



Pakistan's Quarterly FDI Pulse

OICCI Insights

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Pakistan's foreign investment performance in global and regional context

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1. Pakistan FDI Profile Comparison: FY26 vs FY25

Pakistan closed FY26 with net foreign direct investment of \$1.64 billion, down approximately 34 percent from \$2.48 billion in FY25. Gross FDI inflows declined from \$4.27 billion to \$3.57 billion, while outflows increased from \$1.79 billion to \$1.93 billion. The result was a substantially weaker net investment position despite the improvement in Pakistan's broader macroeconomic conditions highlighted in the OICCI brief.

Indicator	FY26	FY25	Change
Gross FDI inflows	\$3.568bn	\$4.268bn	−16.4%
FDI outflows	\$1.931bn	\$1.791bn	+7.8%
Net FDI	\$1.637bn	\$2.477bn	−33.9%
June net FDI	\$13.5mn	\$210.0mn	−93.6%

—Source: State Bank of Pakistan

The decline in net FDI reflected pressure from both sides of the account. Gross inflows were about \$700 million lower than in FY25, while outflows were approximately \$140 million higher. June 2026 was particularly weak, with net FDI falling to only \$13.5 million, compared with \$210 million in June 2025. The OICCI brief associates the sharp monthly slowdown presumably with remittance of proceeds related to the Telenor transaction.

Sector-wise movement

The sectoral picture remained highly concentrated. Power was Pakistan's largest recipient of net FDI at \$958 million, representing about 58 percent of total net FDI, despite falling from \$1.18 billion in FY25. Financial business was the other major positive contributor, rising to approximately \$806 million from \$703 million a year earlier.

Sector	FY25 Net FDI	FY26 Net FDI	YoY movement
Power	\$1.178bn	\$958mn	−19%
Financial business	\$703mn	\$806mn	+15%
Electrical machinery	\$176mn	\$146mn	−17%
Personal services	\$98mn	\$113mn	+15%
Petroleum refining	\$77mn	\$77mn	Broadly unchanged

Source: State Bank of Pakistan

Power and financial business together generated approximately \$1.76 billion in net investment, exceeding Pakistan's total net FDI for the year because losses elsewhere offset part of those gains. Communications was the largest sectoral drag, with net outflows widening from \$70 million to \$456 million. Mining and quarrying also remained in net outflow at \$117 million, while food moved from a positive \$45 million in FY25 to a \$102 million net outflow in FY26.

The communication sector alone accounted for close to one-quarter of total FY26 FDI outflows, based on the sector table, and the OICCI brief separately highlights communications as a major source of capital withdrawal.

Concentration and country dynamics

China remained Pakistan's largest individual source of net FDI in FY26, contributing \$862 million, although this was substantially below the \$1.21 billion recorded in FY25. Hong Kong contributed another \$339 million, taking combined China and Hong Kong net investment to approximately \$1.20 billion, equivalent to roughly 73 percent of Pakistan's total net FDI for the year.

Source	FY26 Net FDI	FY25 Net FDI	Movement
China	\$862mn	\$1,205mn	−28%
Hong Kong (SAR)	\$339mn	\$470mn	−28%
U.A.E.	\$236mn	\$294mn	−20%
Switzerland	\$205mn	\$168mn	+22%
United Kingdom	\$132mn	\$68mn	+94%

Source: State Bank of Pakistan

The country composition shows a mixed picture. China remained the leading investor but recorded a sizeable year-on-year decline, while Hong Kong and the UAE also contributed less than in FY25. Switzerland, the United Kingdom and Kuwait recorded stronger net investment, and South Korea remained broadly unchanged at \$96 million. The sharpest deterioration came from the United States and Norway, both of which moved from positive net investment in FY25 to substantial net outflows in FY26.

The bigger story: money leaving faster than it arrives

Foreign companies repatriated approximately \$2.2 billion in profits and dividends. Higher profit payments are not inherently negative—they show that existing foreign businesses are profitable and can remit their earnings—but the imbalance highlights Pakistan's failure to attract enough new investment to replenish and expand its foreign capital base.

