in 2009. Recent surveys indicate that foreign companies have lower investment plans for 2010 and that business confidence fell in the second quarter of 2010.[14] The three concerns most cited by business are: law and order, the energy deficit (frequent power cuts) and government stability.

A US$ 5 billion greenfield investment by Boeing to manufacture aircraft spare parts, following its 2006 offset arrangement, was postponed in 2010.[15]

At the corporate level, the global crisis has prompted parent companies to rationalize activities and in some cases to divest entirely in the host economy. Thus, the worldwide consolidation of the Royal Bank of Scotland led to the 2010 fire sale of its former-ABN AMRO operation in Pakistan to the Faysal Bank (majority-owned by the Ithmaar Bank of Bahrain).

There was also consolidation in the pharmaceuticals industry, when Merck Sharp & Dohme, which had entered Pakistan in 1962, departed in 2008, and when Bristol Meyers Squibb, another long-time investor, sold its operations in 2009.

A feature of the current global crisis is increased market-seeking activity of multinationals in emerging markets (so as to sustain revenue growth through worldwide sales). Examples in Pakistan include the expansion of Coca-Cola (through its affiliate in Turkey), Metro Cash & Carry (Germany) and similar greenfield investments from Saudi Arabia and U.A.E. in retail and wholesale trade, hotels and shopping complexes.[16]

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[13] FDI inflows to developing countries contracted by 27% in 2009. See UNCTAD, *World Investment Report 2010: Investing in a Low-carbon Economy* (Geneva: United Nations, 2010), available at: www.unctad.org/en/docs/wir2010_en.pdf.

[14] The surveys (available at: www.oicci.org/forms/publication.aspx) were conducted by the Overseas Investors Chamber of Commerce & Industry, Karachi. The Chamber is the oldest in Pakistan and has 185 member companies with output accounting for 14% of GNP.

[15] The decision was also attributed to unfavorable government policy, as reported by Azhar Masood, "Boeing puts investment in Pakistan on hold", 4 July 2010, available at: http://arabnews.com/saudiarabia/article78632.ece.

[16] These investments are reflected in relatively large shares of trade and of other services in IFDI flows for 2009 (annex table 3a).

The policy scene

Pakistan's investment regime is as open as in any other developing country, and the country has an investment incentive structure more generous than most.[17] The welcome to foreign investors is longstanding. A notable milestone was the signing with Germany in 1959 of the first bilateral investment treaty (BIT) in the world. The early 1970s were marred by nationalization, which was prevalent in the region, including India and Sri Lanka.[18] Although foreign enterprises were exempted,[19] new equity inflows collapsed.[20] A process of policy liberalization ensued from the mid-1970s onward.

By the mid-1990s, restrictions to entry, ownership, admission, and repatriation had been greatly relaxed or eliminated. Investor guarantees, property protections and national treatment are stipulated in the constitution and relevant laws.[21] Incentives for foreign investors include a variety of credit facilities, concessional customs duties, tax holidays, a favorable visa policy, and special investment zones. It is easier to do business in Pakistan than in any of the neighboring countries of South Asia.[22]

The privatization program and incentive packages have not been without controversy (i.e., surrounding the transparency of the deals, job losses and/or profit repatriations).[23] The privatization process was set back in 2006 when the Supreme Court, citing irregularities, annulled the divestment of Pakistan Steel Mills.[24]

A major dispute is looming in the minerals sector, which is governed at the provincial level, unlike oil and gas, which is regulated at the federal level. The authorities in Balochistan Province have threatened to cancel the mining licence of the Reko Diq copper and gold mine held by a consortium led by the Canadian Barrick Gold Corporation and the Chilean mining company Antofagasta. The exploration license grants exclusive rights to explore and, subject to certain investment requirements, also to develop, mine and sell minerals discovered within the license area. The exploration has found significant deposits, and provincial authorities are unhappy with the terms of the development project (involving new FDI inflows of US$ 3.2 billion). The federal government (i.e. the Prime Minister) has intervened between the provincial authorities and the mining companies. In the interim, the dispute is a blemish on the country's otherwise welcoming attitude toward FDI.

