THE ECONOMIC ROLE OF DIRECT FOREIGN INVESTMENT IN DEVELOPING COUNTRIES

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The study aims to illustrate the concepts of direct foreign investment and show its positive and negative impact in general and its barriers and some of its economic impacts particularly on economic growth, the local capital and employment. The researcher tries to know and identify the various benefits of foreign direct investment(FDI) and the flows of foreign direct investment to developing countries that may create various economic effects as foreign direct investment plays an important role in the economies of developing countries. Foreign direct investment can be described as the backbone of the economies of those countries. The researcher used the analytical descriptive method through the presentation of the previous studies and using some data and indicators including extensive literature review, international institutions publications, data obtained from books and articles from the internet. The study comes up with several conclusions. One of these conclusions is the fact that foreign direct investment is considered, in most host countries, an important component of their development strategy. Growth and policies are accordingly designed to stimulate inward flows. The spread of the impacts is thus a matter of externalities being transmitted from established foreign producers to domestic ones. FDI presence may also improve the infrastructure, quality of labor force and encourage development activities of domestic firms which would have the long-term positive act but would not show up in transition economies .The regulatory environment might improve in response to the FDI. The research recommends to encourage the establishment of joint ventures as joint ownership helps the local investor to impose oversight of the foreign investor. Developing countries can benefit from China's experience in this field also to simplify administrative procedures related to the investment process and rehabilitate the administrative competencies of the investment agencies with continuous review of investment-related legislation and make them more flexible and realistic taking into account transparency and clarity in financial legislations which determine the rights and duties of the parties involved in the process.

***Keywords*: economic growth , FDI , unemployment rate , developing countries , development strategies, financial legislation.**

1. Introduction.

Developing countries are generally unable to exploit the benefits from their abundant natural resources due to inadequate human and physical capital ،technological know-how. Many of these countries are also typically constrained by the weak protection of property rights corruption political and economic instability. Such setbacks hinder their capital accumulation and become obstacles to using already existing resources. Consequently , foreign direct investment (FDI) has become the important source compared to other international capital sources. FDI offers significant advantage to the host country with a relatively more stable flow of funds , helps augment productive capacity, assists host economy to promote its products more widely in international markets, increases trade and reduce unemployment rates. Even if there is some evidence of its negative effects. FDI is recognized to have beneficial effects on local firms and the economy in general. It also generates positive knowledge externalities through labor training and skill acquisition , helps in transferring technology and organizational know-how , introduces new production processes, creates backward and forward linkages across sectors and provides domestic firms with much-desired access to foreign markets. The host country , in return , offers foreign firms new and relatively unexploited markets , cheap labor and natural resources. This paper focuses on the concept of FDI which plays an important role in the economies of a large number of countries in the world. This important role is reflected in the impact on production, employment , income , prices , exports, imports , economic growth , the balance of payments and the general welfare of the host country.

2. Research Problem

Due to the shortcomings in human and material resources suffered by the developing countries,. many foreign direct investments have been directed to these countries due to their importance to the economies of host countries. Therefore , the research problem can be asked in the following question:

To what extent host countries can benefit from foreign direct investment in providing financial resources to increase domestic income , gain experience and reduce the unemployment rate?

3. Research Hypothesis.

FDI is one of the most important means of providing capital and transferring technology and skills to countries that lack it to create job opportunities, improve the balance of payments, and achieve economic growth.

4. Research Importance and Objective.

FDI plays an important role in the economies of developing countries. It can be described as the backbone of the economies of those countries. The subject of foreign investments today is one of the more interesting themes in various countries where these countries have become a lucrative place to attract investment. In fact , these countries include an important aspect within the economic policies since these investments have an important role in increasing rates of economic growth , creating employment opportunities and improving the use of technology to achieve development in its various economic and social fields Indeed , many countries seek to provide an appropriate climate to investments in the light of the existing challenges and the need to adapt with the current global developments starting from globalization , the emergence of the world trade organization , the existence of the regional blocs and ending in the global crisis. Foreign Direct Investment (FDI) is seen as the fundamental part of an open and successful international economic system and a major mechanism for development. Thus , the main goals of the current study can be summarized as follows:

1.to contribute to the identification of concepts related to foreign direct investment and identify the types of FDI with key determinants.
2.to clarify FDI's positive and negative economic effects.
3.to clarify FDI trends and barriers in developing countries during the period 2011-2013.
4.to suggest recommendations that may assist in attracting more foreign direct investment and trade flows in the developing countries' economies.

