

New Opportunity for Local & Foreign Investors in Pakistan

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ABSTRACT

The main motive of this study is to discuss the foreign direct investment in Pakistan and the source from where foreign investment in the flow field is wide use of sources is to be discussed, In addition, here the purpose is to be discussed the reasons how to invest in Pakistan. There are many opportunities for the local and the international investors to come and invest in Pakistan in the different sectors like in Petroleum, Telecom, Powers, Textile, Ports and Agriculture sectors. These are the main sectors that are waiting for the investors to come and invest in these sectors. The Details study shows that the Government of Pakistan has already published the major government official's data. In these study we discussed the investment in Pakistan on various significant occasions and the trends how to invest in the certain areas for the local and the international investors, Moreover, the foreign investment resources in Pakistan are open to critical areas, But it strongly needs to be expand in all over the needy and unprivileged areas, Pakistan has to improve law and order situation, because it has underdeveloped capital markets. It is significant increased due to lacking in commercial loans availability. Furthermore, domestic savings are unable to meet investment needs. This is because foreign direct investment is more important priority agreement for Pakistan. Primarily, we collected this data from various Organizations and Government of Pakistan (G o Pak). Therefore, reliability of this data is important. It was a huge issue as well. Government of Pakistan underlined its significant for the investors. Therefore, those investors can easily come the opportunities for their investments. This information for foreign and local investors having strong, cheap labors and human resource resources skill, view of the large and growing domestic market, abundant land and natural resources, low cost of raw materials available in Pakistan and market presence can be used in a strategic location. The Study foreign sources of international and local investment in Pakistan are attractive and promising. Moreover, foreign direct investment as a potential side expressed overall activities in Pakistan (FDI).W hat is now mostly needed is less talk and far more action to demonstrate the will of the investors

Key Words: Pakistan, Foreign, Investment, Organization, Strategic, Potentials, domestic

INTRODUCTION

After the Second World War, industrialization, the order of the day not earlier the idea of occupying enemy territory was transformed into the opponent's control of the economics states. The world as a stage in the economic war, Pakistan has a poor and underdeveloped country of the world. The successive governments have sought that economic growth has led to his becoming the industrializing economy. Whereas in the past decade, it is the hub of economic activities, if the low domestic savings, FDI is a significant funding for investment

Over view of Pakistan

Pakistan is a land of opportunities the store is a unique combination of history and culture of East and West. This is the cradle of the ancient Indus Valley civilization developed. This is the ninth most populous country in the world 160,000,000 tough, hard-working and industrious people, who entered the 21 century, as an equal partner in the comity of nations, Geographical location and the diversity-friendly high-temperature habitats of many wild animals and a variety of agricultural crops used for food and raw materials.

What is Investment?

Investment can be define as

Use of money or goods in the hope of making more and more money in future

The purchase by a producer of physical goods in the hope of improving and extending for

Future Business

Use of input resources intended to increase future production output or income.

Reasons to invest in Pakistan

Pakistan are flanked by Iran and Afghanistan to the west around the capital and surplus energy to the Middle East in the south - west coast of the energy-rich Central Asian republics and economic powerhouse China's in the north India, a prosperous East and South-East Asia. This makes Pakistan a trade, energy, transportation

corridors and industrial hub, Another reason to invest in Pakistan the availability of rich soil and natural resources and cheap raw materials, strong human resources, the large and growing domestic market, increasing reserves, expanded privatization program

Current FDI Status

Foreign direct investments in Pakistan decreased from 2007 during the last three years, in US dollars 387.4 its decreased 2010-2011. The major issue in Pakistan is political and economic uncertainty situation, which resulted, is directly affected on foreign investment. The bad governances and corruption is decreased the FDI for local and international investors. Therefore, they should take strong decision about these policies so they should be the incensement opportunities for investors

If our Government take step Consistency and continuity in policies tax and governance reforms, agriculture sector reforms, industry and investment reforms, deregulation, liberalization, privatization, financial sector reforms, capital market reforms, fiscal transparency, opening new avenues of investment and its strategic location. For foreign investors Pakistan is good opportunity Major contributing countries are seeing figure 1 for graphical representation