Overall assessment

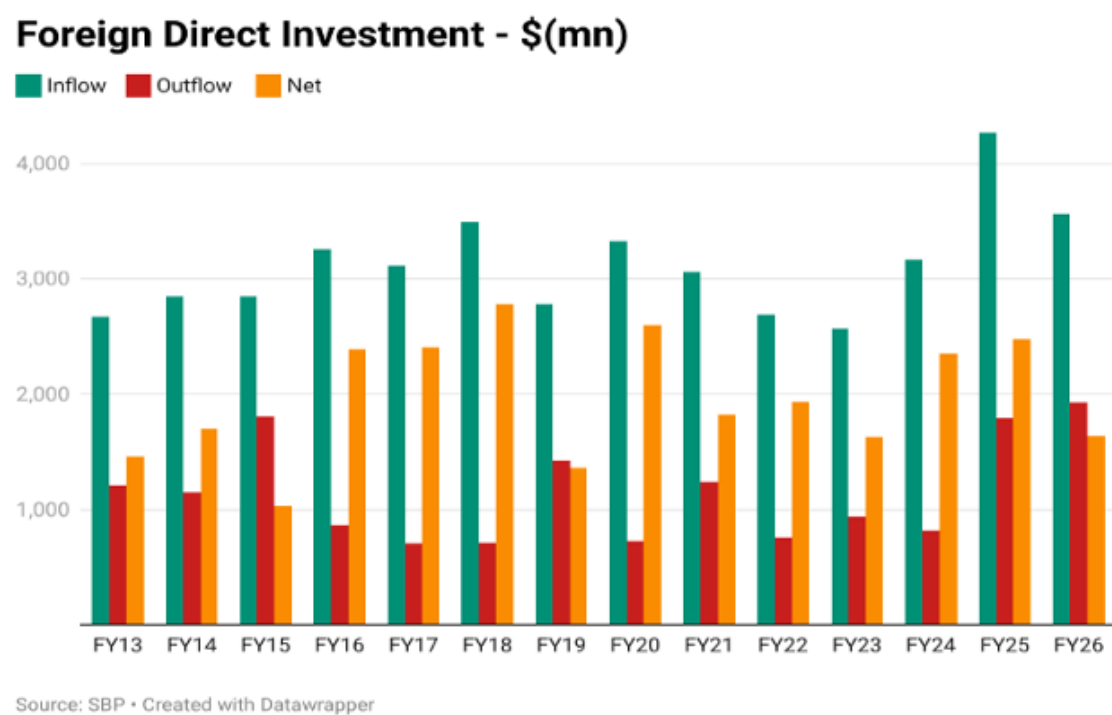
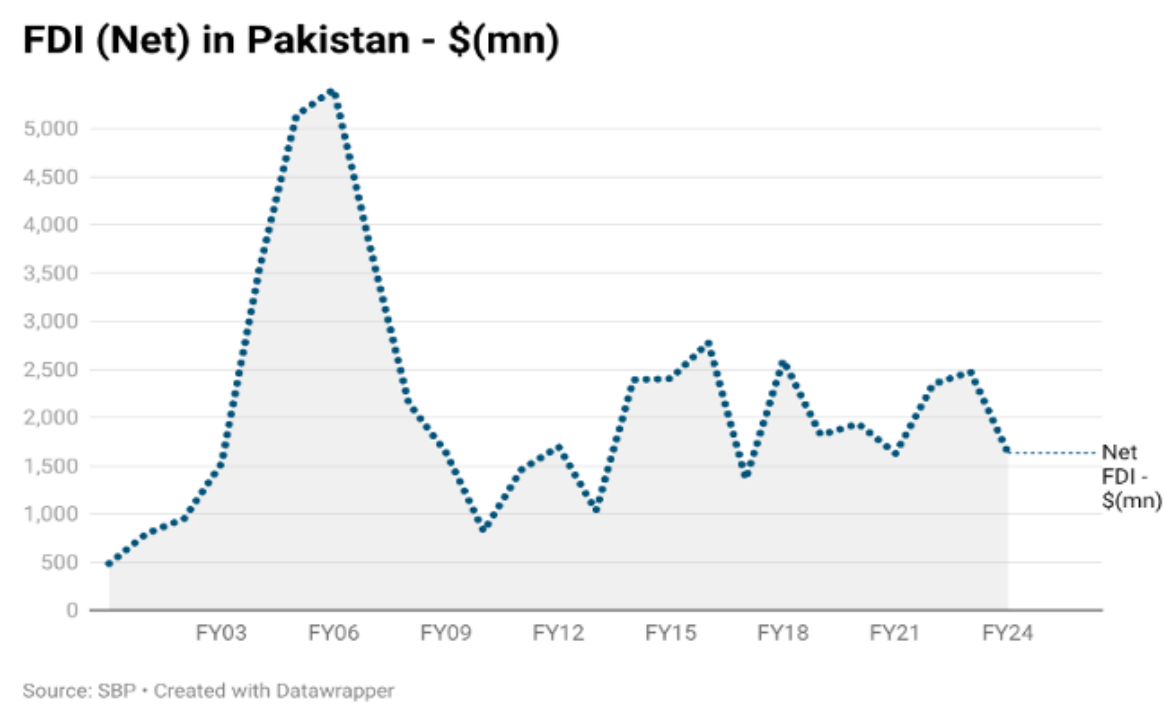
Macroeconomic conditions — easing inflation, a steadier exchange rate, and continued engagement with the IMF programme — improved, China and Hong Kong-linked declines were the principal drag on the total, while capital continued flowing into power, banking, and pulling back from manufacturing and telecommunications, the sectors most capable of generating exports, technology transfer, and durable employment. Stability, in other words, has not yet converted into fresh inflows.