5. Research Methodology.

The current study relies on the analytical descriptive approach since it is the most appropriate scientific method in economics research. This method includes an extensive literature review , data obtained through books , researchers and articles from the internet.

2. CONCEPTUAL FRAMEWORK.

2.1 Definition of Foreign Direct Investment (FDI):

• (UNCTAD) (United Nations Conference on Trade and Development Report)see that the foreign direct investment assumes a continuation of a long-term relationship between the host country and foreign investors and these investors seek through this relationship to control projects or institutions in host country (UNCTAD:2019 :465).

• The International Monetary Fund (IMF) and the Organization of Economic Cooperation and Development (OECD) define the FDI as the "kind of international investment that reflects the objective for a resident entity in the economy (direct investor) on lasting interest in existing projects ın another countries' economies (Foundation FDI) and this interest involves a long-term relationship between the direct investor and the institution and the direct investor enjoy a large degree of influence in the management of the institution (IMF1993 :86).

•The concept of investment and its definition according to legal and economic vision is
“the transfer of foreign capitals, technical techniques and advanced foreign managerial to create economic , social and administrative development to contribute to the development of the host country through the nascent companies with the participation of national capital”. (Al Mukhter2018:12)

2.2: Types of FDI

UNCTAD identifies four different types of FDI. These are listed below with key determinants.

Motive Of FDI	Key Determinants
Natural resource-seeking FDI	- Abundance and cost of natural resources. - Infrastructure (ports،roads،rail ways،etc.)

	- Price movements.
Market-seeking FDI	- Market size and purchasing power (per capita income). - Market growth. - Access to regional and global markets. - Tradability of product/service Structure of markets
Strategic asset-seeking FDI	- Presence of firm-specific assets. - Ease of cross-border M&As. Efficiency and transparency of the financial market.

Table 1: FDI Types

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2.3 THE ECONOMIC EFFECT OF FOREIGN DIRECT INVESTMENT

There are several areas through which FDI affects development (UNCTAD ‹2019):

1. Employment and income.
2. Capital formation ‹market access.
3. Structure of markets.
4. Transferring technology and skills.
5. Creating fiscal revenues.
6. Political cultural and social issues.

These effects can be static and dynamic and they can be positive and negative.

2.3.1 The Positive Effects

According to Joseph (2010:30-35) , FDI can have the following positive effects on development:

1. It leads to an increase in host country's GDP and improves the quality of the products, especially in the field of joint economic projects as the companies seek a subset of multinational corporations with companies in developing countries or through establishing new projects for foreign companies in the host country and

that what leads to the opening of markets global front for those project which in turn leads to increased rates of economic growth, increase per capita income and improve the standard of living.
2. It leads to improve infrastructure in hosting regions such as roads , bridges and buildings , transport and communications , education and health services which constitute one of the pillars of economic growth.
3.It leads to the provision of foreign currency which reflects positively on the trade balance of the host country.
4. It leads to reduce unemployment rates by providing job opportunities for the labor force.
5. It leads to technological and scientific progress in the host country as this progress is an important factor in the production process.
6. It leads to acquisition skills ،managerial expertise and organizational capacities building in a developing country.
7. It contributes funds by foreign companies to finance projects to increase exports in the host countries and reduce the fiscal deficit in the balance of payments.
Others (cf Blomström and Kokko1996) see that foreign MNCs would lead to the following:
A. introducing new know-how by demonstrating new technologies and training workers who later take employment in local firms.
B. breaking down monopolies and stimulate competition and efficiency and create a more developed industry structure ،depending on the strength and the response of local firms.
C. forcing local firms to increase their managerial efforts and adopt some of the marketing techniques used by MNC either on the local market or internationally.

