The Impact of Foreign Direct Investment on Palestinian Economic Growth

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ABSTRACT

Foreign direct investment (FDI) as well as domestic investment and imports are frequently considered as important factors of economic growth in developing countries such as Palestine. This research paper aims to measure and analyze the impact of these factors on Palestinian’s economic growth, based on the time series during the period 1995-2014. This has been done through the analysis of the existing causality between FDI, imports and domestic investment on one hand and economic growth on the other hand. Least square method has been adopted to assess these factors on total domestic production of Palestine. The results indicated that FDI has negative impact on Palestinian’s economic growth, in contrast to the impact of domestic investment and imports which was investigated to be positive.

Keywords: Foreign Direct Investment, Domestic Investment, Imports, Economic Growth, Palestine

JEL Classifications: F21, O4

1. INTRODUCTION

All aspects of our life nowadays are characterized by openness and globalization of activities, not in the measures of size and distance, but by the measures of ease of different activities internationalization, to achieve the desired objectives from any place in the world. The economy is just like any other areas affect and affected by the impact of globalization and openness, and nowadays the most important thing that affect economy is openness. The effect of openness in economy occurs through liberalization of trade in goods and services and the free movement of factors of production such as capital by foreign direct investment (FDI).

FDI are considered to be a significant driver for advancing the economic development of emerging economies of developing countries as well as for developed economies. The inflow of FDI resulting from the developments in host country investment environment and the expanding of multinational enterprises (MNEs) has important effects on economic growth. The host country experts involved in attracting investment try to adopt the investment infrastructure, related rules and regulations for facilitating foreign investment conditions exposed to industry and service organizations to attract FDI. The FDI inflows have been observed under several facets that relate to the impact of FDI on host countries, where the correlation between FDI and economic growth has several advantages. Many countries promote and attract foreign investment in different fields such as agricultural sectors and strategic commodities such as sugar (Smutka et al., 2014; Maitah and Smutka, 2016; Maitah et al., 2016). Many researchers shed the light of compound benefits of FDI on the host economy and at the same time profiting the multinational companies (Alfaró et al., 2004; Chowdhury and Mavrotas, 2006; Omran and Bolbol, 2003; Estrin and Meyer, 2004; Kostevc et al., 2007; Sadni-Jallab et al., 2008). Several researchers through their studies confirmed the positive impact of FDI on economic growth (Neuhause, 2006; Alfaró, 2003; Buckley et al., 2002; Carkovic and Levine, 2002; Adams, 2009). FDI are regarded as a combination of capital inflows, technology transfers and knowledge. FDI are as significant for developing economies as these economies need sufficient reserves as well as knowledge, technology and capital to fuel economic growth (Bevan and Estrin, 2000). FDI advances economic growth by: (i) Capital accumulation where achieving savings and investment
From the establishment of Palestinian Authority (PA) in 1994 as a subsequent of Oslo agreement in 1993, PA recognized the important need to prepare the related environment for attracting domestic and foreign investment as a necessity economical need for accumulation of foreign capital in order to overcome the lack of domestic reserves. Palestinian economy as a developing one suffers from many drawbacks such as low per capita income, low productivity, and large deficit of the balance of payments, high level of unemployment rate, unskilled employees, and limited market size and instability of social, political and economical situation driven by the consequences of Israeli occupation. So as to try to overcome these limitations PA recognized the importance of FDI in advancing economic growth by depressing unemployment rate, boosting knowledge of quality and productivity and inquiring new technologies for enhancing domestic labor power skills and increase productivity by moderately utilizing the economic resources. In order to attract investment PA legally confirmed and legislated the investment law in 1994 and modified it in 1998, the investment law contains regulations that attracts domestic and foreign investment such as easing the legal formation of businesses and surrendering tax convictions. Although there was a progress of the inflow of FDI to the Palestinian territories from 214 million US dollar in 1995 to 2685 million US dollar in 2013 concentrated in financial sector and supplying services, we need to investigate whether this progress has positive impact on Palestinian economic growth or not. This study comes from this implication to recognise this impact.

