

FDI down; non-Sino FDI worse

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What a start to the fiscal year! FDI data for July 2018 shows how Murphy's Law is played out in real life: gross FDI inflow is down 34 percent, while gross outflow is up 18 percent. The result: net FDI is down 45 percent.

Investments from our Chinese brothers in July 2018 remained at last year's level; \$74.5 million as against \$73.4 million in July 2017. This means that Pakistan's reliance on Sino-investments has increased one notch further.

It also means that non-Chinese FDI was in fact down by 66 percent year-on-year in July 2018. This is a continuation of the trend seen in last fiscal year when non-Chinese FDI fell 22 percent. A continuation of this trend will push Pakistan further into the heart of what's called the Dutch disease. (See BR Research 'Wanted: FDI miracles' for detailed background on FDI trends, July 19, 2018)

The easiest answer to this trend is the oft cited ease of doing business problems, etcetera. But as BR Research's analysis of comparative historical returns enjoyed by US investors in Pakistan showed earlier this month, when the returns are high, the arguments like consistency in policy and cost of doing business become somewhat irrelevant, and problems of perception or image takes front seat. (See BR Research 'Why US investors are shy of Pakistan?' Aug 8, 2018)

This brings us to the role of apex investment promotion agency: the federal Board of Investment (BoI). At the one end, Pakistan's BoI has been unable to successfully implement second generation FDI promotion policies that aim at boosting a country's exports, productivity and technology adoption. At the other end, the BoI's focus on image building and investment generation has been weak.

The former includes activities like advertising in general financial media; participating in investment exhibitions; advertising in industry or sector specific media; conducting general investment missions from source country to host country or from host country to source country; and conducting general information seminars on investment opportunities. The latter includes activities like engaging in conducting industry- or sector-specific information seminars; and engaging in firm-and or industry specific research followed by sales presentations.

In the just ended political regime, the PML-N had begun to experiment with promotional activities, holding daylong conferences in Islamabad for two years in a row. But the agenda soon withered after the then Chairman BoI Miftah Ismail was first tasked with the job to tackle PTI's aggressive campaign on media and later assigned as an advisor

on fiscal affairs. The Bol was therefore left with narrow agenda of improving ease of doing business, and some aspects of providing investor services. How might the PTI will do things differently? One will have to wait and see since its manifesto is silent about the Bol.