



## The Position of Pakistan in the Global FDI network and Comparison with South Asia

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### 1. Introduction

In today's highly connected world, countries entertain a rich spectrum of relationships that include trade and foreign direct investment (FDI). Indeed, this latter mode of interaction has recently become gained importance, complementing or even replacing other, more traditional modes of interaction, such as trade. It is not surprising, then, that a country's economic success increasingly depends on its position in the global FDI network. This article aims to share some interesting insights concerning Pakistan's position in the global FDI network and its evolution over time. We would also like to compare Pakistan's situation with that of the other two important players in South Asia, India and Bangladesh. Our FDI data for these countries span the period from 2009 to 2023. Our data source is the Direct Investment Positions by Counterpart Economy dataset (DIP) by the International Monetary Fund (IMF)<sup>1</sup>. Initially, we shall provide a snapshot of

Pakistan's position in the FDI network in two selected recent years (we chose 2020 and 2023). Then, we will provide similar snapshots with respect to India and Bangladesh and make some comparative remarks. Finally, we will look into the evolution over the available time interval of Pakistan's position in the FDI network, along with that of its neighbors India and Pakistan, and conclude.

<sup>1</sup> The filtering of data is as follows: Net (Liabilities less Assets), All Financial Instruments (Equity and Debt Instruments), All Entities (Resident Financial Intermediaries and Resident Enterprises that are not Financial Intermediaries).

Any discrepancy with respect to other data sources, such as UNCTAD, may be due to differences in filtering of data.

**Fig. 1 – Foreign Direct Investment Positions into Pakistan, 2020 (left) and 2023 (right)**

In 2020, the total number of countries investing in Pakistan was 27 (or 25, if the two offshore financial centers of Mauritius and Luxembourg are excluded, see below), down to 26 in 2023 (or 24, after again excluding the two OFCs). Borrowing from social network theory, this statistic can be interpreted as the in-degree centrality of Pakistan in the global FDI network, namely, the number of other nodes (countries) in the network that have edges leading to Pakistan. This important interpretation provides insight into the centrality of Pakistan in the global FDI network, particularly when compared with similar measures for other regional players, India and Bangladesh. Investment in Pakistan in 2020 totalled \$ 14,127 million, up to \$ 15,971 million in 2023. This, too, is a measure of centrality, namely, the weighted in-degree centrality, for Pakistan in the global FDI network.

To the reader familiar with the economic dynamics of that region, it should come as no surprise that the largest foreign investor to Pakistan in both years was China, with \$ 6,219 million and \$ 6,302 million inward investment towards Pakistan, respectively. Much of this investment is part of the scheme known as China-Pakistan Economic Corridor (CPEC), an ambitious infrastructure project initiated in 2015, part of a broader Chinese foreign direct investment strategy known as the Belt and Road Initiative. A detailed description of CPEC is not part of the scope of this article, so it is omitted, and the reader is referred to appropriate sources on the subject. In 2020, the country in second place, Mauritius, is part of a list of countries known in the literature on FDI as offshore financial centers (OFC, see Clark & Kentor, 2022, for a list of 24 countries classified as OFC); hence, investment stemming from this country may not be substantive but merely a kind of financial engineering with the goal of tax avoidance. In the same year, the country ranked third (second in terms of substantive investment), the Netherlands, with an inward investment