1.1. Problem Statement
Palestine’s economy has grown in the last two decades, after the Oslo agreement in 1993, enabled by the creation and development of financial market, trained human capital and accumulated capital, however many growth embedding factors arose in Palestinian economy such as political and economy instability. So, in order to advance economic growth, the drivers for economic growth factors must be enabled and improved such as FDI and economic investment. The problem here is that Palestinian investment environment is not at the satisfactory level in terms of advanced financial markets, knowledge absorptive human capital and facilitating legislation rules and regulations, which are needed to advance the benefit from investment. Our study emerged from this point of view, where we need to investigate the effect of FDI, imports and domestic investment on Palestinian economic growth. The results will be the basis for further research to investigate the enabling drivers underpinning FDI, imports and domestic investment factors, which are needed to advance Palestinian economic growth.

1.2. Importance of the Problem
As consequences of the vital role FDI and domestic investment are playing in economic growth enhancement, government and non-government institutions and enterprises have to adopt the best practices and prepare the needed environment to benefit as an economy from these investments. This study aims to investigate the impact of FDI, domestic investment and imports on economic growth, by using related collected figures and analyzing them depending on Cobb-Douglas (Zellner et al., 1966) production function using ordinary least squares method. Our contribution resulted in determining the positive or negative impact of these factors on economic growth and according to these results we can clarify the impact of these factors and set recommendations to adopt their drivers for the benefit of the economy.
that drive innovation and creativity to increase productivity and advance growth (Benacek et al., 2000; Calvo and Sanchez-Robles, 2002). In addition to inflow of technology and capital, FDI stimulate flow of a set of resources containing knowledgeable skills in management, organization and marketing and enable accessing to marketing channels available to MNEs (Holtbrügge and Kreppel, 2012; Lipsey, 2004).

In the other hand, dependency theories debate that foreign investment is anticipated to have a negative impact on economic growth and income distribution. The foreign investment generates a monopoly industrial structure that result in underutilization of productive forces (Santos, 1970; Bornschier and Chase-Dunn, 1985). The point here is that foreigners will control the domestic economy and would not lead to original development as the multiplier effect that causes demand in one area to generate demand in another area of a country is weak and consequently slowing growth in the developing countries (Amin, 1974).

Various studies have emerged to clarify a superior understanding of the impact of FDI, imports, domestic investment and others on economic growth (Athukorala, 2003; Batten and Vo, 2009; Har et al., 2008). Many studies illustrated the positive impact of FDI on economic growth (Borensztein et al., 1998; Nair-Reichert and Weinhold, 2001; Ozturk and Kalyoncu, 2007; Ozturk and Acaravci, 2010; Acaravci and Ozturk, 2012). Many researchers found that FDI-growth has positive impact on economic growth by advancing capital accumulation (Alguacil et al., 2008; Bosworth and Collins, 1999). In the other hand several studies found that foreign inflows do not have a strong impact on economic growth (Akinlo, 2004; Herzer et al., 2008; Carkovic and Levine, 2005).

Bengoa and Sanchez-Robles, 2003, in their study stated that for FDI to be positive there must be a satisfactory level of economic stability, opened capital markets and human capital within the country, as a result of analyzed data collected from 18 Latin countries for the period 1970-1999. In their study, Anwara and Nguyen (2010) categorize several factors that relate between FDI and economic growth. Some of these factors include human capital, macroeconomic stability, trade, level of financial development and public investment. Shahbaz and Rehman (2010) determined several factors affecting economic growth such as FDI. They clarified that FDI, financial development, trade openness, public investment and inflation positively impact economic growth. Neuhause (2006), indicated that there are three ways that can be adopted to advance the impact of FDI on technology transformation, capital stocks improvement and consequently create economic growth: (a) Direct transmission using greenfield investments, (b) indirect transmission by ownership participation, and (c) second round transmission by technology diffusion.

