Foreign Direct Investment

Economics

What FDI brings beyond the capital itself.

Benefits to the host

- Capital without creating debt
- Technology and process transfer
- Management practice spillovers
- Access to the investor's export markets
- Employment and supplier development

Concerns

- Profits repatriated over time
- Enclave operations with few local links
- Competition displacing domestic firms
- Tax structuring reducing the contribution
- Leverage over host policy

THE DIFFERENCE THAT MATTERS

Spillovers depend on local absorptive capacity. Without skills and suppliers to connect to, the benefits stay inside the enclave.

Greenfield investment builds new capacity; acquisition transfers ownership of existing capacity. The effects differ substantially.