

WTO AND IMPACT OF FOREIGN DIRECT INVESTMENT ON THE ECONOMIC GROWTH OF PAKISTAN



Developed by

Muhammad Hanif Shahzad Malik

Reg. No (122002-016)

Supervised by

Dr.Khalid Akhtar

Faculty of Management Sciences
Bahria University, Islamabad.

TABLE OF CONTENTS

Dedication

Declaration

Acknowledgement

Chapter 1 Introduction 5

Rationale of Study.....	9
What is the World Trade Organization?.....	14
Is it a bird, is it a plane?.....	14
Above All, It's a Negotiating Forum.....	14
Born in 1995, But Not So Young.....	16
Principles of the Trading System.....	16
Trade without Discrimination.....	17
1. Most-Favoured-Nation (MFN): Treating other People Equally.....	17
2. National Treatment: Treating Foreigners and Locals Equally.....	18
3. Freer Trade: Gradually, Through Negotiation.....	18
4. Predictability: Through Binding and Transparency.....	19
5. Promoting Fair Competition.....	20
6. Encouraging Development and Economic Reform.....	20
The Case for Open Trade.....	21
The Organization.....	22
1. Whose WTO is it anyway?.....	22
Highest Authority: The Ministerial Conference.....	23
Second Level: General Council in Three Guises.....	23
WTO Structure.....	24
Third level: councils for each broad area of trade, and more.....	26
Fourth Level: Down to the Nitty-Gritty.....	26
2. Membership, Alliances and Bureaucracy.....	26
Representing Groups of Countries.....	27
Assisting Developing and Transition Economies.....	29
Specialized help for exporting: the International Trade Centre.....	29
The WTO in Global Economic Policy-Making.....	30
TRIMS:.....	30
Background:.....	31
1. GATT and Foreign Investment.....	32
2. Havana Charter.....	32
3. 955 Resolution on International Investment for Economic Development.....	32
4. The FIRA Panel.....	32
5. Uruguay Round Negotiations on Trade-Related Investment Measures.....	34
TRIMS: Main provisions (1).....	35
1. Objectives.....	35

3.Limitation of Coverage to Trade in Goods	36
4.Lack of a Generic Definition of what is a “Trade-Related Investment Measure” ...	36
5.The TRIMs Agreement and Regulation of Foreign Investment	36
6.Basic Substantive Obligations: Article 2 and the Illustrative List	37
7.Mandatory and Non-Mandatory Measures	37
TRIMS: Main provisions (2)	37
Exceptions.....	37
Developing countries	39
TRIMS: Notifications and Transitional Arrangements.....	40
1. Notification Requirements.....	40
2. Notifications Received Under Article 5.1.....	40
3. Transition period for the Elimination of TRIMs which are Inconsistent with the Agreement	41
4. Limitation of the Benefits of the Transition Period to Existing Measures:	41
6.“Standstill” Requirement During the Transition Period	41
7.Possible Extension of the Transition period	42
TRIMS: Other Provisions	42
1.Transparency	42
2. Committee on Trade-Related Investment Measures	42
3. Dispute Settlement.....	43
4. Review of the TRIMs Agreement:	43
Investment Policy and Competition Policy as Subjects for Future Consideration	43
AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES	44
Article 1	45
Article 2	45
National Treatment and Quantitative Restrictions	45
Article 3	45
Article 4	45
Article 5	46
Notification and Transitional Arrangements	46
Article 6	47
Article 7	48
Article 8	49
Article 9	49
<i>Chapter 2 Literature Review</i>	50
 <i>Chapter 3 Theoretical Frame work.....</i>	60
 3.1 PROBLEM STATEMENT.....	61
3.2HYPOTHESES.....	62
3.3 SCOPE & LIMITATIONS.....	63
3.4 Study Design.....	64
3.5 Type of Data	64
3.6 Procedure	65

Chapter 4 Finding/Data Analysis 66

What is FDI?	67
4.1 Origin and History of FDI	67
4.2 Origin and History of FDI in Pakistan	68
4.3 Definition of foreign direct investment.....	71
4.4 Types of FDI:.....	72
4.4.1 Greenfield investment:	72
4.4.2 Mergers and Acquisitions:	73
4.4.3 Horizontal Foreign Direct Investment:	73
4.4.4 Vertical Foreign Direct Investment:	73
4.4.4.1 Backward vertical FDI:.....	73
4.4.4.2 Forward vertical FDI:	74
4.5 Factors Influencing FDI:.....	75
4.5.1 Political Factor:	75
4.5.2 Legal System:	76
4.5.3 Trade Policy:	77
4.5.4 Exchange Rate	78
4.5.5 Corruption:	78
4.5.6 Supply Factors:	79
4.5.6.1. Production Costs:	80
4.5.6.2. Logistics:	81
4.5.6.3. Availability of Natural Recourses:.....	81
4.5.6.4. Availability of Energy Recourses	82
4.5.7. Demand Factors:	83
4.5.7.1. Customer Access:	83
4.5.7.2. Marketing Advantages:	83
4.5.7.3. Exploitation of Competitive Advantages:	84
4.5.8. Avoidance of Trade Barriers:.....	84
4.5.9. Environmental Factor:	84
Country Wise Inflow of FDI :(Table 1).....	86
PIE-CHART OF FDI INFLOW 2004-2005	
(Country wise)	87
Country Wise Explanation:	87
Sectoral Distribution of FDI	90
EXPLANATION:	91
RESULTS AND DISCUSSIONS	96
Table 3: Data Used for Calculations	96
Figure 1: Graphical Representation of Data.....	98
Explanation of Graph:.....	98

Chapter 5 Conclusion and Reccomendations 100

BIBLIOGRAPHY 105

Appendix