Country Wise FDI Inflows (\$ Million)

Country	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Jul-Sep)
USA	92.7	326.4	211.5	238.4	325.9	516.7	913.1	1309.3	869.9	468.3	61.3
UK	90.5	30.3	219.4	64.6	181.5	244.0	860.1	460.2	263.4	294.6	41.9
U.A.E	5.2	21.5	119.7	134.6	367.5	1424.5	661.5	589.2	178.1	242.7	67.3
Japan	9.1	6.4	14.1	15.1	45.2	57.0	64.4	131.2	74.3	26.8	-0.2
Hong Kong	3.6	2.8	5.6	6.3	32.3	24.0	32.6	339.8	156.1	9.9	65.9
Switzerland	3.6	7.4	3.1	205.3	137.5	170.6	174.7	169.3	227.3	172.1	3.1
Saudi Arabia	56.6	1.3	43.5	7.2	18.4	277.8	103.5	46.2	-92.3	-133.8	-0.4
Germany	15.5	11.2	3.7	7.0	13.1	28.6	78.9	69.6	76.9	53.0	0.9
Korea(South)	3.7	0.4	0.2	1.0	1.4	1.6	1.5	1.2	2.3	2.3	0.8
Norway	41.9	0.1	0.3	146.6	31.4	252.6	25.1	274.9	101.1	0.4	0.4
China		0.3	3.0	14.3	0.4	1.7	712.0	13.7	-101.4	-3.6	3.4
Others		76.6	173.9	108.6	369.3	521.9	1512.2	2005.2	1964.2	1018.1	143.0
Total	322.4	484.7	798.0	949.0	1523.9	3521.0	5139.6	5409.8	3719.9	2150.8	387.4

Sector Wise FDI Inflows (\$ Million)

Sector	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Jul-Sep)
Oil & Gas	80.7	268.2	186.8	202.4	193.8	312.7	545.1	634.8	775	740.6	112.7
Financial Business	-34.9	3.6	207.4	242.1	269.4	329.2	930.3	1,864.90	707.4	163	11.9
Textiles	4.6	18.5	26.1	35.4	39.3	47	59.4	30.1	36.9	27.8	6.6
Trade	13.2	34.2	39.1	35.6	52.1	118	172.1	175.9	166.6	117.1	11.5
Construction	12.5	12.8	17.6	32	42.7	89.5	157.1	89	93.4	101.6	15.4
Power	39.9	36.4	32.8	-14.2	73.4	320.6	193.4	70.3	130.6	-120.6	36.6
Chemical	20.3	10.6	86.1	15.3	51	62.9	46.1	79.3	74.3	112.1	23.5
Transport	45.2	21.4	87.4	8.8	10.6	18.4	30.2	74.2	93.2	132	29
Communication (IT Telecom)	NA	12.8	24.3	221.9	517.6	1,937.70	1,898.70	1,626.80	879.1	291	46
Others	140.9	66.2	90.4	170.1	274	285	1,107.20	764.5	763.4	586.3	94.2
Total	322.4	484.7	798	949.4	1,523.90	3,521.00	5,139.60	5,409.80	3,719.90	2,150.80	387.4

Avenues for Foreign and local investors

On this basis of large potential opportunity for capital-intensive and Major Avenue for FDI discussed under

Exploration of Oil and Gas

First exploration made in 1866. In addition, the first oil discovery made in 1915. So far, 526 exploratory wells have been drilled and 142 discoveries have been made, it is encouraging success, 1: 3.7

A total of about 737 million barrels of oil and 38 trillion cubic feet of gas have been discovered in Pakistan, the entire frame and prognostic potential hydrocarbon basins of Pakistan is estimated as 27 billion barrels of oil and 282 trillion cubic feet of gas. The current production of oil is not sufficient to meet the local demand.

Exploration of Coal Mining

Coal mining is one of the oldest industries of Pakistan. It assumed new heights in fifties when cement, fertilizer and other process industries became major users of coal. This led to an increase in production from 0.7 million tones/annum in 1959 to 1.4 million tones/annum in 1968. Until discovery of natural gas, coal was meeting 50 per cent of country's total energy requirement. The boom in construction activities in eighties provided new impetus and coal production touched 3.14 million tons in 1989-90. Since then annual coal, production has remained stagnant between 3.2 to 3.5 million tons per annum.