2. Global FDI Trends

2.1 Top 10 FDI-investing countries globally

Ranked by outward FDI flows during 2025, the largest source economies were:



Rank	Source economy	Outward FDI, 2025	Direction vs 2024
1	United States	\$263bn	Increased
2	Japan	\$186bn	Declined
3	China	\$174bn	Declined
4	Luxembourg	\$101bn	Increased
5	Hong Kong, China	\$95bn	Broadly stable
6	Singapore	\$94bn	Increased sharply
7	Germany	\$87bn	Increased sharply
8	United Kingdom	\$85bn	Rebounded from negative flows
9	United Arab Emirates	\$63bn	Declined
10	Netherlands	\$58bn	Increased

Source: UNCTAD World Investment Report 2026 annex tables; values rounded to the nearest \$1 billion.

The United States kept its position as the world's largest outward investor in 2025 even as China and Japan's flows softened. The more interesting movement was in Europe, where Germany, the United Kingdom and the Netherlands all posted strong increases, and in Singapore, whose sharp rise reinforces its role as a regional headquarters and capital-routing hub. That routing function is worth flagging: a meaningful share of the outward flows recorded against Luxembourg, Hong Kong, Singapore, and the Netherlands reflects holding companies and financial structuring rather than investment generated purely by domestic production. Over half of global outflows — roughly \$913 billion — originated from just six sources (the US, Japan, China, Luxembourg, Hong Kong and Singapore), and the UAE's \$63 billion outbound figure, though down from \$77 billion in 2024, kept it among the top ten and a significant capital source in its own right.

2.2 Top 10 FDI-receiving countries

Ranked by outward FDI flows during 2025, the largest source economies were:

Rank	Recipient economy	FDI inflows, 2025	Direction vs 2024
1	United States	\$277bn	Declined slightly
2	Singapore	\$151bn	Increased
3	Hong Kong, China	\$116bn	Declined
4	China	\$105bn	Declined
5	Brazil	\$77bn	Increased
6	United Kingdom	\$75bn	Increased sharply
7	Germany	\$74bn	Increased sharply
8	Canada	\$67bn	Broadly unchanged
9	United Arab Emirates	\$48bn	Increased
10	Mexico	\$41bn	Increased

Source: UNCTAD World Investment Report 2026; values rounded.