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[17] For a review of the policy regime see Khan and Kim, op. cit.

[18] In the case of Pakistan, the mood was exemplified by the observation of the Chief Economist of the Planning Commission, Mahbub ul Haq, in April 1968 that Pakistan's industry was largely owned by just 22 families.

[19] The American Life Insurance Company (ALICO), with an investment of more than US$ 36 million, was nationalized in 1972; it was denationalized in 1994 and is the largest foreign investment in insurance. The petroleum operations of ESSO were taken over in 1976 and placed under Pakistan State Oil; however, the ESSO fertilizer plant (US$ 43 million), the largest foreign investment in Pakistan at the time, was not affected. Some foreign companies (e.g., Shell) reduced shareholdings to below 50% in their locally registered affiliates.

[20] Direct investment fell from US$ 70 million in 1972 to zero in 1973, and turned negative (to -US$ 6 million) in 1974. It did not recover until 1981.

[21] As of May 2010, Pakistan had concluded 47 BITs and 51 DTTs (UNCTAD, op. cit.).

[22] For example, it takes less time and costs to start a business in Pakistan than in India or any other country in the subcontinent. Pakistan also scores high on investor protection. See: World Bank Group, *Doing Business 2010*, available at: www.doingbusiness.org/reports/doing-business/doing-business-2010.

[23] Pakistan ranks low on perception of public sector transparency, lower than (but not by much) other South Asian countries; see the 2010 index of Transparency International (available at: transparency.org/policy_research/surveys_indices/cpi/2010/results).

[24] Judgment of the Supreme Court in Pakistan Steel Mills Privatization Case, August 9, 2006.

New developments: handling terrorism risk

Although the weight of terrorism on investment decisions is unclear,[25] a recent survey ranks political risk as a major investor concern in developing countries and places Pakistan among the five most risky investment destinations.[26] In order to provide insurance cover against terrorism, a Political Risk Guarantee Facility was created by the Asian Development Bank in 2002. The facility is counter guaranteed and indemnified by the Pakistani Government. The liability coverage (up to US$ 175 million) may be increased through commercial reinsurance arrangements. There have so far been no terrorist incidents targeting FDI in Pakistan.[27]

The United States Congress is also considering a new US$ 300 million enterprise fund to provide upfront risk capital to spur IFDI in Pakistan. This fund would be financed from within the foreign aid allocation. Such facilities are not entirely new. The U.S. Overseas Private Investment Corporation and MIGA provide risk insurance for Afghanistan. The United States has also set up enterprise funds for the transition economies of Eastern and Central Europe, and countries of the former Soviet Union.

Conclusions

Pakistan welcomes foreign investors and had experienced large FDI inflows before the global downturn. The economy has overcome government instability in the past, and recovered relatively quickly after the 2005 earthquake. Nevertheless, current circumstances are dire: FDI inflows have declined by 60% since 2008, and the downslide is continuing. Pakistan can expect to continue to receive FDI in extractive industries (which tend to be impervious to the investment climate) and also from the more resilient economies of developing Asia. However, these inflows are offset by an overall fall in reinvested earnings.

Thus, immediate prospects for reversing the current decline of inward FDI hinge on efforts made by the Government of Pakistan to retain the confidence of investors. They include potential as well as existing investors, some of whom have been operating in Pakistan for many years. They also include domestic investors, whose actions shape perceptions of new investors. Determined efforts need to be made, through dialogue and partnership with the private sector, to tap into the country's substantial resource capacity and its considerable market potential.

Additional readings

Amjad, Rashid, *Private Industrial Investment in Pakistan, 1960-1970* (Cambridge: Cambridge University Press, 1982).

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[25] Daniel Wagner, "The impact of terrorism on foreign direct investment", February 2006, available at: www.irmi.com/expert/articles/2006/wagner02.aspx.

