

Introduction

This study deals with ways of enhancing the flow of foreign direct investment (FDI) to developing countries, with particular reference to those in the Commonwealth.¹ It describes recent trends in FDI flows to the developing world, and places these in the context of developments in the global changes in technology, policies to trade and investment, strategies of multinational enterprises (MNEs), growth of markets and regional groupings and the evolution of the international financial system and capital markets.

The study of FDI is assuming particular importance in the decade of the 1990s. There has been a renewed surge of private investment flows to the developing world, comprising both portfolio and direct investment. At the same time there has been a marked growth of competitiveness in parts of the developing world. These structural shifts have been accompanied by (and have partly caused be) shift in policies in developing

countries towards liberalisation of trade and investment regimes and a cutting back of the role of the state in the ownership of productive assets and in the conduct of economic affairs. Technological progress has led to a shrinking of global 'economic space' and to new strategies by foreign investors to rationalise and integrate their operations across countries. The scope and sources of FDI itself have broadened, with investors emerging from many developing countries and from new sources in developed ones.

There is thus a pressing need to re-examine and update investment promotion strategies in developing countries. While the traditional multinational enterprises continue to dominate global investment flows, the new winds that are sweeping the international economy call for fresh approaches on the part of host developing economies. This study is a first step in that direction.