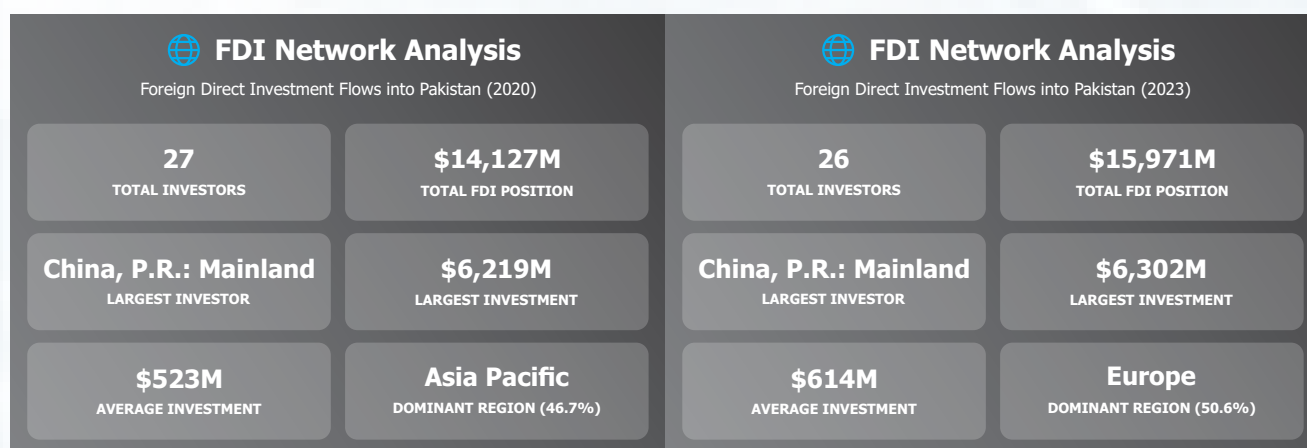
position towards Pakistan of \$ 1,469 million, followed by the United Kingdom with \$ 1,406 million investment towards Pakistan. In 2023, the United Kingdom and the Netherlands swapped places in the ranking, with the former becoming the second-largest investor and the latter the third-largest. Of note is the absence in both years of India, Pakistan's large regional neighbor, from the list of investors, while Bangladesh, the other regional player, is only ranked 20th in 2020 and absent in 2023.

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For the reader's benefit, the FDI analysis of Pakistan is summarized in Fig. 2.

**Fig. 2 – FDI Network Analysis of Pakistan, 2020 (left) and 2023 (right)**



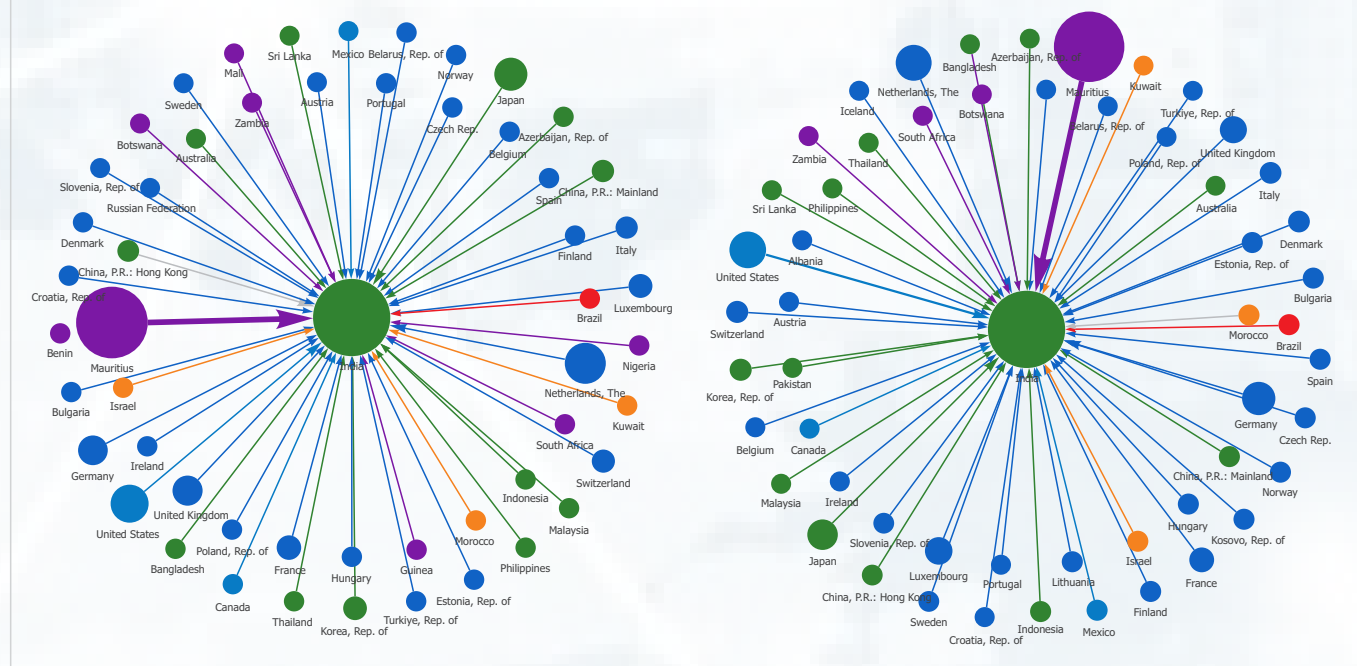


### 3. India and Bangladesh

As promised, the next step is to show similar graphs for India and Bangladesh to allow the

reader to compare the main players of the South Asia region (see Figs. 3 and 4 below).