[26] World Bank Group, *World Investment and Political Risk Report 2009*, available at: www.miga.org/documents/flagship09ebook.pdf.

[27] In the view of the largest home country investors as expressed by the Executive Director of the U.S.-Pakistan Business Council: "Although the perception of Pakistan in the United States is often dominated by issues surrounding security and terrorism, a story that lacks attention from the mainstream media is that many American companies have successful operations and continue to explore opportunities for investment in Pakistan." See Esperanza Gomez Jelalian, "A perspective from the U.S. business community in Pakistan: Key issues and opportunities," in Kugelman and Hathaway, op. cit.

Khan, Ashfaque H. and Yun-Hwan Kim, "Foreign direct investment in Pakistan: Policy issues and operational implications," *EDRC Report Series No. 66*, Asian Development Bank, July 1999.

Kugelman, Michael and Robert M. Hathaway, eds., *Hard Sell: Attaining Pakistani Competitiveness in Global Trade* (Washington D.C.: Woodrow Wilson International Center for Scholars, April 2008).

Useful websites

For FDI policy and regulation: Government of Pakistan, Board of Investment, available at: www.pakboi.gov.pk.

For FDI statistics: State Bank of Pakistan, available at: www.sbp.org.pk.

For economic statistics: Government of Pakistan, Ministry of Finance, available at: http://www.finance.gov.pk.

For economic research: Pakistan Institute of Development Economic, available at: www.pide.org.pk.

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Dr. Karl P. Sauvant, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law.

Statistical annex

Annex table 1. Pakistan: inward FDI stock, 2000-2009

(US$ billion)

Economy	1990	2000	2009
Pakistan	1.9	6.9	17.8
Memorandum: comparator economies			
India	1.7	16.3	164.0
Iran	2.0	2.6	24.0
Peru	1.3	11.1	36.9
Philippines	4.5	18.2	23.6

Source: UNCTAD's FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 2. Pakistan: inward FDI flows, 2000-2009

(US$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Pakistan	0.3	0.4	0.8	0.5	1.1	2.2	4.3	5.6	5.4	2.4
Memorandum: comparator economies										
India	2.3	3.4	3.5	4.3	5.3	6.7	20.3	25.0	40.4	34.6
Iran	0.2	1.1	3.7	2.7	2.9	3.1	1.6	1.7	1.6	3.0
Peru	0.8	1.1	2.2	1.3	1.6	2.6	3.5	5.5	6.9	4.8
Philippines	2.2	0.2	1.5	0.5	0.7	1.9	2.9	2.9	1.5	1.9

Source: UNCTAD's FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 3. Pakistan: distribution of inward FDI stock, by economic sector and industry, 2006, 2008

(US$ million or percentage shares)

Sector/industry	2006	2008
All sectors/industries	**13,681.9**	**16,472.9**
Primary (%)	**10.6%**	**10.4%**
Oil and gas exploration	1,450.0	1,706.5
Secondary (%)	**34.8%**	**30.5%**
Food	651.4	847.5
Chemicals	986.9	711.8
Petroleum refining	349.9	481.2
Pharmaceuticals	586.7	711.3
Transport equipment	1,014.2	823.3
Other manufacturing	1,167.3	1449.9
Tertiary (%)	**51.2%**	**58.0%**
Power	1,551.5	1,563.0
Trade	586.1	1,284.6
Communications	1,766.6	2,593.3
Finance	2,569.6	3,831.1
Other services	534.2	277.2
Unspecified (%)	**3.4%**	**1.1%**

Source: State Bank of Pakistan, available at: www.sbp.org.pk/publications/iipp.