2.3.2 The Negative Effects

According to Tahir (2001:250-251) , FDI can have the following negative effects on development:
1. the domination of foreign investors on some industries in the host countries.
2. the intensive use of technology by foreign direct investment will lead to increased unemployment in the host country.
3. FDI may adversely affect the culture , the different customs and beliefs in the host country through the promotion of consumer bad goods.
4. Foreign investors could threaten the sovereignty of the state and this is through using the economic and political pressures especially if they invested in strategic sectors of the host country's government.
5. A foreign investor may use illegal ways for tax evasion and the foreign currency exchange.
6. The foreign direct investment could be a factor in transferring local financial resources to abroad in forms of dividends and yields on long-term investment.
7. Granting tax exemptions to foreign companies may result in a reduction in public fiscal revenues.
8. Incapacity of local companies to work after the departure of foreign companies due to high wages, which makes it difficult for these companies to keep their skilled employees.

3. FDI Barriers

The barriers have been classified by academic studies as formal and informal, or direct and indirect barriers. The formal or direct barriers mean the FDI’s ability to invest in markets on a limited extent ; for example in the form of restricted laws and high taxes. The informal or indirect barriers are those that affect investor’s willingness to invest mainly due to reservations regarding cultural or political issues (Nishiotis 2014). In an investment context , we offer the view that formal barriers are known as variables which will affect either the ability to invest or the net returns; and informal barriers represent risks that may affect the ability to invest or the net returns on investment. Previous studies have listed barriers affecting the trading of goods ,setting up of companies, opening markets or a mix of all. The most important barriers to global equity in market integration are said to be poor credit ratings high and variable inflation , exchange rate controls , the lack of a high-quality regulatory and accounting framework , the lack of sufficient country funds or cross-listed securities and the limited size of some stock markets (Bekaert 2015).

3.1 The Formal Barriers

3.1.1 Restrictions to Capital Accounts

Capital control affects the ability of investors to repatriate their investment. If domestic savings are scarce in the host country , capital account transactions will likely be restricted.

3.1.2 Legal Barriers

Legal barriers arise from the different legal status of foreign and domestic investors. This could be in the form of ownership restrictions which will affect real estate investors. (Bekaert 2015).

3.1.3 Taxes and Costs

The residence principle means that incomes from foreign and domestic sources of residents in one country are taxed at equal rates while incomes of non-residents are tax-exempt (Razin et al 2018). However , this idealized tax structure is often altered ،thus affecting capital flows.

3.2 Informal Barriers

3.2.1 Political Risk

Politics can influence economic decisions and the country's degree of openness to foreign investment.

3.2.2 Institutions , Role of Law and Corruption

3.2.3 Economic Stability

Economic stability is an important factor for investments. The high inflation rates reflect the state of instability in economic policy at the level of the economy as a whole ،creating an uncertain investment environment and thus the inflation does not encourage new foreign direct investment.

3.2.4 Currency Risk

Currency exchange rates can have a dramatic impact on the return on investment for foreign investors. A possible irony of international investment is that many developing economies manage to keep exchange rate volatility lower than that which is typical in industrial economies. This is not surprising as many developing economies try to peg their exchange rates to the U.S. dollar or a basket of currencies (Bekaert 2015).

3.2.5 Liquidity Risk

Liquidity risk captures the time it takes to execute trades, other factors such as the direct and indirect costs of trading and risk and uncertainty concerning the timing of selling and the achievement of the expected sale price. The risk that arises from the difficulty of selling an asset is important in portfolio investment but is less commonly referred to in FDI literature. In real estate investment , liquidity risk is generally a more serious issue (IPF 2014).

3.2.6 Cultural Barriers

Cultural barriers are exemplified when dealing in countries with certain religious beliefs and sometimes they can be subtle.

