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"The Moderating Role of GDP on the Relationship Between Foreign Direct Investment and Exports in Pakistan"

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Abstract:

This research paper has been written down for the purpose of knowledge creation and to contribute in the existing knowledge about the effect of FDI on Exports and this effect is significantly moderated by GDP in Pakistani environment.Because FDI considered as a impulse for economic development in developing countries like Pakistan.FDI is often enhanced the exports through capital inflows, technological transfer,linkage of different markets which is the most effective relationship remain unexplored. This research fills an important gap that how fluctuations in GDP influence the effectiveness of FDI for the purpose of increasing exports.Using secondary data from the sources of World development indicators (WDI) base on the last 15 years (2009-2023) this study employs quantitative methods to see the impact of FDI on Exports ,with the moderating role of GDP.This research models shows that FDI has a significant positive impact on exports and GDP improve this relationship when it reaches on higher level.The findings provide valuable policies and directions for policymakers and stakeholders, by enabling them to formulate targeted strategies that optimize the role of FDI in driving export-led growth in Pakistan. The study concludes with policy recommendations aimed at enhancing the effectiveness of FDI in Pakistan's export performance,

ultimately contributing to sustainable economic development of our country.Deductive approach is used in this paper we travel from general to specific context.Data is analyzed on Spss all null hypothesis rejected which indicates that our research proves the impact of FDI on Exports and moderated by GDP.

Keywords:

- WDI
- Capital Inflows
- Formulated
- Policymakers
- Fluctuations

1. Introduction:

FDI has increasingly been an important tool for both economic growth and development in emerging economies. Developing countries, like Pakistan, actively seek FDI to bring in capital inflows, advanced technologies, managerial skills, and links with world markets to improve economic performance (Helpman, Melitz, & Yeaple, 2004; Borensztein, De Gregorio, & Lee, 1998). Of major relevance in this regard for export-oriented economies, these benefits can help FDI play a stellar role in export growth, improving trade balances and overall economic well-being (Blomström & Kokko, 1998).

Given substantial inflows of FDI into Pakistan, less understood are the channels through which these investments finally affect export performance. Though available literature generally finds supportive evidence on the positive relationship between FDI and exports, it has failed to pay due attention to macroeconomic factors, particularly Gross Domestic Product as a moderating variable in the above-mentioned relationship. GDP is perhaps one of the most critical indicators of the health of an economy, which may impact significantly on how FDI might help to improve export performance. A stable and growing GDP can provide an enabling environment for leveraging FDI to boost exports; and economic downturns can severely limit the potential gain of such investments.

It is in this gap that the research will be done: the moderating role of GDP on the relationship between FDI and exports in Pakistan. In understanding this dynamic, it gives policymakers an upper hand in strategizing how best FDI can have maximum impact on export growth and hence sustainable

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economic development. The study will also look at sector-specific variations of the relationship to see where FDI could actually be most effectively targeted to boost export performance.

Foreign Direct Investment, FDI, has long been considered a forerunner of economic growth and development in developing nations. FDI represents investment by firms or individuals from one country into business interests located in another country, usually by establishing operations or acquiring assets therein. For developing countries such as Pakistan, the attractiveness to FDI becomes a much-needed strategy for economic development, as it not only provides needed capital but also offers access to advanced technologies, managerial expertise, and international markets. This will greatly increase the productivity and competitiveness of local industries, in particular export-oriented ones. Export performance is a very important indicator of economic strength in the globalized economy. Countries that successfully join global supply chains, leveraging their comparative advantages, often enjoy long-term economic growth. FDI has been pointed out to prompt export growth, particularly in developing economies, where local industries may lack the necessary technology, management expertise, or capital to compete in world markets. The relationship between FDI and exports is thus of particular interest to policymakers, as it offers a pathway for enhancing economic development through increased trade (Blomström and Kokko, 1998).