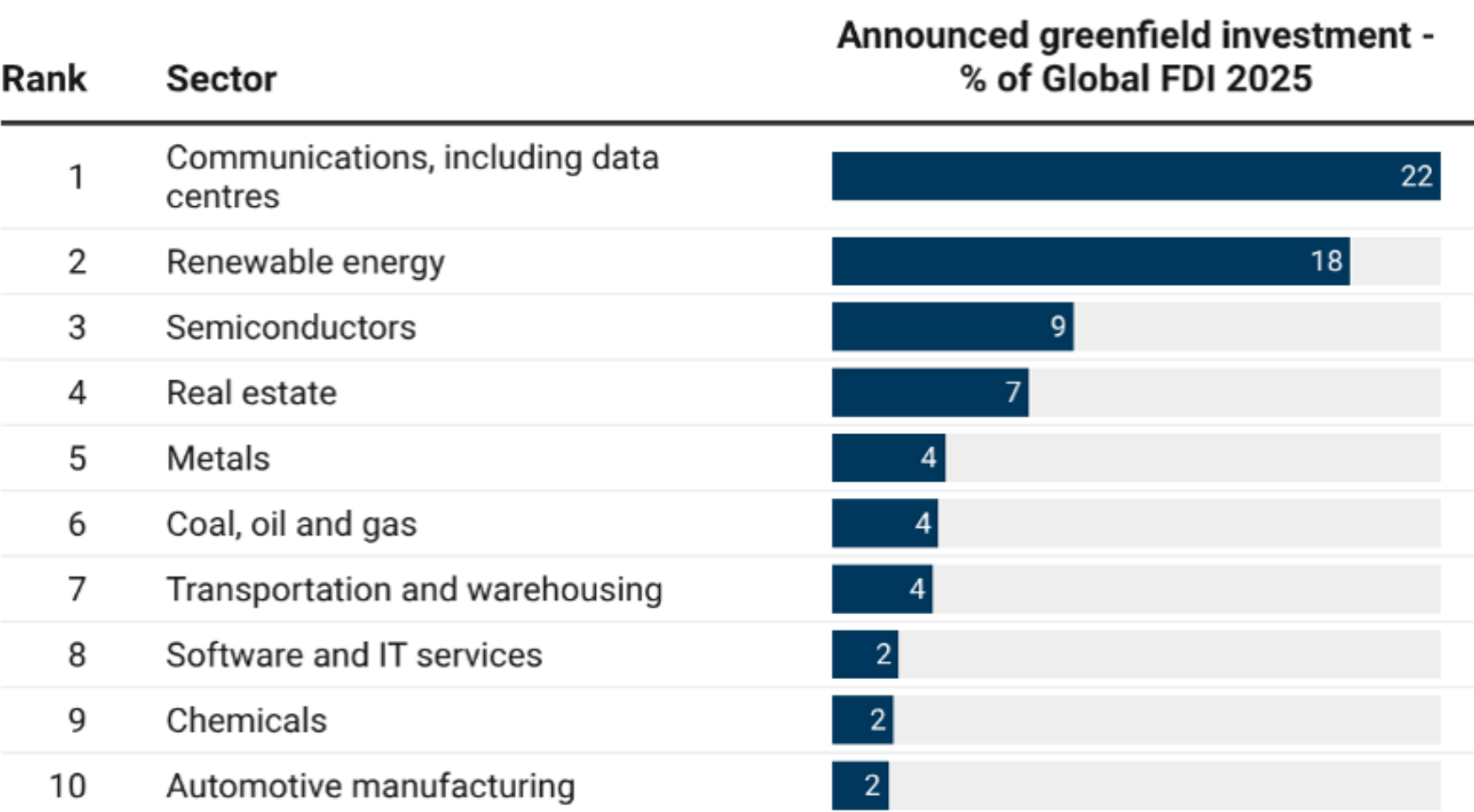
The top four destinations alone — the US, Singapore, Hong Kong, and China — absorbed close to \$649 billion, or roughly 41 percent of global FDI in 2025, underscoring how narrowly capital concentrates even at the top of the table. Within the wider field, the UAE's inflows climbed to \$48.24 billion, lifting it to ninth globally and confirming its status as the Middle East's leading destination. India's rise was the sharper regional story: inflows jumped nearly 44 percent to \$38.89 billion, moving it from 13th to 11th place globally. Europe recorded the largest regional swing, with inflows up 39 percent to \$285 billion — a gain partly explained by flows passing through financial centres rather than new productive investment alone.

2.3 Top 10 FDI-receiving sectors globally

This ranking is based on announced greenfield capital investment in 2025 — new projects and fresh capacity, excluding mergers, acquisitions, and intercompany lending.

Rank	Sector	Announced greenfield investment
1	Communications, including data centres	\$346bn
2	Renewable energy	\$200bn
3	Semiconductors	\$138bn
4	Real estate	\$112bn
5	Metals	\$64bn
6	Coal, oil and gas	\$61bn
7	Transportation and warehousing	\$58bn
8	Software and IT services	\$39bn
9	Chemicals	\$35bn
10	Automotive manufacturing	\$32bn

Top 10 FDI-receiving sectors globally



Source: fDi Markets • Created with Datawrapper

Companies announced close to \$1.08 trillion in global greenfield investment in 2025, and the ranking itself tells a story of re-prioritisation. Communications overtook renewable energy for the first time as hyperscale, and AI-related data-centre projects drove 88 percent year-on-year growth across more than 800 projects. Renewables, which had led every sector ranking from 2019 through 2024, dropped to second place after a roughly one-quarter decline as financing costs and shifting US and EU policy priorities weighed on new announcements. Semiconductors hit a record \$138 billion, though nearly all of it landed in North America and Asia-Pacific, leaving little room for new entrants elsewhere.