The study of Alaya (2004) aimed at the study of FDI on economic growth in Tunisia during the period 1973-2000, which concluded that the weakness associated with the used technology in FDI led to the deficiency of Tunisia benefit from FDI flows as well as their concentration in the traditional industrial sectors that do not require high technology, such as the textile sector. In their study Mishal and Abulaila (2007), they investigated the impact of FDI and imports on the economic growth of Jordan as a dependent variable covering the period (1976-2003). The illustrated results found that there were a positive relationship between FDI and imports on economic growth. Esther and Folorunso (2011) have tested the effect of FDI on economic growth in Nigeria. They found that there is a positive relationship between FDI and economic growth. They also found that the level of the positive relationship between FDI and economic growth is limited by human capital. The study of Falki (2009) used ordinary least square method to investigate the impact of FDI, domestic capital, foreign capital and labor force on Pakistan gross domestic product (GDP), covering the period from 1980 to 2006. The study found that FDI has a negative correlation with GDP.

In what follows, Section 3 discusses the method of the study. In Section 4, we illustrate the study results and discussion. In Section 5, we conclude our research.

### 3. METHOD

In this study we adopt the production function of Cobb-Douglas as a study model to measure is the impact of FDI on economic growth in Palestine during the period (1995-2014). The production function estimated using capital, labor and imports as production factors, we distinguished between domestic and foreign investment as independent factors, where the latter is measured by FDI. Because the model included imports as a production factor, will use total gross production (GP) that equals GDP plus imports.

\[
GP = f(\text{Inv, FDI, Imp, L, } \varepsilon) \tag{1}
\]

\(GP\): Total production which equals total domestic production plus imports,

\(\text{Inv}\): Domestic investment,

\(\text{FDI}\): Foreign direct investment,

\(L\): Labour measured by total number of employees,

\(\text{Imp}\): Imports of products and services,

\(\varepsilon\): Error.

\[
GP = a_0 \text{Inv}^{a_1} \text{FDI}^{a_2} \text{Imp}^{a_3} L^{a_4} \varepsilon \tag{2}
\]

Where, \(a_1 + a_2 + a_3 + a_4 = 1\).

By dividing the equation number 2 by \(L\), we obtain:

\[
\frac{GP}{L} = a_0 \text{Inv}^{a_1} \text{FDI}^{a_2} \text{Imp}^{a_3} L^{a_4-1} \varepsilon \tag{3}
\]
We can rewrite the equation number 3 as follows:
\[ GP / L = a_0 Inv^a_1 FDI^a_2 Imp^a_3 L^{-a_4 - a_5} e^e \]  \hspace{1cm} (4)

We can rearrange the equation as follows:
\[ GP / L = a_0 \left( \frac{Inv}{L} \right)^{a_1} \left( \frac{FDI}{L} \right)^{a_2} \left( \frac{Imp}{L} \right)^{a_3} \mu \]  \hspace{1cm} (5)

This model helps to avoid the problem of heterogeneity of variance, which means that the heterogeneity existence causes the change of variance as views change. Which leads to inefficient results that do not help in taking the right decisions regarding hypotheses testing. This model also helps to avoid the problem of multiple linear correlation, where its presence means that there is a correlation between the used variables in interpretation of the dependent variable.

4. RESULTS AND DISCUSSION

In this section we try to assess and test the model equations, and analyze the results to stand on the accepting or rejecting of the research hypothesis. We estimated the above described model using Minitab v.15 statistics program.

4.1. The Impact of FDI, Domestic Investment and Imports on Economic Growth

The research results were estimated according to data program results as follows:

The basic model was transformed to the linear mode using logarithmic transformation (Table 1), where it was estimated using ordinary least squares method during the period from 1995 to 2014. The equation that represent the impact of FDI and imports on economic growth in Palestine was as follows:
\[ \log \left( \frac{GP}{L} \right) = 1.58 + 0.159 \log \left( \frac{Inv}{L} \right) - 0.0409 \log \left( \frac{FDI}{L} \right) + 0.586 \log \left( \frac{Imp}{L} \right) \]  \hspace{1cm} (6)

R² = 91.5%

Adjusted R² = 89.8%

It is clear from the estimated equation (6) according to Table 2 and in reference to t-test that the significance of constant coefficient was proven where it was greater than the tabular value of t-test = 1.746. Also P value was 0.000 for the constant which is less than significance level (5%). FDI coefficient is insignificant as the value of calculated t is less than tabular value and the P value is 0.181 which is more than significance level of 5%. The imports coefficient is significant as the value of calculated t-value = 5.43 more than the tabular value, and the P value is 0.000 less than significance level of 5%. The domestic investment coefficient is significant where the calculated t-value = 2.53 greater than tabular t-value and P value equals 0.023 less than significance level of 5%.

