Multinational investing in a country

However, these institutions may also bring with them relaxed codes of ethical conduct that serve to exploit the neediness of developing nations, rather than to provide he critical support necessary for countrywide economic and social development. When a multinational invests in a host country, the scale of the investment (given the size of the firms) is likely to be significant. Advantages The possible benefits of a multinational investing in a country may include: HARD - Train the labor skills, other company start losing skilled workers. Improving the balance of payments - inward investment will usually help a country's balance of payments situation. The investment itself will be a direct flow of capital into the country and the investment is also likely to result in import substitution and export promotion.

Export promotion comes due to the multinational using their production facility as a basis for exporting, while import substitution means that products previously imported may now be bought domestically. Providing employment - FDA will usually result in employment benefits for the host country as most employees will be locally recruited. These benefits may be relatively greater given that governments will usually try to attract firms to areas where there is relatively high unemployment or a good labor supply. Source of tax revenue - profits of litigation's will be subject to local taxes in most cases, which will provide a valuable source Of revenue for the domestic government.

Technologytransfer - multinationals will bring with them technology and production methods that are probably new to the host country and a lot can therefore be learnt from these techniques. Workers will be trained to use the new technology and production techniques and domestic firms will see the benefits of the new technology. This process is known as technology transfer. Increasing choice - if the multinational manufactures for domestic markets as ell as for export, then the local population will gain form a wider choice of goods and services and at a price possibly lower than imported substitutes. National reputation - the presence of one multinational may improve the reputation of the host country and other large corporations may follow suite and locate as well.

Disadvantages The possible disadvantages of a multinational investing in a country may include: Environmental impact - multinationals will want to produce in ways that are as efficient and as cheap as possible and this may not always be the best environmental practice. They will often lobby governments hard to try to ensure that they can benefit from regulations being as lax as possible and given their economic importance to the host country, this lobbying will often be quite effective. Access to natural resources - multinationals will sometimes invest in countries just to get access to a plentiful supply of raw materials and host nations are often more concerned about the short-term economic benefits than the long-term costs to their country in terms of the depletion of natural resources.