Annex table 3a. Pakistan: distribution of inward FDI flows, by economic sector and industry, 2001, 2009

(US$ million or percentage shares)

Sector/industry	2001[a]	2009
All sectors/industries	**484.8**	**2,387.7**
Primary (%)	**56.7%**	**27.8%**
Mining	6.6	6.5
Oil and gas exploration	268.2	657.8
Secondary (%)	**13.6%**	**28.6%**
Food	7.6	65.8
Chemicals	12.9	121.2
Petroleum refining	2.8	108.2
Pharmaceuticals	7.2	12.9
Transport equipment	1.1	44.2
Other manufacturing	34.5	330.8
Tertiary (%)	**27.1%**	**40.0%**
Power	36.4	145.9
Trade	34.2	118.9
Communications	12.7	189.6
Finance	3.6	169.9
Other services	57.2	331.4
Unspecified (%)	**2.6%**	**3.6%**

Source: State Bank of Pakistan, available at: www.sbp.org.pk/ecodata/nifp_arch/index.asp.
[a] Data for fiscal year, from July 2001 to June 2002.

Annex table 4. Pakistan: geographical distribution of inward FDI stock, 2006, 2008

(US$ million or percentage shares)

Region/economy	2006	2008
World	**13,681.9**	**16,472.9**
Developed economies (%)	**57.6**	**65.4**
Australia	61.5	212.0
Austria	86.9	136.6
France	32.0	172.7
Germany	419.3	436.5
Ireland	62.4	58.7
Japan	871.0	812.9
Luxembourg	48.9	34.9
Netherlands	798.4	787.3
Switzerland	998.0	1707.8
Sweden	40.1	59.6
United Kingdom	2,664.9	4241.7
United States	1,754.7	1638.5
Others	44.1	480.5
Developing economies (%)	**32.4**	**32.8**
Bahrain	78.1	183.3
British Virgin Island	6.4	114.9
Cayman Island	170.8	224.0
China	34.1	694.8
Hong Kong (China)	110.7	254.6
Kuwait	130.6	258.9
Libya	37.8	53.1
Malaysia	64.6	353.0
Mauritius	379.0	608.1
Oman	123.8	196.3
Saudi Arabia	581.0	148.9
Singapore	12.7	201.2
United Arab Emirates	2,573.5	1663.9
Others	126.1	447.1
Unspecified (%)	**10.0**	**1.8**

Source: State Bank of Pakistan, available at: www.sbp.org.pk/publications/iipp.

Annex table 4a. Pakistan: geographical distribution of inward FDI flows, 2001, 2009

(US$ million or percentage shares)

Country/region	2001 [a]	2009
World	**484.8**	**2387.7**
Developed economies (%)	**77.8**	**61.5**
Australia	0.4	90.4
Canada	3.5	1.3
Denmark	0.8	0.9
France	-6.9	5.9
Germany	11.2	79.4
Japan	6.5	36.7
Luxembourg	0.0	1.4
Netherlands	-5.1	149.1
Norway	0.1	37.3
Switzerland	7.4	182.8
Sweden	0.8	1.5
United Kingdom	30.3	197.0
United States	326.4	610.0
Others	1.8	74
Developing economies (%)	**14.7**	**16.1**
Bahamas	0.0	8.9
Bahrain	21.9	17.0
Bangladesh	1.7	0.2
Cayman Island	0.6	111.7
China	0.3	-109.9
Egypt	0.3	0.7
Hong Kong (China)	2.8	14.5
India	0.0	0.5
Iran	0.0	7.4
Korea, Rep. of	0.5	2.7
Kuwait	2.2	2.8
Libya	0.0	3.3
Malaysia	0.9	-2.5
Mauritius	0.0	57.9
Oman	3.2	-5.2
Qatar	1.0	0.9
Saudi Arabia	1.3	-82.3
Singapore	3.9	102.1
Turkey	0.0	15.9
United Arab Emirates	20.5	166.1
Others	10.2	71.3
Unspecified (%)	**7.5**	**22.4**

Source: State Bank of Pakistan, available at: www.sbp.org.pk/ecodata/nifp_arch/index.asp.
[a] Data for fiscal year, from July 2001 to June 2002.

