

Analysis

Finance



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Foreign Direct Investment in the Middle East al Affiliation Introduction

Foreign direct investment(FDI) is an economics concept that refers to the investment made by an organisation from country A to a firm or organisation in another country say B. distinctions must be made when comprehending foreign direct investment from other forms of indirect foreign investments; for example the portfolio flows. The actions of the multinational corporations in setting up shops in other countries through acquisition, joint venture or merger, and such constitute FDI. For instance, a company, A, from the US, taking a majority stake in a Saudi based company. The study of foreign direct investment may take varying directions, but the most important area of study is through evaluation of the historical data of FDI, and trying to understand the reasons behind the pattern of the data. This paper will study direct foreign investment in the UAE and relating data to text evaluations.

Theoretical Concept

A study of any concept begins from the definitions, and this is the basis upon which every concept begins to be understood. FDI is not any different, however at the introduction section the concept has been well defined and its meaning properly established. In addition, academic discussions demands that a relook into the writings of the authority in any specific field. FDI is a concept that has been subjected to discussion by a number of writers, and they will prove invaluable to the discussions in this paper.

The purpose of this report is to investigate the foreign direct investment to the United Arab Emirates in the last ten years. The economy of the UAE changed tremendously over the last few decades, particularly since the discovery of oil Abu Dhabi and to a lesser degree in Dubai. The rising rate of economic development made the country a magnet to companies that

wanted to profit from the cash trappings from the oil boom. The number of American, European, and Asian companies soared and it set UAE towards the path of economic development. However, the Middle East nation is a conservative Islamic nation; as a result, other companies that cannot set foothold in the country, in spite of the heavy profits. Given the data provided by the World Bank in the last two decades, it would important to evaluate the specific FDI that gets into the country. However, Dubai is a fast growing financial capital of the world, and many financial organizations have already set up subsidiaries and branches in the emirate.

Chart showing the growth of FDI in UAE between 2010 and 2013 in billions of dollars (Current Pries).

Source: World Bank

Recommendations

The data provided only provides half the solution to the problem, however; it may be important to employ a full-blooded approach to the problem. This implies that instead of relying on the historical data, the paper should focus on the literature research on the paper. Financial analysis should be a comprehensive process that incorporates hypothesis testing using mostly the variance test. In particular, the PPP values should be employed to compare FDI in Saudi Arabia and the one in UAE.