

Many domestic
production of a
country which



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Many Southeast Asian countries have benefited from FDI. Many of these countries encourages FDI by providing special investment privileges such as tax exemption.

Advantages of Foreign Direct Investment

1. Economic development of the host country: One of the greatest benefit of FDI is it helps in the economic development of the host country. The money invested increases the gross domestic production of a country which in turn results in reduction in the rate of unemployment. 2.

Improvement in business related practices: FDI in the host country in many cases provides training to the employed of the company. This upgrades the management and accounting system of the company and enhances the growth and development of the country. 3. Improvement in technology: FDI introduces various advanced technology to the host country. New technology improves the quality and quantity of production.

4. Standard of living: The standard of living of a host country increases with foreign direct investment. It brings in capital, management skills and technology and removes unproductive operation or enhances the existing operation of the companies. All this increase the quality and the quantity of the product.

The company benefits with increased profits whereas the consumer benefits with quality products at low price. 5. Helps investor to invest in the best possible company and get maximum returns: A company can invest freely on any company without any reference to religious background, cast or creed.

Thus helps in generating unity among different countries. It reduces the hatred among different countries, and increases cooperation.

It eliminate the harmful effects of bribery, politics among the workers of the company and cronyism.

Disadvantages of Foreign Direct Investment

FDI can be beneficial to host country only if the government implements required regulation that will protect the country from being exploited by the foreign investors. There are many cases in which lack of regulation by the government of the host country lead to immense exploitation of country's natural resources. FDI may threaten the existence of small scale industries. As small scale industries are unable to compete with multinational companies that produce cheaper quality products that too at low price.

Thus we see FDI has its both advantage and disadvantage, the government of a country must consider all the consequences before choosing FDI.