Annex table 5. Pakistan: principal foreign affiliates,[a] ranked by sales, 2008-2009

(Pakistan Rupee billion)

Name of affiliate or local company	**Home country of parent company or foreign partner**	**Industry**	**Annual sales in 2008-2009 [b]**
A. Secondary Sector			
Attock Oil Group [c]	U.K./Saudi Arabia	Diversified	170
Shell Pakistan	U.K./Netherlands	Petroleum	100
Indus Motor	Japan	Transport equipment	61
Nestle Pakistan	Switzerland	Food	41
Lotte Pakistan PTA	Korea, Rep. of	Chemicals	39
Unilever Pakistan	U.K./Netherlands	Consumer goods	38
Atlas Honda Group [d]	Japan	Transport equipment	36
Siemens Pakistan	Germany	Electrical equipment	36
ICI Pakistan	Netherlands	Chemicals	32
Pak Suzuki Motors	Japan	Transport equipment	26
Pakistan Tobacco	U.K.	Tobacco	21
GalxoSmithKline Pakistan	U.K.	Pharmaceuticals	15
Lakson Tobacco	U.S.	Tobacco	13
Colgate-Palmolive Pakistan	U.S.	Consumer goods	12
Hinopak Motors	Japan	Transport equipment	11
Dawood Hercules Chemicals	U.S.	Fertilizers	11
B. Tertiary Sector			
Habib Bank	Switzerland	Finance	87
United Bank	U.A.E.	Finance	74
MCB Bank	Malaysia	Finance	61
Bank Alfalah	U.A.E.	Finance	40
Standard Chartered Bank	U.K.	Finance	34
Habib Metropolitan Bank	Switzerland	Finance	25
Faysal Bank	Bahrain	Finance	20
Royal Bank of Scotland	U.K.	Finance	14

Source: Author's compilation, based on UNCTAD, *World Investment Directory, Volume VII: Asia and the Pacific*, (Geneva: United Nations, 2000); and company websites. For sales data: Wright Investors' Service, available at: www.corporateinformation.com.

[a] Foreign affiliates include firms owned by individual multinationals, even if these firms are registered in Pakistan as separate limited companies. The list excludes affiliates in which foreign shareholdings exceed 10%, when these affiliates are controlled by local investors or government, such as two of the largest enterprises in Pakistan, the HUBCO power company (with Saudi Arabia/U.K. equity) and the PARCO refinery (with U.A.E. equity), as well as the Pakistan Telecommunication Company (with U.A.E. equity).

[b] The sales data are not strictly comparable, as these vary by definition (e.g. income in the case of financial institutions) and year, and are presented only to illustrate rough rank.

[c] Includes Attock Oil (incorporated in the U.K. in 1913), Pakistan Oilfields, Attock Refinery, National Refinery, Attock Petroleum, Attock Cement and Attock Information Technology Services; majority owned by the Saudi based Pharaon Group. The sales data is for some of these entities.

[d] Includes two entities, Atlas Honda (motorcycles) and Atlas Honda Cars.

Annex table 6. Pakistan: main cross-border M&A deals (completed transactions), 2007-2009