3.2.7 Geographical Barriers

The rugged geographical location of the host country is an obstacle to foreign direct investment.

4.FOREIGN DIRECT INVESTMENT IN THE WORLD

The good situation experienced by foreign direct investment prevalent continued in 2007 with record-setting surpassed those recorded in 2000 to $1833 billion in 2007 in a growth rate exceeded 30% until the second semester of the same year when the financial crisis exploded marking the end of 2007 when foreign direct investment growth rate reached the equivalent of 23%. Global FDI flows have been severely affected worldwide as a result of the crisis that has become economic after it was financial where global flows of foreign direct investment decreased from 1979 billion dollars in 2007 to 1697 billion dollars in 2008. UNCTAD report for 2010 pointed to a decline in foreign direct investment flows rated 37% by the end of 2009 to $1114 billion while approximately 43% of the flows dropped to reach 1101 billion dollars. According to Table 2 below, it dropped 18.2% ،compared to the year 2011 while in 2012 , it reached 1330 billion dollars. In 2013 , flows raised 9% to reach 1452 billion dollars which is mainly due to the fragility of the global economy and uncertainty. In 2013, developing countries had a large share of foreign direct incoming investments while FDI inflows in developed countries rose to achieve the equivalent of $566 billion representing 39% of the global total FDI inflows to developing countries recorded the highest value of its unrealized worth $ 778 billion representing 54% of global flows. The remaining $108 billion went to transition economics. In 2013, outgoing flows increased by 9.2% to reach 1410 billion dollars noting that 61% of those flows sourced from developed countries, while developing countries contributed 32%, transition economies only 7% ،which replaced six developing countries and mutant among the top 20 economies investing in the world in 2013. UNCTAD expects (UNCTAD) to improve the conditions of the global economy and regain investors' confidence in med- term and this will increase foreign direct investment flows up to 1600 billion dollars in 2014, 1700 billion dollars in 2015, and 1800 billion dollars in 2011 with a significant increase in developed countries (UNCTAD 2014:8).

4.1 TRENDS OF FOREIGN DIRECT INVESTMENT FLOW

Region	Inflows			Outgoing flows		
	2011	2012	2013	2011	2012	2013
developed countries	880	517	566	1216	853	857
European Union	490	216	246	585	238	250
North America	263	204	250	439	422	381
Developing countries	725	729	778	423	440	454
Africa	48	55	57	7	12	12
Asia	431	415	426	304	302	326
East and Southeast Asia	333	334	347	270	274	293
South Asia	44	32	36	13	9	2
West Asia	53	48	44	22	19	31
Latin America and the Caribbean	244	256	292	111	124	115
Metamorphic states	95	84	108	73	54	99
The world	1700	1330	1452	1712	1347	1410

Source: UNCTAD World Investment Report 2014.

FDI inflows dropped in developed countries recorded threshold of $ 517 billion in 2012.This level has not been recorded for nearly ten years. Developing countries share in FDI inflows continued to increase despite the slight decline with a rate of 4% to reach about $ 729 billion in 2012.Developing countries share in FDI inflows recorded rate of 52% of global flows coming from this type of investment ،surpassing the precedent ratio flows to developed countries which did not exceed 42%.

In an unexpected twist, FDI inflows declined by 16% in 2014 to $1.23 trillion as a result of the continuing fragility of the global economy as well as the liquidation of certain investments, the state of anxiety, uncertainty dominating investors' decision due to growing geopolitical risks (UNCTAD World Investment Report 2015:12).

According to the latest statistics from the World Investment Report 2015 , FDI inflows rose to develop economies to reach about $ 681 billion ،accounting for %55.5 of global flows, due mainly flows to Asian developing countries which still has the highest growth rates compared with a decline flows in both Africa, Latin America, and the Caribbean and , in turn, developed countries attracted $ 499 billion ،down a clear hit rate % 28.4 for the year 2013 ،as inflows fell sharply in transition countries increased by 52% to reach $ 48 billion during 2014. As for the outgoing flows , they increased 3.7% to reach 1354 billion dollars in 2014 noting that 61% of those flows sourced from developed countries while developing countries contributed 34% and national transformed 5% which replaced nine developing countries and mutant among the top 20 economies investor in the world in 2014 (Ibid).

