

# Foreword

In the 1980s and 1990s, there was a major surge in foreign direct investment to the developing world and a rapid liberalisation of trade and investment policies in individual developing economies. This expansion of foreign investment has been driven by traditional developed country multinationals as well as new sources like developing country multinational enterprises, small and medium enterprises, newly privatised public enterprises and a variety of other contractual forms. Each of these forms provides new opportunities for developing countries to acquire capital technology, management expertise, and marketing access. There is a pressing need for developing countries to examine their comparative advantages to induce foreign investment and gear up their promotion strategies to reap the benefits from increasing globalisation of foreign investment flows.

The Commonwealth Secretariat's policy development work on foreign direct investment has long been concerned with the issue of improving foreign investment promotion strategies in member countries. In this vein, we asked Sanjaya Lall, University Lecturer in Development Economics at the University of Oxford, to prepare a paper which examined recent trends in foreign direct investment in developing countries, analysed the determinants of foreign direct investment inflows, assessed the contribution made by new forms of foreign investment and provided policy suggestions on how to attract such investment. I hope that the paper will inform member countries on the opportunities offered by both traditional and new sources of foreign investment and guidance on appropriate policies to increase inward investment.

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