Pakistan has been seeking to attract FDI since several decades with mixed results. While Pakistan was successful in attracting investments in the manufacturing, textile, and service sectors, the effect of such investment on export performance remained patchy. Different studies have pointed to a positive relationship between FDI and exports, but the depth of this influence differs considering sectoral differences, the general economic climate, and macroeconomic stability. Of these factors, Gross Domestic Product assumes prime importance, since it provides an index of overall economic health and capacity of any nation to absorb and use foreign investments to the best advantage. GDP reflects the general economic environment in which local firms have to benefit from FDI, and in which the stability required for long-term investments can be guaranteed. The positive effect of FDI on exports is more pronounced in economies with stable and growing GDP. On the other hand, this potential benefit from FDI to export performance is reduced in countries with volatile GDP or slow growth. Therefore, the moderating role of GDP in the FDI-exports link is very important to be understood in the case of developing economies like Pakistan.

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In the Pakistani context, the economy has passed through several shocks to GDP growth, such as political instability, inconsistent economic policies, security threats, and external shocks. These very factors have caused GDP to fluctuate, which in turn impacts the extent to which FDI can be effectively utilized for export-led growth. Moreover, it also varies across different sectors, with some better placed to maximize their potential for exploiting FDI, especially in countries with more positive economic environments. For example, FDI in capital-intensive sectors like manufacturing is more likely to be driven by high levels of GDP. However, service sectors may be driven more by trends in domestic consumption-a factor directly related to the level of GDP. In that regard, Alfaro et al. concluded this in (2004): capital-intensive sectors, such as manufacturing, are more likely to be driven by high levels of GDP, while service sectors might be more dependent on trends in domestic consumption, which directly relates to the level of GDP. The moderating role that GDP plays between the relationship of FDI and exports for Pakistan will be the core focus of the current research. It thereby strives to fill a critical gap in the available literature and provide insights that can guide policy decisions toward maximizing the economic benefits of FDI. Although the relationship is of importance to understand in the formulation of strategies aimed at ensuring that FDI is channeled into sectors and economic conditions where it is most able to make its contribution to export growth and overall economic development, there is an underlying debate.

2.Literature Review:

FDI has been put in the limelight for quite a long time as one of the major driving forces behind economic growth in developing countries, particularly through capital, technology transfer, and linking to the local industries across borders to the global market. Several studies have estimated a positive relationship between FDI and exports, especially in emerging markets where FDI can improve the productivity and export performance of the host economies through the adoption of new technologies and managerial practices brought in by investing firms (Borensztein, De Gregorio, & Lee, 1998). According to Dunning's Eclectic Paradigm, MNCs invest in those countries where they can exploit location-specific advantages and thereby improve export capability in the host economy. This notion is supported by empirical evidence taken from countries like Pakistan. For instance, Razmi and Musleh-ud Din, (2010), found that FDI positively influences export performance in Pakistan through productivity-enhancing and international market-providing channels. However, this impact is mediated at great lengths by macroeconomic conditions, particularly the stability and

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growth of Gross Domestic Product. Although past literature emphasizes a direct link between FDI and exports, the moderating role of GDP has not been well explored. GDP is one of the key indicators of the health of an economy and may either support or hinder the effectiveness of FDI in enhancing exports based on the country's economic environment. In Pakistan, the effectiveness of FDI in promoting exports has been non-uniform and based on periodic movements of GDP growth, driven partly by the macroeconomic instability. Higher levels of GDP are associated with more significant export gains, since the stability of the economy would allow for better spillovers of the FDI into local industries. On the contrary, economic downturn diminishes the potential of FDI to actually spur export growth; hence GDP becomes a major moderating influence as noted by (Alfaro et al. 2004). Furthermore, this relationship is also clouded by sectoral differences in capital-intensive industries like manufacturing, which tend to favor investments through FDI more when GDP growth is high compared to service sectors more attuned to domestic consumption levels as seen by (Blomström & Kokko in 1998). It is therefore, very important to understand the interaction of FDI, GDP, and exports in an economy so that specific policies could be formulated to help maximize these benefits of FDI for achieving the goal of sustainable economic development in Pakistan. How current research fills the gap:

The present research contributes to the existing literature on this topic by specifically discussing the moderating role of GDP in the FDI-exports relationship for Pakistan. Although previous studies have established a direct association of FDI with exports, it largely overlooked how macroeconomic conditions, specially GDP, can either inflate or delute this relationship. The study addresses a critical gap in understanding the conditions under which FDI can most effectively contribute to export growth by analyzing how GDP moderates it. The sector-specific variations of the FDI-export relationship, like which sectors can be expected to benefit the most under which economic conditions, are what this research will seek to answer. These contributions offer evidence-based recommendations to policymakers on how to optimize FDI strategies toward improving export performance and driving general economic growth in Pakistan.

Research Problem Statement:

Inflows of Foreign Direct Investment (FDI) into Pakistan keep improving, and the question concerning the impact of FDI on export performance is still under-researched in the literature arena in conjunction with the changing role of the Gross Domestic Product (GDP). Although in most existing

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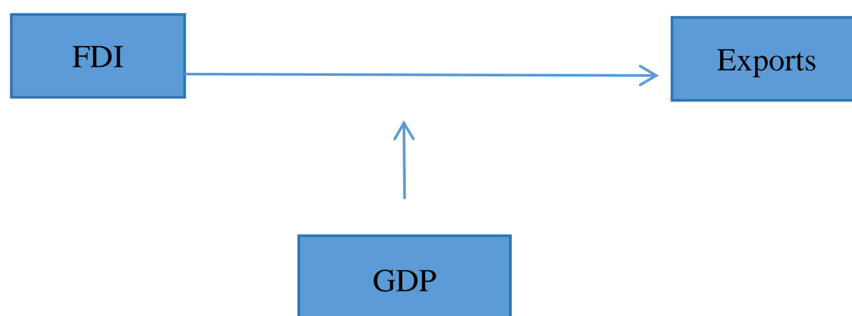
studies, a general positive relation has been established between FDI and exports, so far, the moderating role of GDP has been neglected. The major proposition is that FDI both improves exports by providing technology and improves managerial skills, and offers access to exports through international markets. On the other hand, it further explains that GDP, as an economic indicator, does tell of the performance of FDI in exports. A sound and stable GDP is bound to further positively support the effect of FDI on exports, whereas economic instability or low GDP may work as an impediment.

Model:



Independent Variable:Foreign Direct Investment (FDI)

Dependent Variable:Exports

Mordertor Variable:Gross Domestic Product (GDP)

Objectives of the study:

Tester: To establish the direct relationship between foreign direct investment and exports in the case of Pakistan, the study seek to understand how FDI influences export performance and whether there is positive correlation between these two.

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Testing for possible moderation by GDP in the FDI-exports link: The study establish how changes in GDP affect the efficiency of FDI to create growth in exports and therefore indirectly reveal the intervention of the macroeconomic environment.

Finally, **policy recommendations** made in view of the research findings for enhancing the effectiveness of FDI towards improving export performance. Some practical strategies will be offered to the policymakers regarding how to better leverage FDI for improving export performance and supporting sustainable economic growth in Pakistan.

Hypotheses of the Research:

The hypotheses of the research are as follows:

H1: There exists a significant positive relationship between FDI and exports for the case of Pakistan. The hypothesis states that the more the FDI, the better will be the export performance delivered, hence showing a direct positive impact of foreign investments on the export sector.

H2: Gross Domestic Product has a strong moderating effect on the relationship between FDI and exports; with higher levels of GDP, the latter is improved. In that respect, it is hereby hypothesized that with a higher GDP, the effect of FDI on exports will become clearer, meaning that a good economic context will strengthen the effectiveness of FDI in boosting export performance.