COAL PRODUCTION						
(000 tones)						
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Balochistan	1,565	1,798	1,828	1,574	1,671	1,681
Punjab	413	515	425	366	479	454
Sindh	1,023	1,278	1,238	1,165	1,250	985
Khyber Pkhtoon Khawa	42	47	62	54	61	46
Total	3,043	3,638	3,553	3,159	3,461	3,166

Though coal mining is undertaken at all the four provinces, Pakistan has not been able to exploit the real benefit of huge reserves of the commodity. One of the reasons for this is poor demand for coal. The mining sector in each province is faced with peculiar set of issues ranging from higher cost of production to lack of infrastructure. The cost of mining per ton not only varies from province to province but also varies within each province. Main reasons being different mining methods, level of application of technology and variations in working depths of mines. Despite the fact that coal found in Baluchistan is superior in quality, it is expensive due to mines being deeper and steeper. The overall mining cost can be reduced by upgrading the present technology used in coal mining. This requires heavy capital investment. The payback of this investment can be reduced by achieving higher production. Demand for coal can be increased by making its use obligatory for various industries. Another important area, which needs massive investment, is the infrastructure for coal transportation. At present, coal from mines is transported mostly by road. While railway lines passes through or near the coal fields, slow and outdated system coupled with limited availability of railway wagons do the miners and the ultimate coal using industries face the key issues. Therefore, transportation infrastructure requires urgent development to facilitate the coal mining industry to cope with increased demand for coal in future

Oil refining capacities

capacity of oil refineries in Pakistan is 12.73 million tons annually, which would increase to 18.73 million tons per year compared with demand in 2010, installing additional refining capacity of 6,000,000 tons (through foreign direct investment) the storage capacity of existing petroleum fuels and lubricants (POL) products except crude oil supply coverage of 20 days it will also be increased to 45 days (through FDI). To meet the needs of oil supplies in the white area of Peshawar white oil pipeline with an estimated cost of U.S. \$ 154,000,000 would be undertaken 2010 through foreign direct investment. About 3125 compressed natural gas (CNG) stations will be established in different parts of the country. During the year 2005-10 period (Plan) transmission pipeline will be extended from 8606 km to 9700 km and the work of casting nets on 62.623km 9400km. Margin of oil marketing companies have increased to improve performance and encourage them to invest in storage facilities and infrastructure. As a result, approximately \$ 1 billion worth of investments in this sectors

Infrastructure

Infrastructure majorly include roads, ports, rails, water supply, sanitation, Transmissions lines telecom and industrial zones, the totals roads length in Pakistan is approximately 258000km .

This include

- 9,000 km of national highways
- 101,000 km provincial intercity roads
- 94000 km local Government roads & 54000 km Municipal and cantonment roads

With the annual growth rate of passenger traffic 12.64% and 6.13% of transport is estimated at 439 billion passengers and 198 million tons of freight traffic will be handled by roads by the 2010. The plan provides for the

improvement and rehabilitation of about 15,932 km of existing roads and construction of 12,180 kilometers of new roads across the country, as shown below

Plan for the improvement and rehabilitation of new and existing roads			
	Improvement		Construction
National Highways	6500km		2500km
Provincial Roads	6600km		9190km
Special Areas Roads	2832km		490km
Total	15932km		12180km

An allocation of RS 256 billion is planned for road development plans in both the public and the private sectors furthermore, the above program to build several pipeline projects with private sector ownership and transfer BOT basis for a cost of Rs 31 million under these projects

Motorways

The most attractive and benefitted investment sectors are Pakistan Motorways. Through the motorways they are connected Karachi, Hyderabad, Lahore, Multan, Faisalabad, Gujarat, Gujranwala, Rawalpindi, Islamabad, Mardan, Peshawar and now they trying for Quetta and Di Khan DG Khan and Swat, our government want to established the industries zone on motorways for local and foreigner investors, our government also invite local and foreigner investor to invest in motorways projects which connect the different Pakistani city to each other

National trade corridor development program (2007 - 2014)

Under this program, 2,033 km of rehabilitation over the gradation of 2755 km and the construction of 2,900 kilometers of roads will be completed in 2014. The total project cost is SR 351 477 (€million).