**Fig. 3 – Foreign Direct Investment Positions into India, 2020 (left) and 2023 (right)**



The case of India is an anomaly, since the largest investor in India for both years appears to be Mauritius, so this is not likely to be a substantive investment stemming from genuine foreign investors, but the outcome of some tax avoidance exercise, as mentioned earlier. Furthermore, investment from Mauritius to India is about one-third of the total investment in India and twice as large as the magnitude of the investment made by the second-largest investor. The analysis of substantive FDI in India would therefore be far more accurate if Mauritius (and other offshore financial centers like Luxembourg) were excluded. Even with this important caveat in mind, it is very clear, even at first glance, that India enjoys a much more central position in the global FDI network than its regional neighbor Pakistan, both in terms of the number of investors (in-degree centrality), standing at 53 and 54 for 2020 and

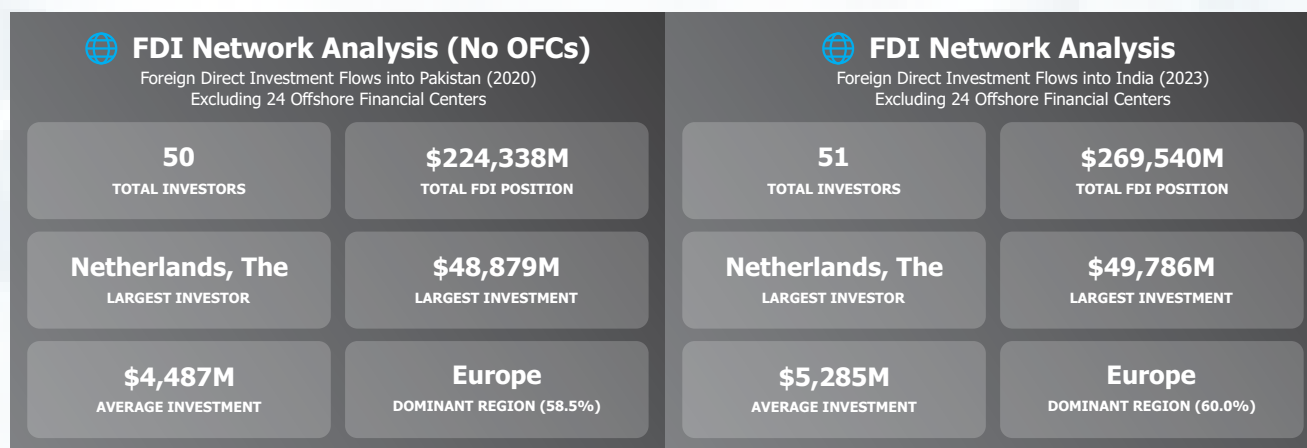
2023 respectively, and the total investment involved, standing at \$ 355,642 million and \$ 445,200 million in each year considered. These totals remain far larger, in fact, 15 to 20 times larger, than the investment made in Pakistan, even after deducting \$ 118,000 million and \$ 147,000 million of Mauritius.

The largest investor (of the substantive investment type) in India was the Netherlands both in 2020 and 2023, with \$ 48,879 million and \$ 49,786 million, respectively. This was followed by the United States with \$ 42,291 million in 2020 and \$ 49,453 million in 2023, when the U.S. had almost caught up with the Netherlands. Note that the United Kingdom, India's former colonial master, ranked third in 2020 and fifth in 2023, signalling its declining role in the country, at least relative to other investors.

Once again, the FDI network analysis for India is shown in Fig. 4 below. Because of the misleading role played by the OFCs,

particularly Mauritius, the summary table below shows the analysis without the offshore financial centers.