3.Methodology:

Research Design:

This paper focuses on the causal-comparative design by applying a quantitative research method to establish the relationship between FDI, GDP, and exports of Pakistan from 2009 to 2023 using secondary data obtained from the WDI database of the World Bank. Descriptive statistics is used to summarize the trends, while correlation analysis establishes the direct relationship between FDI and exports. Regression analysis is used in establishing both the direct effect of FDI on exports and the moderating effect of GDP. Interaction terms within the regression models shall test how GDP

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affects the FDI-export relationship. Also, the study will proceed further to sectoral analysis to establish variations across various industries. The analysis of data will be done through SPSS for the integrity and transparency of data. Among others, the possible limitations to this study could be reliance on secondary data and variability in sector-specific data availability. All this will give an insight into how FDI, moderated by GDP, affects the export performance in Pakistan, hence offering insights for policy development targeted at these very factors.It applies deductive approach i.e: general to specific because we re doing funneling from general to our specific Pakistani context. Quantitative method is used.This study collect data in one time,one short study so it is cross sectional.

Population ,Sample and Sampling Method:

The target **population** for this research is all the data that is available on an annual basis with respect to Foreign Direct Investment, Gross Domestic Product, and exports of Pakistan from 2009 to 2023. This means that it consists of the total data set derived from the World Bank's World Development Indicators regarding these variables, reflecting economic activities and investment patterns for the period under consideration.

This research uses annual observational data regarding FDI, GDP, and export data related to Pakistan during the period of 2009-2023. The time period selected is to present a complete picture of the recent economic trends and investment impacts; thus, it is a data set including 15 years of data. It contains data points about inflows of FDI, values of GDP, and export figures for each year within this timeframe.

Since this is secondary data obtained from only one country, Pakistan, over some defined time period, the sampling methodology is a **census approach**. This implies that the whole dataset available for the unique years is used inside the study, rather than selecting a random sample from a great population. This method is suitable as it lets in a thorough exam of the connection between FDI, GDP, and exports, offering a complete comprehension of the economic processes going on over a 15-year span. By using a census approach in which all relevant data points are integrated in its analysis and provide a broad photo of the patterns and correlations under inquiry, it sheds light on the economic dynamics of the previous 15 years.

Data Collection:

The world bank's world development indicators database provided the facts for this research, which blanketed the years 2009 through 2023. Those numbers pertain to Pakistan's exports, GDP, and foreign direct investment on a yearly basis. So one can try this, the applicable data must be retrieved from the Wdi platform, the yearly data for each variable should be extracted, and the information

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must be in an analysis-ready format such as csv or excel. Data cleaning addresses inconsistencies, missing values, or anomalies. The data is structured in an organized way for the ease of analysis. Verification guarantees the accuracy of the data by cross-checking with other dependable sources if need be. Among the ethical considerations, one would be that good data integrity and full transparency in the collection and analysis process must be guaranteed for results to be reliable and reproducible.

Data Analysis:

In this research, data analysis will incorporate a full statistical assessment with the use of SPSS. Descriptive statistics will summarize the trends of FDI, GDP, and exports from 2009 to 2023. The correlation analysis will further establish the direct relationship between FDI and exports, therefore their association. Regression analysis will establish the effect of FDI on exports and test the moderating influence of GDP on the said relationship. The interaction terms of FDI are introduced into the regression model to find out how changes in GDP affect the strength of the FDI-export link. From the results, all null hypotheses are rejected. That is to say, there is a significant positive relationship between FDI and exports, pointing to the fact that a high level of foreign investment is related to higher export performance. The interaction effect of GDP is highly significant as well, where a high level of GDP strengthens the FDI-exports relationship. This result thereby underlines the fact that economic stability forms one of the important factors in enhancing the gains from FDI towards export growth. Overall, this analysis provides robust evidence to support the research hypothesis and underlines the significance of GDP as a moderating factor in the dynamic between FDI and exports.