UNCTAD identifies five strategic sectors: AI infrastructure and related technologies; advanced and sensitive technologies; critical minerals; energy-transition technologies and services; and semiconductors. Their announced project value rose from \$109 billion in 2020 to \$576 billion in 2025 and represented 44% of global greenfield project values. This shows that global capital is not merely growing; it is concentrating into a narrower set of frontier industries.

2.4 Top sectors attracting FDI in the region

India

South Asia drew approximately \$46 billion in FDI in 2025, up from \$34 billion in 2024, and India alone accounted for about \$38.9 billion of it — roughly 84 percent of the regional total.

India's recent FDI momentum has been led by digital infrastructure, IT, and software, supported by large data-centre projects and rising demand for cloud and computing capacity. The broader services sector, including financial services, research and development, and business outsourcing, has also remained a major draw for foreign investors. At the same time, the global “China+1” shift has strengthened India's position in electronics, semiconductors, and pharmaceuticals, with its production-linked incentive framework helping attract manufacturing investment. Automobiles and industrial manufacturing have further supported the rebound, while pharmaceuticals continue to provide a steady and expanding source of foreign capital.

Middle East

UNCTAD classifies most Middle Eastern economies under West Asia, where inflows rose to approximately \$111 billion in 2025. The UAE and Saudi Arabia dominated, with roughly \$48 billion and \$36 billion, respectively.

The Gulf has been pushing for FDI diversification. Saudi Arabia, the UAE, Oman, and Jordan are pulling in large renewable and green-hydrogen projects, while Saudi Arabia and the UAE are separately pouring capital into hotels, resorts, and aviation infrastructure as a non-oil growth pillar. Electronics, semiconductors, batteries, and export-oriented manufacturing are gaining ground, and cheap energy combined with national AI strategies is drawing data centres and cloud platforms into the UAE, and Saudi Arabia in particular. Traditional energy has not disappeared but much of that capital is domestic or state-funded rather than foreign.

Taken together along with Southeast Asia, these redraw the map of who Pakistan is actually competing against. Pakistan must now hold its own against India in technology and services, against the Gulf in energy and infrastructure, and against Southeast Asia in electronics, logistics and export manufacturing — three quite different competitive fronts opening at the same time.

3. Pakistan's FDI Structure

3.1 China FDI-Share in Pakistan

Pakistan's net FDI moved unevenly across the past five years — from \$1.94 billion in FY22 down to \$1.63 billion in FY23, up to \$2.35 billion in FY24, a peak (in 5 years) of \$2.48 billion in FY25, and back down to \$1.64 billion in FY26. Underneath that volatility sits a more consistent trend: China's share of the total has climbed almost every year.

Fiscal year	China, including Hong Kong	Share of total net FDI
FY22	\$731.7mn	37.8%
FY23	\$942.7mn	57.9%
FY24	\$854.8mn	36.4%
FY25	\$1,674.9mn	67.6%
FY26	\$1,201.4mn	73.4%

China's net investment rose by roughly 64 percent between FY22 and FY26, even as Pakistan's total net FDI fell by about 15 percent over the same stretch — meaning the country has not simply stayed dependent on Chinese capital, that dependence has deepened. Non-Chinese net FDI shrank from around \$1.20 billion in FY22 to just \$435 million in FY26.

Top 5 FDI-investing countries in Pakistan: Net FDI - \$(mn)

	Total net FDI	1st	2nd	3rd	4th	5th
FY22	1,936	China (including HK) — 731.7	USA — 313.6	Switzerland — 143.3	U.A.E. — 121.8	Singapore — 112.3
FY23	1,627	China (including HK) — 942.7	UK — 269.8	USA — 180.0	Japan — 143.4	U.A.E. — 104.4
FY24	2,347	China (including HK) — 854.8	UK — 239.0	Switzerland — 228.6	U.A.E. — 132.1	USA — 110.3
FY25	2,477	China (including HK) — 1,674.9	U.A.E. — 294.3	Switzerland — 168.3	South Korea — 96.2	UK — 68.2
FY26	1,637	China (including HK) — 1,201.4	U.A.E. — 235.9	Switzerland — 204.7	UK — 131.9	Kuwait — 103.5

Source: SBP • Created with Datawrapper

3.2 FDI quality check: Productive investment versus resource extraction

The productive-versus-extractive distinction does not fully capture Pakistan’s FDI problem. The country is not receiving large amounts of investment in resource extraction, but most inflows are also not going into export manufacturing or technology. Instead, they are concentrated in power and financial services—important sectors for the domestic economy, but ones that do relatively little to expand exports, transfer technology or create jobs at scale.