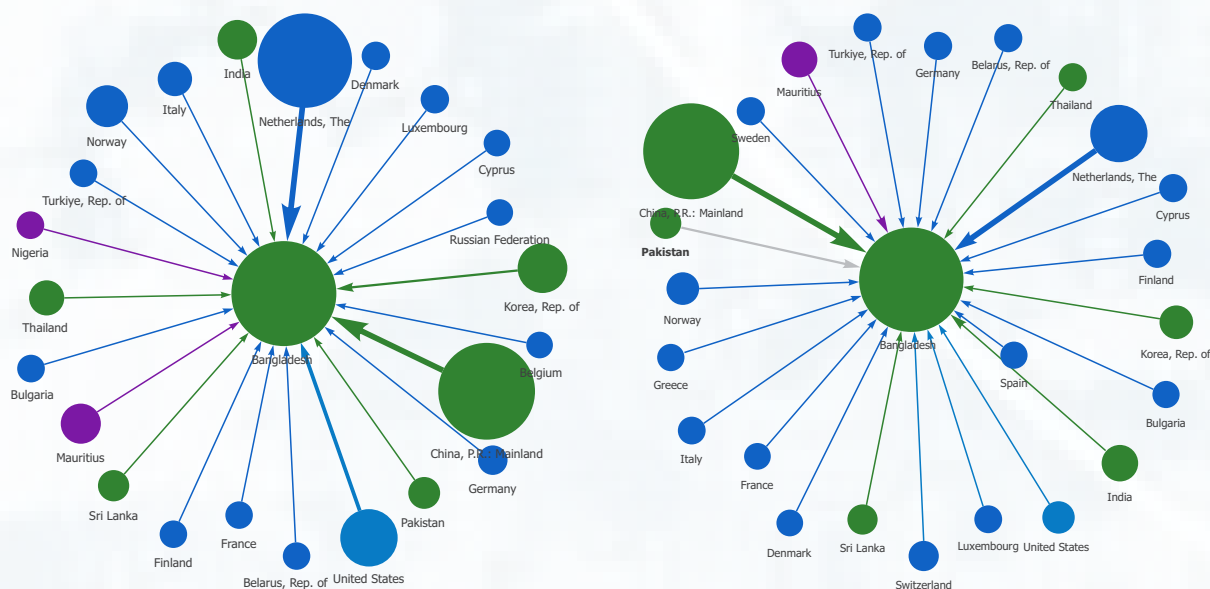
**Fig. 4 – FDI Network Analysis of India (no OFCs), 2020 (left) and 2023 (right)**



As for Bangladesh, its role in the global FDI

network is illustrated in Fig. 5 below.

**Fig. 5 – Foreign Direct Investment Positions into Bangladesh, 2020 (left) and 2023 (right)**



The situation is not too different from that of Pakistan, with 23 investors in 2020 (21 without the OFCs Mauritius and Luxembourg), increasing to 24 (22 without the OFCs) in 2023. Total investment, at \$ 6,615 million in 2020, is less than half that of

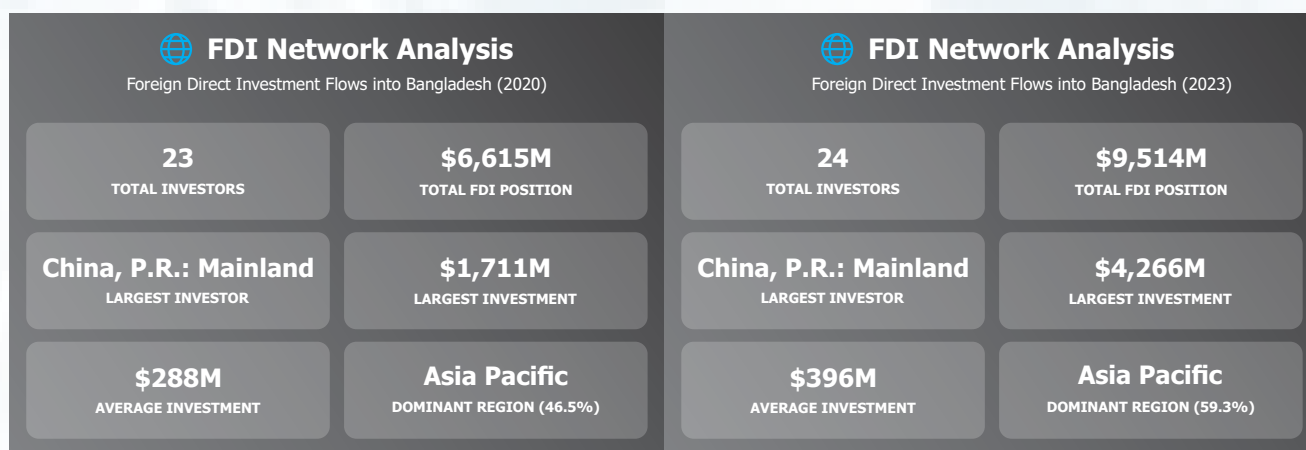
Pakistan, which reached \$ 9,514 million in 2023. It therefore appears that both Pakistan and Bangladesh attract a similar number of investors, but these investors on average, invest considerably less in Bangladesh than they do in Pakistan.