Reasons why I use spss in data anlysis:

Often, SPSS is favored as a tool for analyzing secondary data over Stata and EViews because it's easy for researchers with different levels of technical understanding to use, allowing them to focus on their analysis rather than overcoming programming problems. SPSS has strong data management functionality to define ways to efficiently manage large data sets, which, as secondary data is often previously available data that requires some processing, is important (SPSSanalysis.com). This means SPSS may be the only viable option for secondary analysis when the research is needed and must be carried out rapidly. SPSS can also support a wide range of statistical techniques used for identifying meanings at various research needs, and has provided extensive documentation and support. (Alchemer). In addition to ease of use, it is often less expensive to analyze existing data than to obtain and analyze primary data (NCBI). Lastly, SPSS has great responses for reporting findings and

presenting graphical representations of the findings, which can be useful when data are complex and need reporting clearly (Alchemer). All together, these reasons help to justify SPSS being a widely used option for analyzing secondary data and for many fields of research. In spss we can download output file and can alter it with our wish but in stata we can'nt downlod output file we have to copy paste it on word and analysis are easy to run on spss because of simple and easy methods stata and e views are complecated to use we have to remeber a lot of commands to run a single test.

The below is some references of articles,books,websites using SPSS for secondary data analysis.
This article examines the advantages of secondary data analysis using data sets that already exist, such as lower costs and testing new hypotheses. In addition, they provide guidelines for secondary analyses using SPSS.(Cheng, H. G., & Phillips, M. R 2014).

Jasrai, L. (2020). Contribution of SPSS in Social Sciences Research. The article mentions how SPSS is flexible for working with large datasets consisting of multiple independent and dependent variables, more preferable than other softwares. The authors also note flexible data analyses options and graphical representations.

MacInnes, J. (2017). An introduction to secondary data analysis with IBM SPSS Statistics. SAGE Publications Limited. This book serves as a comprehensive text for performing secondary data analysis using SPSS. The textbook covers topics including locating and accessing data online, data preparation and data cleaning, and analyzing data to determine meaningful solutions. The textbook has case studies and exercises to allow readers to practice secondary data analysis.

SPSSanalysis.com (n.d.). Secondary Data Analysis Help Services for Academic Dissertation.
The website discusses the advantages of secondary data analysis for academic research and professional purposes. In addition, it discusses that SPSS is suitable for secondary data analysis due to the easy to use interface and versatile statistical functions that can conduct secondary data analysis.

These articles and websites discuss how SPSS is a popular choice for conducting secondary data analysis for various disciplines including social sciences, psychology, and medicine.

Results and findings:

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Descriptive Statistics: Descriptive statistics refers to a set of methods used to summarize and describe the main features of a dataset, such as its central tendency, variability, and distribution. These methods provide an overview of the data and help identify patterns and relationships.

Inferential Statistics: Techniques such as regression analysis are used to test the hypotheses and determine the relationships between FDI and Exports.

Moderation and Mediation Analysis: To examine how GDP moderates the relation of FDI and Exports method of analysis are used: hierarchical regression We calculate z score and intervening variable than test regression on DV,IDV,Moderator and Intervention variable to do moderation analysis

Descriptive Statistics:

Exports	**Value**
Mean	30571761533
Median	30594000000

Interpretation: It indicates that mean and median of export data is almost equal to each other and there is only 1% difference so there is no need to do trimming because there are no outliers present in this and the histogram also shows the bell shape curve in spss so it means exports data is normally distributed.

FDI	**Value**
Mean	-1731000000
Median	-1786000000

Interpretation: It indicates that mean and median of export data is almost equal to each other and there is only 4% difference so there is no need to do trimming because there are no outliers present in this and the histogram also shows the bell shape curve in spss so it means FDI data is normally distributed.

