

## Role of Foreign Direct Investment in Economic Growth of Pakistan

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**Abstract :** Foreign Direct Investment (FDI) is often seen as a significant factor of economic development in developing countries like Pakistan. The aim of this article is to investigate the effect of FDI on Pakistan's economic growth during 1972-2012. Besides FDI, three other variables such as trade openness, political instability and terrorist attacks are also used in this study. The least square method has been applied to check the effect of these variables on GDP of Pakistan. The results show that FDI has a positive significant effect on economic growth of Pakistan.

**Keywords :** FDI inflows, trade openness, political instability, terrorist attacks

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