

The Impact of Foreign Direct Investment in Developing Countries

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Abstract

Among the different forms of capital flows, policy makers and academics talk about foreign direct investment (FDI) the most. In the past fifteen years FDI has been the dominant form of capital flow in the global economy even for developing countries. Many developing countries are reluctant to depend much on FDI as an instrument of economic development and industrialization because of perceptions of high costs and uncertain benefits. Dependence on FDI is seen to increase a country's economic, political and social vulnerability, undermine its national sovereignty and expose its society to undesirable foreign influence. FDI is perceived to have a limited role. However with the need to accelerate economic growth and to achieve a more dynamic and internationally competitive industrial sector, FDI is increasingly perceived to be useful. It makes possible not only access to larger volumes of