Year	Acquiring company	Home economy	Target company	Target industry	Shares acquired (%)	Value (US$ million)
2009	GlaxoSmithKline PLC	United Kingdom	Bristol-Myers Squibb Pakistan	Pharmaceuticals	100.0	36.7
2009	KP Chemical Corp	Korea, Rep. of	Pakistan PTA Ltd	Chemicals	75.0	12.0
2008	Maybank	Malaysia	MCB Bank Ltd	Finance	20.0[a]	886.5
2008	Oman Telecomm. Co	Oman	Worldcall Telecom Ltd	Communications	65.0	204.0
2008	Investor Group	Oman	Saudi Pak Commercial Bank Ltd	Finance	86.6	202.5
2008	Investor Group	Japan	Indus Motors Co Ltd	Transport equipment	12.5	56.5
2008	Noor Finl Invest KSCC	Kuwait	Meezan Bank Ltd	Finance	11.2[a]	23.5
2008	International Resorts Co KSCC	Kuwait	Al Marwa Haj & Umrah Svcs Co	Transport services	22.7	10.8
2007	SingTel	Singapore	Warid Telecom(Pvt)Ltd	Communications	30.0	758.0
2007	Philip Morris Intl Inc	Switzerland	Lakson Tobacco Co Ltd	Tobacco	50.2	339.0
2007	Orascom Telecom Holding SAE	Egypt	Mobilink	Communications	31.3 [a]	290.9
2007	China Mobile Commun Corp	China	Paktel Ltd	Communications	88.9	284.0
2007	Xinjiang Zhongxin Resources	China	Mortuk Oilfield	Petroleum	100.0	250.0
2007	ABN-AMRO Holding NV	Netherlands	Prime Commercial Bank Ltd	Finance	96.2 [a]	234.2
2007	Noor Finl Invest KSCC	Kuwait	Meezan Bank Ltd	Finance	19.0	38.1
2007	Investor Group	United Kingdom	KASB Capital Ltd	Finance	-	33.0
2007	Investor Group	Qatar	Burraq Telecom Co Ltd	Communications	75.0	12.3

Source: Thomson ONE Banker. Thomson Reuters.
[a] Comprises 2 transactions.

Annex table 7. Pakistan: main announced greenfield projects, by inward investing firm, 2007-2009

(US$ million)

Year	Investing company	Home economy	Industry	Investment value	Notes
2009	Wartsila	Finland	Power	666	*a*
2009	Xenel Industries	Saudi Arabia	Power	659	*a*
2009	China Mobile	China	Communications	500	
2009	Dubai Islamic Bank	U.A.E.	Finance	448	*a, b*
2009	Total	France	Petroleum	406	*a*
2009	OMV	Austria	Oil and gas	112	*a*
2009	Yamaha	Japan	Transport equipment	150	
2009	Metro	Germany	Trade	55	*a*
2009	MOL	Hungary	Oil and gas	40	
2009	Laboratorios Bago	Argentina	Pharmaceuticals	10	
2008	Global EnviroScience Technologies	U.S.	Power	2,950	*c*
2008	Zorlu Holding	Turkey	Power	950	*a*
2008	Dana Gas	U.A.E.	Oil and gas	414	*a*
2008	MAF Group	U.A.E.	Trade	403	*a*
2008	Al-Tuwairqi Group	Saudi Arabia	Metals	265	
2008	Tetra Laval	Switzerland	Plastics	141	
2008	Jura Energy	Canada	Oil and gas	112	*a*
2008	ENI	Italy	Oil and gas	162	*a, c*
2008	Coca-Cola	U.S.	Beverages	100	
2008	Procter & Gamble	U.S.	Chemicals	100	
2008	Nanjing Sunec Wind Generator Equip. Factory	China	Power	98	
2008	BASF	Germany	Chemicals	91	*a*
2008	DTS Corporation	Japan	Communications	50	
2007	Hutchison Whampoa	Hong Kong (China)	Logistics	1,000	
2007	China Mobile	China	Communications	860	*c*
2007	Enshaa Holdings	U.A.E.	Construction	362	*a*
2007	Daewoo International	Korea, Rep. of	Transport equipment	229	*a*

2007	Toyota Motor	Japan	Transport equipment	180	
2007	Carlson Companies	U.S.	Hotels	339	*a, c*
2007	Fair Energy	Switzerland	Petroleum	100	
2007	Temasek Holdings	Singapore	Logistics	92	*a*
2007	Metro	Germany	Trade	59	*a*
2007	SHV Holdings	Netherlands	Trade	59	*a*
2007	Credit Suisse Group	Switzerland	Finance	33	*a*
2007	JP Morgan Chase & Co	United States	Finance	33	*a*

Source: fDi Intelligence, a service from the Financial Times Ltd.
[a] Estimated value.
[b] Comprises 11 projects.
[c] Comprises 2 projects.