4.2 Cautious Optimism Returns to Global FDI

In 2013 , FDI flows returned to an upward trend. Global FDI inflows rose by 9% to $1.45 trillion in 2013. FDI inflows increased in all major economic groupings – developed, developing and transition economies. Global FDI stock rose by 9% reaching $25.5 trillion. UNCTAD mentioned that global FDI flows could rise to $1.6 trillion in 2014 $1.75 trillion in 2015 and $1.85 trillion in 2016. The rise will be mainly driven by investments in developed economies as their economic recovery starts to take hold and spread wider. The fragility in some emerging markets and risks related to policy uncertainty and regional conflict could still derail the expected upturn in FDI flows. As a result of higher expected FDI growth in developed countries the regional distribution of FDI may tilt back towards the "traditional pattern" of a higher share of developed countries in global inflows, (UNCTAD World Investment Report 2018:12-14).

5. Discussion of Literature Review

A Brief Review of the Theoretical and Empirical Literature

In what follows , we provide a critical overview of the theoretical and empirical literature, to highlight the background of the divergent findings in prior work. By analyzing the main findings important contributions to the literature related to the effects of FDI on some economic variables, such as economic growth ,local capital and employment.

A review of literature is based on articles published in all economic journals available in the Econlit database. The first economic effect of FDI in developing countries is economic growth. The positive effect. Some literature finds a positive relation between FDI and growth in 78 developing countries for the period 1960-85 using an endogenous growth equation. The study found a significant robust positive impact for FDI on per capita income growth in the host country (Blomstrom et al 2012: 12-13). Other studies have shown that FDI has a positive impact in growth despite its small size for capital formation (Qaudhry 2011; Okoro et al 2014; Andelhameed 2019; Nguyen 2016; Okon et al 2012; Daniel 2014; ANITHA 2008; Fredrik 2013; Samuel et al 2013; Mary Ann 2012) in the following countries: Jordan , Algeria , Nigeria , Egypt , Morocco , Tunisia, Turkey , Vietnam , Kenya , India , Southeast Asia , South Africa and Ghana. The negative effect , despite the foreign direct investment, has an important role in developing countries economic development because it makes these countries successful in the services sector, also in the scientific and technological modernization process , but some of the studies showed problems whether economic and non-economic .These studies are presented by these researchers :Saleh 2013 , Al Rosan 2013 , Momo 2013; Virgin 2009 , Bilal 2008 , Yarui et al.2011 , Dosse et al.2019). However, on the other hand , several studies showed that foreign direct investment on economic growth in the Arab countries is limited and its effect is not worth mentioning. Kamal2012 and Nezar 2018 confirm that the impact of foreign direct investment on economic growth in Tunisia was negative and this is confirmed by previous studies of the Tunisian economy which proved that country's foreign direct investment flows are not exploited efficiently (Nezar2018). Moreover , Layla2014 justifies that weak investment associated with the technology of foreign direct investment in Tunisia led to the lack of Tunisia benefit from foreign direct investment flows in addition to its focus on sectors of the traditional industry does not require high technology such as the textile sector (Layla 2014). Basem and Abeer (2011) and Muhtaseb (2009) also confirm that FDI inflows do not exert an independent effect on economic growth in Jordan .Besides , Easterly (2013) notes that policies in the form of preferential tax treatments and other concessions that are got by foreign direct investment can distort domestic incentives. If foreign firms obtain significant benefits from host governments , the distortions caused could have large negative effects on growth. Further , Borensztein et al. (2018) argue that if FDI enters a country to overcome trade barriers , it might result in an FDI inflow that does not respond to higher efficiency but only to profit opportunities created by distorted incentives. It can be deduced from the previous view that there is a conflict between the previous studies on the ability of foreign investment in promoting growth. Some of them confirmed lack of usefulness while most studies show that the FDI has its usefulness and its positive effect and consistent with economic theory even if limited. Some studies presented some econometric evidence using industry-level data from nine OECD countries (Baldwin et al.2019). The results of Baldwin et al 1999 are consistent with Bashir 2018 who tested the degree of association between FDI and economic growth in a sample of six the Middle East and North Africa (MENA) countries during the period 1975-90. Both procedures provide consistent estimates of a positive relation between FDI and economic growth in the six MENA countries where FDI leads to economic growth (Bashir 2018: 4). We note that most studies deal with the relationships and conflicting results about the impact of FDI on growth and development. Some confirmed the existence of a negative relationship and again stressed the lack of definitive relationship while others show that there is a direct correlation. We find that many of studies see that the economic growth of