Foreign Direct Investment by Sector - \$(mn)

	FY22	FY23	FY24	FY25	FY26
Export-oriented FDI					
Manufacturing	145	428	270	330	-6
Information Technology	146	45	39	58	44
Market-oriented FDI:					
Power	761	899	650	1,178	958
Construction	37	25	21	-35	-40
Telecommunication	-23	-222	-44	-129	-500
Financial Business	416	276	626	703	806
Natural-resource extraction FDI:					
Mining & Quarrying	-7	-220	103	-152	-117
Oil & Gas Explorations	195	138	351	137	-1

Source: SBP • Created with Datawrapper

Category	Cumulative FY22–FY26	Share of total net FDI	FY26 signal
Mining & oil/gas exploration (extractive)	~\$427mn	4.3%	Both categories in net disinvestment
Manufacturing & IT (tradable/productive/export oriented)	~\$1.5bn	~15%	Fell to \$37.6mn — 2.3% of FY26 net FDI
Power & financial business (market-oriented/domestic demand)	~\$7.27bn	~72.5%	Still dominant in FY26

Pakistan's FDI problem is less about excessive resource extraction and more about weak export-oriented investment. Over FY22–FY26, oil and gas attracted about \$820 million, partly offset by roughly \$393 million of mining outflows, while manufacturing and IT together received only about \$1.5 billion, or 15% of total net FDI. In FY26, manufacturing turned negative at –\$6.1 million and IT remained modest at \$43.7 million.

By contrast, power and financial business absorbed about \$7.27 billion over five years, roughly 72.5% of total net FDI. These sectors are important, but they contribute less directly to exports and foreign-exchange earnings than manufacturing and technology.

Telecommunications was the biggest drag, with cumulative net outflows of about \$918 million, including nearly \$500 million in FY26.

Pakistan is attracting too little export-generating FDI. In FY26, manufacturing and IT brought in less than \$40 million combined, compared with more than \$1.76 billion in power and financial services.

4. Why FDI Is Not Scaling in Pakistan: Investor Sentiment & Investor Barriers

Pakistan's macroeconomic position has stabilised, with improved reserves, a steadier rupee and IMF support, but investor confidence remains weak. Net FDI fell sharply in FY26 and stayed below 0.4% of GDP, while new greenfield projects and major expansions remained limited.

The core problem is predictability. Frequent changes in taxes, tariffs and regulations, high energy costs, complex approvals, weak contract enforcement and concerns over profit repatriation continue to discourage long-term investment. Fiscal uncertainty and external risks, including higher oil prices, exchange-rate pressure and regional conflict, have also pushed firms toward caution rather than expansion.

FDI quality remains a concern: investment is concentrated in power and financial services, while manufacturing and other export-generating sectors remain weak.

Overall, Pakistan has achieved macroeconomic stability, but not enough policy and operating certainty to trigger a new investment cycle. Stronger FDI will require consistent policies, affordable energy, simpler regulation and reliable repatriation.

5. Regional Comparison: Pakistan vs Competing Markets

Economy	FDI inflows ⁴ (CY2025)	Multiple of Pakistan	Main competitive proposition
India	\$38.9bn	21.0x	Large domestic market, software, services, electronics, automobiles, advanced manufacturing
Indonesia	\$21.4bn	11.6x	Mineral processing, basic metals, batteries, automobiles, consumer industries
Vietnam	\$20.4bn	11.0x	Export manufacturing, electronics, machinery, components, textiles, global supply chains
Malaysia	\$15.4bn	8.3x	Semiconductors, electrical/electronic products, data centres, higher-value services
Pakistan	\$1.85bn	1.0x	Power, finance, selected infrastructure-related investment
Bangladesh	\$1.78bn	0.96x	Textiles, garments, food processing, leather, labour-intensive industries

India alone accounted for roughly 84 percent of South Asia's total FDI in 2025, against Pakistan's approximately 4 percent share. Pakistan sat marginally ahead of Bangladesh in headline terms, but Bangladesh's inflows leaned more heavily toward exportable, labour-intensive industry — the kind Pakistan itself needs more of.