The largest investor in Bangladesh, just like in Pakistan, was China with \$ 1,711 million and \$ 4,266 million in 2020 and 2023, respectively. The gap in investment of China towards Bangladesh, when compared to that towards Pakistan, was smaller in 2023 than in 2020.

Second place in 2020 was held by the Netherlands at \$ 1,644 million, with the United States in third place at \$ 742 million.

The Netherlands was still the second largest investor in Bangladesh in 2023 at \$ 1,933 million, but India took over third place at \$ 585 million, the only case in the analysis so far of a neighbor being an important investor in the country concerned, in this case, Bangladesh. Here (Fig. 6 below) is the summary of the FDI network analysis for Bangladesh.

**Fig. 6 – FDI Network Analysis of Bangladesh, 2020 (left) and 2023 (right)**

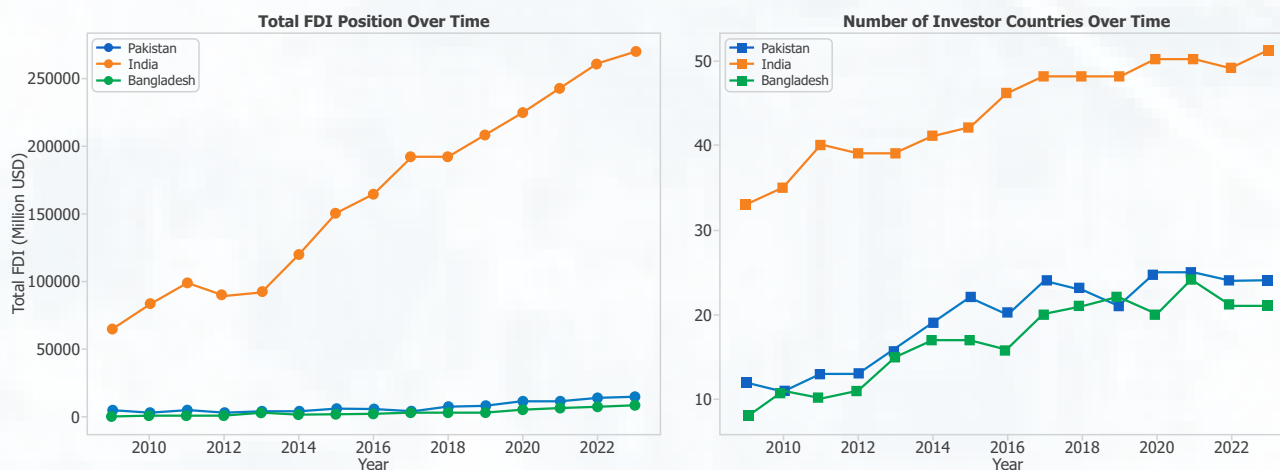


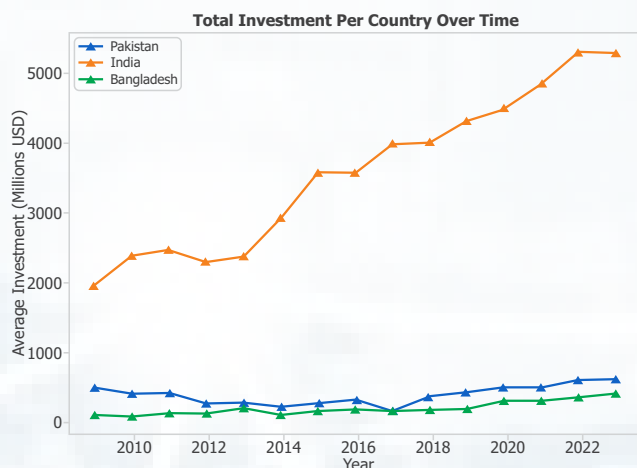
#### 4. Trends Analysis

Next, we take a look at the evolution over time of Pakistan's position in the global FDI

