

4.5 THE ROLE OF FOREIGN DIRECT INVESTMENT (FDI)

Terms & Objectives

TERMS

1. Foreign Direct Investment (FDI)
2. Multinational Corporation (MNC)

OBJECTIVES

I. FOREIGN DIRECT INVESTMENT AND MULTINATIONAL CORPORATIONS (MNCs)

The meaning of FDI and MNCs

- ∅ Describe the nature of foreign direct investment (FDI) and multinational corporations (MNCs).
- ∅ Explain the reasons why MNCs expand into economically less developed countries.
- ∅ Explain the characteristics of economically less developed countries that attract FDI, including low cost factor inputs, a regulatory framework that favours profit repatriation and favourable tax rules.

Advantages and disadvantages of FDI for economically less developed countries

- ∅ Evaluate the impact of foreign direct investment (FDI) for economically less developed countries.