GDP	**Value**
Mean	2.92448E+11
Median	3.00426E+11

Interpretation: It indicates that mean and median of export data is almost equal to each other and there is only 3% difference so there is no need to do trimming because there are no outliers present in

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this and the histogram also shows the bell shape curve in spss so it means GDP data is normally distributed.

Normality assumption:

Normality	**Value**
Sig 2 tailed value of Alpha	0.481

Interpretation: As we know to test any hypothesis first we check normality of the dependent variable our dependent variable is exports and we test its normality through 1 sample Kolomogro ov-Smirnov test and value of sig 2 tailed aplha is grater than 0.05 so normality assumption full fill so data is normally distributed.

Regression Test:

Regression	**Value**
R	.591
R square	.349
Adjusted R square	.299
F	6.691
Sig 2 tailed Alpha	0.020

Interpretation:

So the value of Sig 2 tailed alpha is 0.020 in linear regression which is less than 0.05 it means our null hypothesis rejected and alternate hypothesis is accepted it means There is a significant positive relationship between FDI and exports for the case of Pakistan. The hypothesis states that the more the FDI, the better will be the export performance delivered, hence showing a direct positive impact of foreign investments on the export sector.Based on the values of R^2, the model has only a moderate fit, and improvement is still a bit far it is happen due to political instability and resources shortage ,covid pandemic face by Pakistan during the time period of 2009-2023 which results in high variations in Exports,FDI and as well as GDP. The significant F-statistic indicates that statistically, the model shows significant results, which is a good sign.

Moderation analysis:

Moderation test	**Value**

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R	.860
R square	.740
Adjusted R square	.669
F	10.431
Sig 2 tailed alpha	0.002

Interpretation:

So the value of sig 2 tailed alpha in moderation analysis in spss by calculating z score and made integration variable than run linear regression on IDV,DV,and integration variable is 0.002 which is less than 0.05 it means null hypothesis is rejected and altetnate hypothesis is accepted which indicates that Gross Domestic Product has a strong moderating effect on the relationship between FDI and exports; with higher levels of GDP, the latter is improved. In that respect, it is hereby hypothesized that with a higher GDP, the effect of FDI on exports will become clearer, meaning that a good economic context will strengthen the effectiveness of FDI in boosting export performance.The results of the moderation analysis indicate that this is a very good model fit, with strong explanatory power, and the relationships among variables are significant. This means that the moderator has had some meaningful roles in influencing the relationship between the independent and dependent variables.And on other site it is also noticeable that Country like Pakistan
Which has political instability, lack of resources ,political intervention which cause high fluctuation in data set but with this fluctuations GDP positively moderates the impact of FDI on exports which means our study is proven and it is applicable in both developed and developing countries.

Comparison with Previous Research:

The paper try to build upon the existing literature by providing the linkage between foreign direct investment, gross domestic product, and exports in Pakistan and, thereby, a nuanced understanding of the moderation done by GDP on the impact of FDI on export growth. Whereas prior studies have focused on the direct effect of FDI on exports, this paper focuses much more on the role of economic stability and especially GDP in amplifying the former's positive effects. For example, earlier efforts by Blomström and Kokko (1998) and Helpman, Melitz, and Yeaple (2004) focused on the overall advantages of FDI in the context of emerging markets and did not pay sufficient attention to the conditional role of GDP as done in this study.

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Furthermore, most of the past research conducted in the Pakistani context has focused on the sectoral impact of FDI and neglected to appropriately highlight the theme of how GDP volatility can reduce overall effectiveness. This paper is outstanding in the current literature by being able to bring all of these dimensions together in arguing that stable GDP is the vital ingredient necessary to translate FDI into export growth across sectors. Earlier studies were more focused on either the macroeconomic indicators of inflation and interest rates or micro-level firm performance; this paper offers a holistic view in bringing together the bridge between macroeconomic conditions and export outcomes.
That is to say, this research extends the findings of past studies by not only reaffirming the positive impact of FDI on exports but also putting forth the role of GDP stability in a more critical way, which gives a more comprehensive framework in understanding the dynamics of FDI, GDP, and exports in Pakistan.