By reference to the values of the estimated equation coefficients, the negative impact of FDI is evident, where the results show that the elasticity of FDI (−0.0409) is negative as a 1% increase in FDI results in 0.0409 decrease in total GP. In the other hand, there is a positive impact of imports, where the results show that the elasticity of imports (0.586) is positive as a 1% increase in imports results in 0.586 increase in total GP. In addition, there is a positive impact of domestic investment, where the results show that the elasticity of domestic investment (0.159) is positive as a 1% increase in domestic investment results in 0.159 increase in total GP.

As we resulted FDI are negatively correlated with economic growth that the coefficient is not significant. The results are accommodated with the study findings for Carkovic and Levine’s (2002) who quarrel that after governing for country-specific factors, FDI does not positively impact economic growth. The absence of positive impact of FDI may be owed to the short level of the improvement period. This model also helps to avoid the problem of multiple linear correlation, where its presence means that there is a correlation between the used variables in interpretation of the dependent variable.

Table 1: Total GP, domestic investment, FDI, and imports in logarithmic format

<table>
<thead>
<tr>
<th>Year</th>
<th>Log\left(\frac{GP}{L}\right)</th>
<th>Log\left(\frac{Inv}{L}\right)</th>
<th>Log\left(\frac{FDI}{L}\right)</th>
<th>Log\left(\frac{Imp}{L}\right)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>4.298418</td>
<td>3.56027494</td>
<td>2.910458</td>
<td>3.8845468</td>
</tr>
<tr>
<td>1996</td>
<td>4.29055</td>
<td>3.5526252</td>
<td>2.9234968</td>
<td>3.9142433</td>
</tr>
<tr>
<td>1997</td>
<td>4.309566</td>
<td>3.59232483</td>
<td>3.0014452</td>
<td>3.898561</td>
</tr>
<tr>
<td>1999</td>
<td>4.37371</td>
<td>3.7714505</td>
<td>3.1686737</td>
<td>3.8843285</td>
</tr>
<tr>
<td>2000</td>
<td>4.260813</td>
<td>3.61178282</td>
<td>3.3321106</td>
<td>3.7780759</td>
</tr>
<tr>
<td>2001</td>
<td>4.177431</td>
<td>3.44763973</td>
<td>3.451127</td>
<td>3.6315836</td>
</tr>
<tr>
<td>2002</td>
<td>4.13022</td>
<td>3.34766553</td>
<td>3.4697831</td>
<td>3.6778454</td>
</tr>
<tr>
<td>2004</td>
<td>4.196229</td>
<td>3.56909692</td>
<td>3.18423</td>
<td>3.785638</td>
</tr>
<tr>
<td>2005</td>
<td>4.210229</td>
<td>3.44815424</td>
<td>2.9657512</td>
<td>3.786532</td>
</tr>
<tr>
<td>2006</td>
<td>4.230868</td>
<td>3.47912455</td>
<td>3.2941751</td>
<td>3.8661003</td>
</tr>
<tr>
<td>2007</td>
<td>4.234872</td>
<td>3.3810242</td>
<td>3.3756147</td>
<td>3.8705327</td>
</tr>
<tr>
<td>2008</td>
<td>4.257176</td>
<td>3.35433783</td>
<td>3.4571618</td>
<td>3.8874146</td>
</tr>
<tr>
<td>2009</td>
<td>4.253567</td>
<td>3.34577576</td>
<td>3.4902132</td>
<td>3.8874146</td>
</tr>
<tr>
<td>2010</td>
<td>4.263046</td>
<td>3.43505065</td>
<td>3.4910973</td>
<td>3.8731999</td>
</tr>
<tr>
<td>2011</td>
<td>4.141678</td>
<td>3.46797788</td>
<td>3.2356402</td>
<td>3.7400541</td>
</tr>
<tr>
<td>2012</td>
<td>4.164574</td>
<td>3.48015578</td>
<td>3.5298836</td>
<td>3.7660849</td>
</tr>
<tr>
<td>2013</td>
<td>4.181823</td>
<td>3.48881233</td>
<td>3.5565936</td>
<td>3.7953883</td>
</tr>
<tr>
<td>2014</td>
<td>4.168182</td>
<td>3.49342323</td>
<td>3.5842536</td>
<td>3.8452354</td>
</tr>
</tbody>
</table>