network and that of its two neighbors, India and Bangladesh. This is done by analysing a series of line charts that cover the period 2009 – 2023 (see Fig. 5 below).

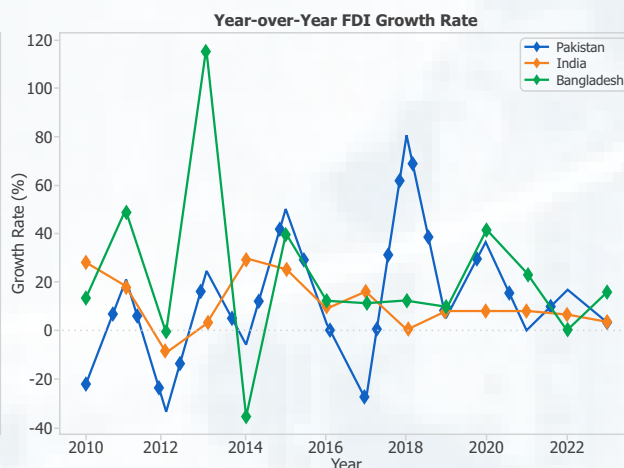
#### FDI Trends Analysis (2009-2023) - Excluding OFCs





In the first panel, the top left corner, the three lines represent the total FDI position over the time period 2009-2023 for all three countries of our focus, Pakistan, India and Bangladesh. Pakistan experienced a steady, if slight, decline in FDI investment for half the time, which was followed by growth in the second half of the interval considered. This trend can also be seen by looking at the bottom right panel, which shows rates of growth of FDI investment. The blue line, representing Pakistan, is below zero (negative rates of growth) most of the time until 2017 and then remains above zero afterwards (positive rates of growth). The only country, of the three, where total FDI did not increase over the period. By contrast, Bangladesh boasts non-negative growth of FDI throughout, except for 2014. However, total foreign direct investment in Bangladesh does remain below FDI in Pakistan in the period under study. As for India, it is a clear outlier, both in terms of the magnitude of investment involved and its growth rate. The panel in the bottom left corner, which is about the average yearly investment rather than the total investment, follows a wholly similar pattern; thus, we do not dwell on it. Finally, the panel in the top right corner concerns the trend in the number of investor countries over time, and this panel, too, holds interesting information.

All three countries experienced an increase in the number of investors in the early part of the period considered, until 2017. Afterwards, the



number of countries investing in all three of them remained approximately constant. We can interpret these trends in terms of the centrality of Pakistan, India and Bangladesh in the global FDI network. The chart shows that, while all three countries saw their centrality in the network increase until 2017, further progress in this direction has been harder to achieve more recently.

The Appendix to this article contains a table (Table A1) with the full FDI comparative analysis of Pakistan, India and Bangladesh, which should allow interested readers to dig deeper into the data.

## 5. Conclusion

To conclude, the role played by Pakistan in the global FDI network emerges as being below its potential, at least until now. Although the number of investor countries has increased over the early part of the period under consideration, signalling a keen interest in the country early on, this increase stalled afterwards. The magnitude of the investment involved did not increase either. In fact, the positive rates of growth in total as well as average investment after 2017 can be explained by the fact that China's FDI statistics in the IMF DIP dataset became available after that year.

When broadening the analysis to the other main regional players of South Asia, India and



Bangladesh, we see that only India has been able to attract foreign investors to the extent that is justified by its size and promise. India will probably reap the benefit of being an attractive destination for foreign investors by exhibiting an improved economic performance in the near future. Bangladesh,

however, appears to have remained below its own potential too, by exhibiting trends not too dissimilar to those of Pakistan, and, just like Pakistan, needs to devise suitable strategies to make itself more attractive to foreign investors in the future.