Where the ground is being lost, market by market

A. Export manufacturing — losing mainly to Vietnam

In FY26, manufacturing and processing make up 55% of Vietnam's foreign direct investment, feeding factories that produce electronics, electrical equipment, machinery, and components for global markets. Pakistan’s FY26 manufacturing net FDI was about -\$6.1 million; electrical machinery with only \$146.3 million and electronics with \$66.9 million were the only bright spots, offset by weakness elsewhere. Vietnam is essentially capturing the category of investment Pakistan needs most — factories wired into multinational supply chains rather than projects serving domestic demand alone. Key areas of opportunities include:

- Electronics and electronic components
- Electrical machinery
- Consumer appliances
- Textile and apparel manufacturing
- Industrial equipment and components

Share of Manufacturing in Total FDI (%)

	FY22		FY23		FY24		FY25		FY26	
Food & Beverages		-1.1%		11.0%		2.8%		1.5%		-6.4%
Textile		0.2%		0.9%		-0.2%		2.0%		2.9%
Leather & Leather Products		-0.3%		-0.1%		0.0%		-0.2%		-0.0%
Chemicals		1.3%		2.8%		-0.1%		0.6%		0.4%
Pharmaceuticals & OTC Products		0.6%		0.5%		1.8%		0.2%		1.2%
Electrical Machinery		1.9%		-0.1%		3.3%		7.1%		8.9%
Electronics		2.2%		-1.3%		1.6%		1.8%		4.1%

Source: SBP • Created with Datawrapper

B. Textiles, food, and leather — increasingly to Bangladesh

Bangladesh is Pakistan's closest direct comparator, offering a similar low-cost labour base and competing head-on in industries Pakistan already knows well. The contrast is nonetheless vivid: Bangladesh is drawing foreign capital into the same labour-intensive tradable sectors where Pakistan already has raw materials and manufacturing experience. Total FDI volumes between the two countries are not far apart, but Bangladesh's is more closely tied to exportable production. Key areas of opportunities include:

- Garments and finished textile products
 - Food processing
 - Export-oriented industrial zones
- Footwear and leather goods
 - Light manufacturing

C. Technology, software, and advanced services — mainly to India

India received \$57.2 billion in FDI equity inflows in calendar year 2025, led by computer software and hardware, services, trading, renewable energy, and food processing, while telecommunications and automobiles also remain important recipients over the longer term. Pakistan, despite recording roughly \$4.6 billion in ICT exports in FY26, took in only \$43.7 million in net IT FDI — a gap that suggests Pakistan's technology sector is currently an outsourcing and human-capital story rather than one that attracts large foreign-owned platforms, product companies, research centres or cloud infrastructure. India's scale cannot be replicated, but Pakistan could still attract export-focused development centres and specialised engineering work without competing directly with India. Key areas of opportunities include:

- Global capability and research centres
 - Cloud and digital infrastructure
 - Automobile and engineering investment
- Software-product development
 - Fintech and financial technology
 - Electronics and hardware manufacturing

D. Semiconductors, data centres, and high-value electronics — to Malaysia

Malaysia has moved past competing on cheap labour and now draws higher-value investment through established electronics and semiconductor clusters, a skilled workforce, and mature industrial infrastructure. It recorded \$15.4 billion in inward FDI in 2025; Malaysia's information and communication sub-sector received RM152.9 billion in approved investment in 2025, driven largely by AI, big data, data centres and cloud computing, while foreign investors accounted for RM100.6 billion of approved manufacturing investment. Pakistan's FY26 gains in electrical machinery and electronics are encouraging in isolation, but they remain small, disconnected pockets rather than evidence of a functioning industrial cluster. Areas of opportunity include:

- Semiconductor assembly and testing
- Advanced electrical and electronic products
- Medical devices
- Data centres and cloud infrastructure
- High-value engineering
- Regional technology operations

E. Mineral processing and the EV supply chain — to Indonesia

Indonesia offers a useful lesson in what Pakistan is not yet doing with its own resource base: using minerals to pull in downstream investment rather than extraction alone. Under Indonesia's Ministry of Investment and Downstream Industry/BKPM investment-realisation framework, foreign direct investment reached about \$56.3 billion in 2025, excluding the financial and oil-and-gas sectors; basic metals were the largest recipient at \$14.6 billion, followed by mining at \$4.7 billion. Pakistan, over the same period, recorded FY26 net outflows of \$116.8 million from mining and quarrying and \$0.8 million from oil and gas exploration. The difference is not resource endowment — it is that Indonesia has built an integrated mine-to-processing-to-export ecosystem. This suggests scope for Pakistan to attract more investment into downstream mineral processing rather than relying primarily on extraction-stage projects. Areas of opportunity include:

- Copper and mineral processing
- Refined metals
- Battery materials
- Electric-vehicle components
- Downstream industries linked to large mining projects

Where Pakistan is holding its own

Two categories remain relatively resilient: power, with FY26 net FDI of \$958.3 million, and financial business, at \$805.5 million. Combined, these two sectors actually exceeded Pakistan's total net FDI for the year, since telecom, mining, food, and construction all posted substantial outflows. The FDI that remains is concentrated in domestic-demand and regulated sectors, while competing economies are capturing the export factories, digital infrastructure, technology centres, and industrial supply chains that Pakistan needs to diversify its investment base.

Pakistan is losing the kind of investment that creates exports and builds long-term capacity: global supply-chain manufacturing, technology and business services, food processing, and mineral processing. Power and financial investment still arrive, but export-oriented projects are going to countries that offer stronger industrial clusters, stable policies, and better execution.

6. Government Initiatives in 2026 to Attract and Retain FDI

FY26 was not short on policy moves. The government changed tariffs, offered some corporate tax relief, expanded export financing, eased capital repatriation, introduced sector-specific incentives, pushed privatisation, and revisited the SEZ framework. But policy activity should not be mistaken for progress. Net FDI has remained weak, oscillating between \$1.6–2.5 billion in the last 5 years, with no clear upward trend, and it fell by a third in FY26. Against that record, the 2026 package looks less like a breakthrough and more like another round of reforms until it produces real results. Even the IMF and other independent assessments suggest that the changes still do not match the scale of Pakistan’s investment problem.

Initiative	What changed	Assessment
Tariff rationalisation	Customs duty cut or removed on 3,100-plus tariff lines; regulatory duties lowered widely	No sign yet in manufacturing FDI, which stayed net negative in FY26
Corporate tax relief	Super tax cut for smaller income bands; export-proceeds tax cut to 1.25%; IT concessionary rate extended	Marginal impact; banking, E&P, and fertiliser — sectors with heavy foreign participation — were excluded
Concessional export financing	Expanded Export Finance Scheme; new long-term facility; incremental-export rebate	Supports firms already operating here; little impact likely on FDI attracted
Easier profit and capital repatriation	Automated shareholding registration; banks handle remittances directly	Does not add new demand to invest as Pakistan allows 100% profit and dividend repatriation
Targeted sector reliefs	Refinery-upgrade tax exemption; EV concession extended one year only	Too small to move aggregate FDI
Privatisation and infrastructure concessions	PIA privatized. Stakes planned for FESCO, GEPCO, IESCO; three airports to be outsourced	Limited privatisation-linked foreign investment materialised in FY26
SEZ incentive reform	Shift from profit-based tax holidays to cost-based incentives	Too early to identify the impact on FDI

7. Pakistan FY27 FDI Outlook: Risks and Opportunities

FY27 presents a mixed FDI outlook for Pakistan. Key risks include the unresolved Middle East conflict and resulting fuel and shipping pressures, tighter IMF conditions, heightened security concerns, uncertainty around US tariffs, and limited external buffers. At the same time, opportunities are emerging through Reko Diq and critical-minerals investment, possible progress in US-Pakistan trade ties, privatisation of DISCOs and airports, the gradual impact of tariff reforms, and growing interest in AI and digital investment.

Overall Pakistan has credible investment opportunities but converting them into FDI will depend on improved security, policy certainty, execution of privatisation and trade reforms, and resilience against external shocks.

8. Policy Recommendations

Pakistan's FDI policy should focus on making productive investment more attractive than trading or imports. The government needs a clear 10–15 year investment strategy, prioritising sectors based on resource potential, technology needs and economic efficiency, with measurable targets and time bound completion. Policy design should involve investors and industry so that incentives address real business constraints and favour projects that build exports, technology, skills and local value addition.

The bigger challenge is execution. Pakistan needs fewer overlapping approvals, faster and more digital processes, and clear accountability. Lessons from Vietnam and South Korea on industrial clusters, supplier development and export-oriented manufacturing can be adapted to Pakistan's own conditions. Most importantly, tax and tariff policies should favour manufacturing, reinvestment and value addition over short-term trading. Predictability, lower regulatory friction and consistent implementation will do more to attract durable FDI than repeated ad hoc incentives.