Source: Various PCBs bulletins. GP: Gross production, FDI: Foreign direct investment

Table 2: Impact of FDI, domestic investment and imports on total GP

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coefficient</th>
<th>SE coefficient</th>
<th>t</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.5785</td>
<td>0.2793</td>
<td>5.65</td>
<td>0.000</td>
</tr>
<tr>
<td>Log(Inv)</td>
<td>−0.04088</td>
<td>0.02916</td>
<td>−1.40</td>
<td>0.181</td>
</tr>
<tr>
<td>Log(FDI)</td>
<td>0.15862</td>
<td>0.06264</td>
<td>2.53</td>
<td>0.023</td>
</tr>
<tr>
<td>Log(Imp)</td>
<td>0.58631</td>
<td>0.06990</td>
<td>8.39</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Researchers using Minitab v. 15. GP: Gross production, FDI: Foreign direct investment, SE: Standard error
investment. In addition to that, the absorptive capacity of human capital has not touched the desirable threshold to efficiently utilize the transferred technology, accumulate knowledge, and gain needed skills that are accompanying with FDI. Domestic investment and imports, though, is positive and significantly correlated with economic growth noticing that the positive impact of imports is greater than that of domestic investment.

The adjusted $R^2$ has reached the value of 89.8%, which means that the independent explanatory variables explain this percentage which has been occurred by the dependent variable (total GP), the remaining 11.2% resulted from other factors, including the random error. The measurement results through the duration (1995-2014) as shown in Table 3 clarified the model significance as the assembled model coefficients are significance, where $F$-calculated was greater than tabular $F$ (3.34) and $P$ value (0.000) less than significance level (5%).

From the results of residuals probability distribution using Kolmogorov–Smirnov test, the residuals follow a normal distribution, where the probability value $P = 1.5\%$ as it is greater than significance level, which led us to accept the null hypothesis that says the residuals follows the normal distribution as shown in Figure 1.

The test of Durbin–Watson (DW) showed the existence of independence between the residuals where there is no self-correlation between them, as from the results $DW = 1.745$ between 2 and the maximum tabular value $\alpha = 1.69$. The model is free of self-autocorrelation problem between random residuals, as clarified in the Figure 2 which shows the trend and behavior of random residuals to determine the type of autocorrelation between the residues:

As we clarify from the Figure 2, which shows the direction and behavior of random residuals, there is no existence of positive or negative serial correlations.

The analysis results showed that the prevalence and distribution of residuals takes random shape on both sides of the line, which represents the zero as it is the line that separates the positive and negative residuals. There is no possibility to track a specific form for these residuals as they are not increasing, decreasing or located on one side so we clarify the instability of the variance, as shown in Figure 3.

4.2. The Impact of FDI on Economic Growth

In what follows we will measure the impact of FDI on economic growth as a separate FDI factor using simple linear model. The estimated equation for the period 1995-2014 is as follows:

$$\log \left( \frac{GP}{L} \right) = 4.75 - 0.157 \log \left( \frac{FDI}{L} \right)$$

$R^2 = 23.8\%$

As clarified from the estimated equation (6) according to Table 4, and in reference to $t$-test the significance of constant and FDI coefficients is proved as the values of $t$ for both of them are greater than tabular $t$ value which is equal to 1.76 with degree of freedom 2-18. The $P$ value for both constant and FDI are less than significance level (5%). The significance for the model as a whole is clarified as the total as the calculated $F$ is greater than the tabular one ($F = 4.49$). Also the value of $R^2$ is 23.8% which means that FDI explains 23.8% of the changes that occur in the dependent variable (GP), while the rest percent 76.2% refers to the other variables including the random error.