Libya , Tunisia , Pakistan and Middle East countries is linked to a positive relationship with foreign direct investment and this is consistent with economic theory (Hadeed 2013 , Shorbaji 2015 , Nadeem et al.2010 , Dosse et al. 2019) ،.However ,Ghanem and Almuseibla 2013 show that investments direct foreign have a positively and weakly impact on GDP growth rate. In another context , we find that many of the studies highlight the existence of equilibrium long-term relationship between GDP as the dependent variable and foreign investment direct and two-way trade in the Arab Gulf states (Ben Jupp and Ghawar 2013 , al-Zahrani 2010) and Sarbapriya 2012). Egwaikhide (2012) emphasizes in his study that there is no FDI impact on real growth in Nigeria . Nevertheless , in the short term , many studies confirmed that the existence of a causal correlation in the short term between both foreign direct investment and GDP in the economies of Jordan , Nigeria and Thailand (Meshaal Abulela 2007 , Abulely 2005 , Ben Ayoub and Ghawar 2013 , Samrat 2012 Okon et al 2012). Zahrani indicates that foreign direct investment contributes to economic growth in the short term but in on a weak level (AlZahrani 2010). On the other hand , Abdul Rahman and Paul 2013 show that the relationship between the annual change of foreign direct investment and the annual GDP change in Libya was negative. In addition , a study in Malaysia confirmed that there is no causal relationship between FDI and GDP (Samrat 2012) while a study on the Egyptian economy has shown an inverse relationship between foreign direct investment contrary to the economic theory(Jabari Hadeed 2013). As for the impact on the local capital , many of the results arrived at in these studies showed that the effect of FDI was positive in domestic savings as it increases domestic capital and this is found in Jordan , Pakistan , Nigeria and the United Arab Emirates (Ghanem and Almuseibla 2003 , Mohammad et al. 2011 , Basem and Abeer 2011, Saibu et al.2014).However , Momo thinks that there is a positive relationship between growth and foreign investment and domestic investment but the effect on the domestic investment is greater than on the foreign،one and that its impact is positive in the short term and vice versa in the long run (Momo ،2013). Dosse ,however ,says that there is a non-direct influence of foreign direct investment with capital through the interaction between them (Dosse et al.2019). Balasubramanyam et al. (2016) argue that the mere infusion of human capital and new technology into a distortion-ridden economy may neither lift the economy to a higher plane nor alter the slope of the production function. It might , instead , merely serve to redistribute income in favor of the new agents of production. Sadik and Bolbol (2011) argue that FDI is not economically justifiable in some Arab countries due to distorted incentives in defense and petrochemical contracts. These considerations suggest a potential for net negative effects to accrue from FDI. Concerning the impact of FDI on employment , the bulk of studies suggest that it helps to provide opportunities to work in the host countries while Mukhtar confirmed that FDI contributes actively to the creation of employment opportunities for the Sudanese labor (Mokhtar 2013). Both Meshaal and Abulely confirmed the existence of an indirect effect on human capital and GDP in Jordan. (Mashal Abu Laila 2017). It is also stressed that the element of age has a positive role in economic growth (Almuhtaseb.2019). Elias agrees that workers have the strongest impact on GDP after foreign direct investment in the UAE (Nagem & Almzughe،2012). However , Dosse confirmed that the labor force has an indirect impact through interaction between investment and workers in developing countries (Dosse; et al. ،2019). On the other hand , Ghanem and Almuseibla stressed that foreign direct investment does not have a mentioned effect on employment(Ghanem and Almuseibla 2013).