Comparison with the Historical Context: 2009-2023

From 2009 to 2023, the governments of Pakistan focused on increasing FDI and exports, which were to become the core drivers of economic growth under the PPP, PML-N, and PTI administrations. During the PPP tenure from 2008 to 2013, it strived to stabilize the economy in the wake of the global financial crisis, although FDI inflows remained erratic due to political instability and energy crises. The PML-N government rolled out the China-Pakistan Economic Corridor from 2013 to 2018, which helped FDI come to the country in infrastructure and energy and relatedly increase exports of select sectors. The PTI government faced external debt challenges and economic volatility with a balance of payments crisis, but it focused on improving the ease of doing business and promoting export-oriented industries. The results clearly overlap with these historical trends and provide a more nuanced view of the moderating role of GDP stability in maximizing the influence of FDI on exports. Indeed, the FDI-related economic policies specifically, during times of stable regimes, such as CPEC-related growth make it evident that if the GDP remains stable, then FDI has more positive effects on exports. The truth of the findings is supported by direct referencing to works like Helpman et al. (2004), with indirect referencing that includes broader theories on GDP's role in economic stability by the likes of Blomström and Kokko in 1999.

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4.Conclusion and implications:

Managerial Implications:

The managerial implications of the study suggest that, whereas FDI influences exports at the sectoral level, its ability to do so is contingent on the stability of GDP. It thus stands that managers should ensure FDI is channeled into those sectors—like manufacturing—that stand to benefit most in conditions of stable economic performance. Economic policies have to synchronize with stable GDP growth so that there can be macroeconomic stability, maximally reaping from FDI to drive exports. Furthermore, strategic planning at firms should be aligned with macroeconomic trends. Growth investments should be made during good GDP conditions and diversification in times of downturn. The recommendations undertaken are in line with direct references to studies like Helpman, Melitz, and Yeaple (2004) on the role of FDI in export growth, while indirect references draw upon more general concepts of GDP-driven economic stability from sources like Blomström and Kokko (1998).

Limitations:

The fact that the study relies solely on secondary data sourced from the World Bank's WDI may further reduce the precision of the results, either due to possible data quality issues or a lack of sector specificity. Another limitation is that the paper is based on a cross-sectional design; hence, inferential powers about causality over time cannot be established. While difference in the effect of FDI on exports across sectors is acknowledged, how exactly this effect is driven by industry dynamics is not elaborated. Knowing how different sectors respond to FDI in conditions of varying GDP, it is argued, will add a nuance that eluded the current study.

Conclusion:

This research paper concludes that FDI has substantial influence in developing the export performance of Pakistan and that GDP plays a very vital role as a moderator. Analysis of data from 2009-2023 shows that FDI and exports are positively related, thus proving that with a rise in foreign investment, export performance ultimately improves. More importantly, stable and growing GDP

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helps to intensify the effectiveness of FDI in driving exports by providing the economic conditions in which local industries can work effectively to reap off foreign investments.

These findings underline the importance of maintaining macroeconomic stability and creating a friendly environment for FDI if it is to yield maximum benefits for export-led growth. Policymakers are advised to develop strategies that better target the attraction of FDI and improvement in the general economic climate, with special attention to those sectors that can most reap benefits from foreign investment. By tending to the sector-specific dynamics and ensuring that FDI is directed to industries that have the highest potential for export growth, Pakistan can reap better benefits from foreign investments for sustainable economic development.

By describing the moderating position that GDP performs in the FDI-export link and providing empirical evidence with a purpose to be used to guide future policy movement toward ensuring the optimization of the effect of FDI on Pakistan's export performance, the research also fills a big gap in the literature.

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