Can FDI Serve as an Engine of Economic Growth for the Least Developed Countries?

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EXECUTIVE SUMMARY

A failure to disaggregate global FDI data may lead to the erroneous conclusion that the least developed countries in the world have gained significant increases in inward FDI in recent years. In fact, the developing world has been attracting more FDI capital both in absolute in relative terms. However, it is the richest developing countries, i.e. those on the threshold of industrialization, that are succeeding in this regard. The least developed countries, concentrated in Africa and in parts of Asia, are attracting very little global FDI capital because of product and resource market deficiencies, growth retardation and poor infrastructures. The type of FDI capital most needed by these developing countries is precisely the type of foreign investment that is motivated to go elsewhere. The only hope for success in this regard is through enlightened public policy in host countries, particularly industrial and investment promotion policies, designed to build infrastructure, to stimulate market growth, to guarantee property rights protection and to target and recruit those MNCs most able and willing to develop synergistic relations with indigenous companies in the supply chain.

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