MONEY, FINANCES AND CREDIT

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH: LITERATURE REVIEW ON THE UAE EXAMPLE

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Recently in the Gulf Countries Council (GCC) markets become more open for the FDI, those countries try to increase the inflow of FDI, in order to achieve that they start, improve their policies and regulations, establish excellent infrastructure, beside to the availability of raw material as petrol and gas, that is proved by Hussein when she stated that the FDI inflows increased in recent years to GCC due to many factors such as strong country's economy, reduction of tax rates and trade barriers, improving policy to attract FDI, and expediting the issuance of visas. This research argues that the development of economic growth in a host country is associated and affected by the volume of FDI inflows, in particular, more FDI inflows could mean more economy growth, and this positive effect could be direct as an increase of the Gross Domestic Product (GDP) or indirect as a technology transfer, improvement of management and labour skills.

Many authors as Kastrati, Vahter and Masso and others disclose that the FDI may has a lot of benefits and advantage to the country, this advantages as technological spillovers development, human capital developing, enhancing competitive environment, moreover, improvement of environment and social condition.

This paper explores the relationship of FDI and economic growth by examining the role FDI inflows play in promoting the host country economic growth.

Foreign Direct Investment and Economic Growth in Pakistan: A Sectoral Analysis, (M. Khan and S. Khan, 2011). The main purpose of this study was to examine empirical relationship between industry-specific foreign direct investment (FDI) and output under the framework of Granger causality and panel co-integration for Pakistan over the period of 1981-2008. It was found that FDI has a positive effect on output in the long run. The result also supports the evidence of long-run causality running from GDP to FDI. In addition the study found that the FDI causing growth in the primary and services sectors, while growth causes FDI in the manufacturing sector. Trend and Role of FDI in India: An Empirical Investigation, (Kochar, 2014). The paper tries to study the trend and pattern of flow of FDI for 2000-2013. The author collected data to for 2000-2013 years to analyze and find out the degree of correlation and relationship between FDI and GDP in the manufacturing sector. The paper finds that there is no significant relationship between FDI and GDP in the manufacturing sector.

The importance of this study is to answer many questions that literature has not answered, these questions including how the FDI could affect the economics of the host country and to what extent the FDI could affect the host country economy, that is consistent to Hussein says that there is conflicting evidence in the literature regarding to how and what extent FDI affect the economic growth.

Both of academics and public debates on the effect of FDI on the hosting country economy, all developing countries are seeking to attract FDI as it is considered as a factor that positively affects the economic growth in addition to other factors as domestic investment. Maybe, the positive effect of FDI is indirect to the local economy, but we can mention here the technological development and human capital, which is in consistence with the study when they argued that the FDI may increase the tax revenue, improve human capital, technology and labour skills. So we can agree with Hayami when he stated that FDI helps the host country to break the evil of un-development.