Industrial Zone / real estate along the NTC (National Trade Corridor) Highway

Identifying potential entry / exit points to the new highway corridor for the development of industrial sites requires careful study. However NHA proposes the following areas in which this industrial estate can be developed

- N-25, Khuzdar, Qila Abdullah
- N-35, Nagar
- N-50/N-70, Qilla Saifullah
- N-55, Indus Highway (Kohat, D.I. Khan, D.G. Khan, Shikarpur)
- N-80, Near Khushalgarh Bridge
- N-85, Panjgur, Basima

Industrial Estate on Motorways

- I. Faisalabad Industrial Estate, which has been developed by Govt. of Punjab Interchange near Milat interchange on Pindi Bhattian-Faisalabad Motorway (M-3)
- II. On Islamabad Peshawar Motorways land vicinity near the Burhan Interchange, Ghazi and Swabia has already declared for Industrial Estate(M-5)
- III. On Lahore Islamabad motorway the industrial zone has already declared near Pindi Bhatian Chakari Interchabge

Housing apartments and Buildings

Pakistan is one of the most dumbly populated countries in the world. In Pakistan, the demand for housing is estimated at 570, 000 units per year to meet increasing demands. Only about 300,000 a year mostly built in urban areas. According to a survey the backlog for houses, estimated at 4.3 (M) units in 1998, which increased to 6 (M) units in 2005. Massive investments have been allocated for this sector. The government is trying through all investments by the private sector to Rs 1,15 billion with an increase in investment from the existing Rs 100 billion to 350 billion by 2009-2010

Seaports

The three commercial ports, namely Karachi Port trust Port Qasim and Gawadar Ports confidence and have the monopoly. More than 95% of international cargo passes through these two ports. Karachi Sea Port and Port Qasim at this phase, 28 and 10 million tons of cargo, Gwadar port trust has recently established and its started ports working for Afghanistan and central Asia countries. The government decided to increase its cargos handling

capacities of these three ports projects for Karachi port trust (KPT) and Gwadar port trust (GPA) includes

- Dredging for deepening of navigation channel
- Reconstruction of oil pier-2
- Development of cargo village on Karachi Port Trust(KPT) estate
- Construction of port towards complex
- Establishment of container terminal for Karachi Port Trust (KPT)

These for Karachi port and Qasam Port extenuation but now Gwadar Port Authority they making new terminals which shall use for Afghanistan and central Asia countries

- Multipurpose terminal
- Container Terminal
- Liquids/Chemicals Terminal and Clean Dry Bulk Terminal
- LNG Terminal (liquefied natural gas)
- Liquid Bulk Terminal (petrochemicals)
- Dirty Dry Bulk Terminal
- Physical development program (for 15 years)

Port Qasim projects include deepening the channel and construction of a second container terminal for liquid cargo terminal, which both require an investment of RS. 113billion Gwadar port will have a strengthening effect on the economy of Pakistan, which needs to be a huge investment, Infrastructure investment is also an ally.

Power and electricity

Electricity generation is one of the forms of energy, which is life line of any economy. It can be produced by Hydel , thermal, coal, wind, biogas, renewable energy alternatives and nuclear

Hydro Projects

Identified potential is 46,000 Mega Watts while installed capacity is currently about 6459MW. The government planned 30 hydro project in changing mix of hydro power generation is dual purpose and source of cheap source. It will also serve as a life line of agriculture. short term projects, medium and long term are below

Short term hydro Projects

S.No	SHORT TERM PROJECTS	CAPACITY (MW)
1	Jinnah (Indus)	96
2	Malakand-III	81
3	Allai Khwar	121
4	Golan Gol	106
5	New Bong UGC	97
6	Khan Khwar	72
7	Duber Khwar	130
8	Pehur High Level	12
Total		715

