Global pattern of direct foreign investment

[Business]

This study is essential in the review of progress in the business world. Every business has targets and objectives, and at the end of the financial year, the management of that business prepares a report to show the progress and achievements the business has made. Business entails identifying an opportunity and then utilizing and maximizing on that same opportunity. When the environment is good enough for the business activity, with the presence of the required materials, it attracts the Foreign Direct Investment (FDI). The FDI is essential to the countries' economy since it is the main source of finance.

It is also through the FDI that the country opens up business opportunities with the external market, also aids in the knowledge and technology transfer. There has been a consistent growth of foreign direct investments globally. This can be attributed to the consistent improvement of business favoring factors in various parts of the world. First, the factors that promote foreign direct investment to the country should be considered. For example, the foreign investment pattern in India reveals that the strategies are well organized (Athreye, 2001).

The strategy according to Hayes and Wheelwright had four models namely: the internal neutrality, the external neutrality, the internal supportive and finally, the external supportive. These strategies are all in the purpose of attracting the foreign direct investment to the country (Barley 1986). There are more factors that determine the level of FDI that a state can attract. The most influential factor is the environment/location. More developed countries attract more foreign direct investment than the less developed countries due to the regions of location.

This explains why countries like the US have more FDI than the African states in general (World Bank 2002). Impact of environment/location on attracting FDI. The business location is valuable because it determines how accessible a busines is to the suppliers as well as consumers. The company needs to have advanced advertising skills to market its products. This ensues that many people come to know the product well and in the long run boost the amount of sales. Accessibility of a business allows the enterprise to dispatch and recieve commodities to and from the premises.

As a result, this boosts the demand for the services and goods offered; hence, investors get attracted to the business. The IMF report of 2008 states that the general costs of manufacturing goods is less, but services like warehousing, transportation, marketing and taxations are the ones that add value to the goods (Daisuke, 2008). A suitable business location has to be conducive for the business. Thus, the environment where the company performs and manufactures its products has to be convenient both to consumers and business. In the case of industries, they must be located in areas with substantial drainage systems, where they can discharge their sewage without causing environmental harm or to the people (Canning, 1999).

Any business should take care of the environment in any possible way. The environment, therefore, determines where the business will be brought up. The US government is encouraging companies to operate in an environment friendly manner. This gets referred to corporate social responsibility. Some of the advantages of being socially responsible include reduced government tax duties and restrictions, hence, making such a business run well in the US market (Borensztein, 1995s).

The business achieves maximum profits in the long run. This, to some extent, explains why more manufacturing industries operate in Africa as compared to the technological industries in the developed states. Locating a business in well developed area, in terms of the infrastructure, reduces the cost of operations. There is minimized need for marketing, transportation which does add value to the goods (Te Velde 2001). The location of a business helps the investors to access it easily. Most of the prominent people with enough capitaal live in developed areas, and; thus, they provide the necessary capital in the daily business operations.

More FDI gets attracted by the willingness of people to spend. Thus, the expenditures have to be high for the country to attract more FDI. The level of employment should be the first thing to put into consideration. Political stability of the state carries weight and hence determines the FDI attraction. More investors would go for a stable country with less political clashes and interferences.

This ensures that the business invested has minimal risks at any circumstance. There is less loss of money in unnecessary expenses such as the military wars and corruption cases when the country has a stable political background (Government of India, 2006). The 2010 Financial Times also indicates increased FDI in the Iraqi state as a result of stabilization in the political status. At first, it can be stated that the country is rich with oil reserves, hence, attracting more investors (Kearney). Then, the political stability due to reduced war activities is another issue, promoting the first growth of the FDI in the country. From the statistics, it can be concluded that change in the political and stable environment leads to the automatic improvement in the level of foreign direct investment, especially in the economy of that country (World Bank 2002).

The World Bank Report of 2003 (chapter 3) advises that India have to concentrate on improving and attracting more Foreign Direct Investment. It is only through this that any country can get stronger in the technological prowess and competitiveness. However, a strategy to do so is also advised. This has to do with strengthening the intellectual property rights (IPR). However, the certain measure of the percentage growth of the FDI is not certain, but the fact remains that once the country’s Intellectual Property Rights goes up, the country will grow economically.

Lack of this growth will cause the investors to deviate their attention to the alternative economy available with quite promising strategies (Rajan 2004).