In reference to coefficients values, the negative impact FDI is evident, where the results show that FDI elasticity is $-0.157\%$, 

<table>
<thead>
<tr>
<th>Table 3: ANOVA variance analysis for impact of FDI and imports on total production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual error</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Researchers using Minitab v. 15. SS: Sum of squares, MS: Mean square, FDI: Foreign direct investment

<table>
<thead>
<tr>
<th>Table 4: Impact of FDI on GP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictor</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Log $\left( \frac{FDI}{L} \right)$</td>
</tr>
</tbody>
</table>

GP: Gross production, FDI: Foreign direct investment, SE: Standard error
which means that any increase of FDI by 1% leads to decrease in GP by 0.157 where it is a negative and proportional impact and this is proved also from Pearson factor (0.51) which shows an existence of negative medium relationship between the two variables (FDI and GP).

**4.3. The Impact of Domestic Investment on Economic Growth**

The estimated equation for the impact of domestic investment on economic growth as a separate domestic investment factor using simple linear model, during the period 1995-2014 is as follows:

\[
\log \left( \frac{GP}{L} \right) = 2.68 + 0.444 \log \left( \frac{Dinv}{L} \right)
\]

(7)

\[ R^2 = 51.8\% \]

As clarified from the estimated equation (7) according to Table 5, and in reference to t-test the significance of constant and domestic investment coefficients is proved as the values of t (7.4, 4.27) for both of them are greater than tabular t value which is equal to 1.76 with degree of freedom 2-18. The P value for both constant and FDI are less than significance level (5%). The significance for the model as a whole is clarified as the total as the calculated F (82.33) is greater than the tabular one (F = 4.49). Also the value of R² is 51.8% which means that domestic investment explains 51.8% of the changes that occur in the dependent variable (GP), while the rest percent 48.2% refers to the other variables including the random error.

In reference to coefficients values, the positive impact domestic investment is evident, where the results show that domestic investment elasticity is 0.444, which means that any increase of domestic investment by 1% leads to increase in GP by 0.444 where it is a positive and proportional impact and this is proved also from Pearson factor (0.51) which shows an existence of positive medium relationship between the two variables (domestic investment and GP).

**4.4. The Impact of Imports on Economic Growth**

The estimated equation for the impact of imports on economic growth as a separate imports factor using simple linear model, during the period 1995-2014 is as follows:

\[
\log \left( \frac{GP}{L} \right) = 1.54 + 0.707 \log \left( \frac{Imp}{L} \right)
\]

(8)

\[ R^2 = 82.9\% \]

As clarified from the estimated equation (8) according to Table 6, and in reference to t-test the significance of constant and imports coefficients is proved as the values of t (5.17, 9.07) for both of them are greater than tabular t value which is equal to 1.76 with degree of freedom 2-18. The P value for both constant and FDI are less than significance level (5%). The significance for the model as a whole is clarified as the total as the calculated F (82.33) is greater than the tabular one (F = 4.49). Also the value of R² is 51.8% which means that domestic investment explains 82.9% of the changes that occur in the dependent variable (GP), while the rest percent 17.1% refers to the other variables including the random error.

In reference to coefficients values, the positive impact domestic investment is evident, where the results show that domestic investment elasticity is 0.707, which means that any increase of domestic investment by 1% leads to increase in GP by 0.707 where it is a positive and proportional impact and this is proved also from Pearson factor (0.51) which shows an existence of positive medium relationship between the two variables (domestic investment and GP). As we note the positive impact of imports is more than that of domestic investment.

**5. CONCLUSION**

The analysis of the study results concerning the impact of FDI, imports and domestic investment on economic growth, came in the form of multi-regression model, where we have reached unexpected result that there is negative impact of FDI on economic growth and this may be referred to the lack of development of financial market and mainly the FDI is not concentrated in productive industries. In the other hand, there is a positive impact of imports and domestic investment on economic growth and this result is compatible with economic theory. Also we studied the effect of FDI factor on economic growth separated from other factors, which came in the form of a simple regression model, and we have reached the same previous results.
As the impact of FDI on economic growth is negative, we must investigate the factors that cause this negative relation and try to accommodate these factors to positively benefit from FDI and consequently increase the size of FDI through providing the necessary infrastructure for investment and development of financial markets and banking, increasing the research and development expenses advance the development of creative abilities in various areas, learning from the experiences of developing countries in attracting FDI, continuing working in political and security stability specially in our case in Palestine as it faces tremendous challenges in these two issues.

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