Medium term Hydro projects

S. No	MEDIUM TERM PROJECTS	CAPACITY (MW)
1	Raised Mangla	180
2	Thal Reservoir (CJ Link)	52
3	Doyian (NA)	425
4	Neelam-Jhelum	969
5	Kohala (Jhelum)	740
6	Matiltan (Ushu)	84
7	Gulpur (Punch)	116
8	Abbasian (Jhelum)	245
9	Rajdhani (Punch)	86
Total		2897

Long term hydro projects

In addition to above Mega Watt (MW) of electricity can also be produced from the other source alternative which is in abundant in Pakistan

S. No	LONG TERM PROJECTS	CAPACITY (MW)
1	Combined cycle on gas/coal	3600
2	Combined cycle on gas	1260
3	Thar coal	1800
4	Lakhra coal	450
5	Other coal based	900
6	Wind poor	100
7	Renewable Energy	800
Total		8910

Privatization

All public organizations in the oils sectors, gas sectors, banking sectors, finance institution, telecommunications sectors and industrial sectors will be privatized in stages. These sectors are openly for locals and foreigner investors to come and invest in public and private sectors organizations. The government launched a commission for public sectors to its public and private partnership. To invite the private sectors in public institute for investing. Now our government has plane to privates the public sectors organization for local and foreign investors to come and invest in different sectors

Tourism

Pakistan is oldest civilization in the world, mountain beauty, rivers and beautiful weather the various tourism potential is immense, The tourism sector led by the private sector and the public sector act mainly as facilitators, foreign tourists represent for only 13% of all visitors' arrival, Domestic tourism is only 7% of all domestic travelers. Strengthening the tourism infrastructure Government of Pakistan has planned an investment of Rs 541 million in the plan. The cultural and religious tourism should focus on attracting foreign tourists. In these sectors vast opportunity for investors Pakistan is green hills rivers and deserts, our northern areas and valley Swat are naturally attractiveness for tourists, investment by locals and foreign investors in hotels and travels sectors in specially in hotels sectors

Telecom Sectors

Facts on policy reforms provided evidences that government of Pakistan is taking serious steps for the growth of Foreign Direct Investment in the country. It also witnessed that investors are given proper incentives and protection. They are considered back bone of growing economy of the country. Steps for the liberalization, privatization and deregulation of the telecom sector were specially appreciated by investors and considered as rational thinking of the current government. The liberal FDI policy by the Government of Pakistan and deregulation and privatization of the sector has triggered a wave of international acquisitions in the sector. During the last year about US \$ 2 billion worth of acquisitions were made in the telecom sector. After liberation of the sector a large number of firms are found working in Pakistan's telecom sector. This sector has shown a remarkable growth. It has received a large share of FDI; Privatization of PTCL is a positive sign/step of the Government of Pakistan to deregulate the telecom sector. This sector has great potential for foreign and local investors, The Telecom sector performed well in all its spheres during the past two years as the overall telecom density increased from 58.7 per cent to 63.5 per cent while total Foreign Direct Investment recorded at \$ 2.25 billion in this sector. In the telecom sectors already four five foreign companies are entered investment in the this sectors, now telecom sectors are openly for foreign and local investors to come and invest in IT and telecom sectors, the user of internet and mobile phone are increasing day by day in Pakistan more and more peoples are joining/using the latest technology

Conclusion

Pakistan shows all the signs of positive economic growth. The government of Pakistan is trying endeavors to build Pakistan am modern Asian Tiger country, the government should be provide secure and conducive environment for foreign and as well as local investors, Given its fragile balance of payments position, handicapped by low domestic savings and urgent need to boost industrial production. Pakistan is struggling for foreign investors to come and invest because Pakistan is significance need for foreign investors. This is a long-term strategy that our

government should be taken the right decision about foreign and local investors. They should be provided safety and security.

Overall FDI details and investment in telecom sector over past 5 years is shown in below graph



Pakistan is underdevelopment country and lack of narrow investment so our government should be provided the facility for investors to gain more and more investors in different sectors, which we have needed. We have lots of natural resource but we do not have any capital and heavy machinery to utilize these resources. One thing is very important for foreign and locals investors the stability of government and line order situation of the country in which they are investing. Once this objective is achieved Pakistan will be become a developed country in all over the world as well as in Asia tiger

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