Conclusions.

After investigating the economic role of direct foreign investment in developing countries and discussing its positive and negative results and through surveying the existing literature on the economic effect of FDI in a large part of the developing countries focusing more on Arab countries , it is concluded that foreign direct investment (FDI) is considered in most host countries to be an important component of their development strategy .Growth and policies are accordingly designed to stimulate inward flows. The spread of the impacts is thus a matter of externalities being transmitted from established foreign producers to domestic ones. FDI presence may also improve the infrastructure , quality of labor force and research and the development activities of domestic firms which would have the long-term positive act but would not show up in transition economies. The regulatory environment might improve in response to the FDI. We are leaving the exploration of these issues to future research.

Recommendations.

The following points are recommended in this study:

1- Developments in the global economic environment require developing countries to a transformation from raw material production and export projects to projects that produce productive goods that contribute to the development and continuation process .This can be achieved to improve its investment climate

through policies of economic and financial reforms represented in privatizing some sectors besides The public sector might float its currencies and establish exempt industrial free zones taxes and work to reduce import and export duties and remove technical restrictions in front of trade and against the free flow of capital across borders.
2- The final result of FDI must be positive. That is, the return from it is greater than the losses caused by it, so it does not lead foreign investment to escape domestic investment due to the overstatement of subsided foreign investment at the expense of domestic investment, and not to a loss in the state treasury as a result of tax exemptions, incentives granted, and subsidies. The government is greater than the positive aspects of the foreign direct investment flow.
3- The trend to support and establish free trade zones because of their great advantages helps them attract foreign direct investment and the process of encouraging such regions need governmental support linked to achieving clear benefits that include transferring modern technology, providing job opportunities for local labor and facilitating the process of monitoring and follow-up of foreign investments strictly and accurately. Besides, it is preferable for these regions to be distributed and balanced across the country to avoid imbalance in the distribution.
4- Making and enhancing efforts to provide investment opportunities for international investors and this is done by enhancing the investment climate and economic liberalization as well as enhancing interest rates in local markets against foreign markets and not overvaluing the local currency exchange rates and reducing political risk and the development of the financial sector.
5. Adopting a balanced growth strategy between sectors of economic activity by raising the contribution of the productive sectors to the economic activity and trying to control and maintain the fiscal and governmental deficit in monetary discipline.
6- Developing local financial markets to improve the efficiency of domestic savings mobilization in developing countries to finance the economic development process by raising the level of real income , the rationalization of consumption and the reduction of luxury consumption and the fight against counterfeiting simulation and liberalization of interest rate policies and the use of economic resources in an optimized and efficient use to raise the level of production and improve its quality to enable foreign direct investment to play its role as a supplementary or complementary resource added to domestic resources and not just a substitute for it.
7-Establishing economic blocs, regional agreements and common markets for developing countries and benefiting from successful experiences of East and Southeast Asian countries in dealing with direct foreign investment through participation or entry into developing countries in operations of production belonging to multinational companies in a manner that guarantees an increase in their capacity of competitiveness and helps them to be engaged in productive activities based on the use of advanced technology and management skill.
8- Encouraging the establishment of joint ventures, as joint ownership helps the local investors to impose oversight of the foreign investor. : It can be benefited from China's experience in this field and how it deals with foreign direct investment though its socialist system that adopts central planning in managing the local economy.
9- Simplifying administrative procedures related to the investment process and rehabilitating the administrative competencies of the investment agencies with a continuous reviewing of investment-related legislations to make them more flexible and realistic taking into account transparency and clarity in financial and administrative legislations which determine the rights and duties of the parties involved in the investment process.

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