## Appendix

**Table A1**  
**FDI COMPARATIVE ANALYSIS: Pakistan, India, Bangladesh (2009-2023)**

Year		Total Investors (in-Degree Centrality)	Total FDI Position (in-Degreecentrality, Weighted)	Largest Investor	Largest Investment	Average Investment	Dominant Region
2009	Pakistan	12	5,987	United Kingdom	1,833	499	Europe
	India	36	68,489	United States	21,752	1,902	Europe
	Bangladesh	9	877	United States	331	97	Asia Pacific
2010	Pakistan	11	4,637	United Kingdom	1,481	422	Europe
	India	38	87,321	United States	24,666	2,298	Europe
	Bangladeh	12	993	United States	296	83	Asia Pacific
2011	Pakistan	14	5,958	United Kingdom	1,671	426	Europe
	India	42	258,043	Mauritius	156,208	6,144	Sub-Saharan Africa
	Bangladeh	11	1,481	United States	326	135	Asia Pacific
2012	Pakistan	15	4,305	Netherlands, The	1,322	287	Europe
	India	42	198,599	Mauritius	105,604	4,729	Sub-Saharan Africa
	Bangladeh	14	1,535	United States	368	110	Asia Pacific
2013	Pakistan	18	5,242	Norway	2,170	291	Europe
	India	42	206,000	Mauritius	109,155	4,905	Sub-Saharan Africa
	Bangladeh	18	3,204	Norway	1,831	178	Europe
2014	Pakistan	21	5,197	United Kingdom	1,665	247	Europe
	India	44	233,512	Mauritius	108,308	5,307	Sub-Saharan Africa
	Bangladeh	20	2,123	Korea, Rep. of	460	106	Europe





Year		Total Investors (in-Degree Centrality)	Total FDI position (in-Degreecentrality, Weighted)	Largest Investor	Largest Investment	Average Investment	Dominant Region
2015	Pakistan	24	7,479	Netherlands, The	1,956	312	Europe
	India	45	256,534	Mauritius	100,225	5,701	Sub-Saharan Africa
	Bangladesh	20	3,024	Netherlands, The	520	151	Europe
2016	Pakistan	22	8,253	Netherlands, The	2,025	375	Europe
	India	49	272,031	Mauritius	101,689	5,552	Sub-Saharan Africa
	Bangladesh	19	3,381	Netherlands, The	567	178	Europe
2017	Pakistan	26	6,287	Netherlands, The	1,773	242	Europe
	India	53	296,588	Mauritius	99,798	5,596	Europe
	Bangladesh	23	3,773	Netherlands, The	712	164	Europe
2018	Pakistan	25	10,208	China, P.R.: Mainland	3,614	408	Europe
	India	51	315,665	Mauritius	120,975	6,190	Sub-Saharan Africa
	Bangladesh	24	4,221	Netherlands, The	964	176	Asia Pacific
2019	Pakistan	23	10,926	China, P.R.: Mainland	3,927	475	Europe
	India	51	334,911	Mauritius	119,516	6,567	Europe
	Bangladesh	25	4,897	Netherlands, The	1,220	196	Europe
2020	Pakistan	27	14,127	China, P.R.: Mainland	6,219	523	Asia Pacific
	India	53	355,642	Mauritius	118,009	6,710	Europe
	Bangladesh	23	6,615	China, P.R.: Mainland	1,711	288	Asia Pacific
2021	Pakistan	27	13,466	China, P.R.: Mainland	7,485	499	Asia Pacific
	India	53	400,462	Mauritius	144,241	7,556	Europe
	Bangladesh	27	8,160	China, P.R.: Mainland	2,204	302	Europe
2022	Pakistan	26	15,480	China, P.R.: Mainland	6,823	595	Asia Pacific
	India	52	426,632	Mauritius	153,776	8,204	Europe
	Bangladesh	24	8,239	China, P.R.: Mainland	2,995	343	Asia Pacific
2023	Pakistan	26	15,971	China, P.R.: Mainland	6,302	614	Europe
	India	54	445,200	Mauritius	147,789	8,244	Europe
	Bangladesh	24	9,514	China, P.R.: Mainland	4,266	396	Asia Pacific

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