

# Inward FDI: Characterizations and Evaluation

Subjects: Others

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Foreign direct investment can be defined as an investment made by an entity (usually a company) incorporated in a home country in the business interests of a host country, in the form of either establishing new business operations or acquiring controlling interest in existing business assets. Foreign direct investment is expected to meet the following characteristics: (1) the capital movement is typically accompanied by further technological, material, information, financial or personnel flows; (2) the foreign direct investor effectively controls facilities abroad; and (3) the investor has a long-term interest in the host country.

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International capital movements, especially in the form of foreign direct investment (FDI) flows, are thought to play a significant role in the economic growth and development of countries. Topics related to inward FDI are largely discussed in empirical literature, especially with respect to transitioning and developing countries that are trying to boost their economic growth through a variety of methods, including the presence of FDI <sup>[1]</sup>. It is generally believed that the benefits brought to host countries by inward FDI outweigh the negative effects <sup>[2][3]</sup>. However, because a foreign investor is motivated by their own goals in exploiting the locational advantages offered by the host country, the goals of the investor and the host country can be in conflict. In order to investigate these effects in more detail, it is important to understand the nature of inward FDI and approaches to its evaluation.

This paper deals with various characterizations of inward FDI and a presentation of their types from different points of view. Since FDI is a heterogeneous and dynamic category of investment, it is crucial to have a deep knowledge of its structure and measurement. Special attention is also paid to the contradictory effects that are potentially associated with the inflow of foreign direct investment. Section 6 of the paper presents a basic overview of inward foreign direct investment from a global perspective followed by a presentation of selected indicators connected with inward FDI.

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## References

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