3. INVESTMENT BY MNC COMPANIES

A multi-national corporation (MNC) is a company that owns (in whole or in part), controls and manages income-generating assets, in more than one country. In doing so, the MNC engages in production across international boundaries by way of foreign direct investment. The essential elements of a MNC's operations include:-

- direct investment abroad, with the power of control over decision-making in a foreign enterprise;
- the collective transfer of resources, involving inputs such as knowledge and entrepreneurship as well as money capital;
- the requirement that the income-generating assets acquired by this process be located in a number of countries.

News Extract

A recent study, which included interviews with 310 international corporations and experts, was conducted by the Study Centre on International Investment under the French Ministry of Economic Affairs in collaboration with the U.N. Centre for Trade and Development. The results of the survey which were released on 3 February 1997, had indicated that multinational firms were expected to shift some investments from the United States and Western Europe to Asia, followed by Latin America and eastern Europe. In Asia, China, Indonesia, Thailand and Malaysia were expected to attract the largest foreign investments over the next five years. It was further reported that Africa and the Middle East had little appeal for the MNCs because of "perceived political risk" and limited growth prospects compared to other developing countries. However, the exceptions were South Africa and six North African countries bordering the Mediterranean. A rapid increase in foreign direct investment flows, both in absolute terms and as a proportion of corporate investment budgets has been predicted. Companies have been reported to be shifting their sales, production and services abroad, but keeping "core" functions such as research and decision-making at home.

Currently, more than half of the total global foreign investment is concentrated in Western Europe and North America. The United States offers an expanding economy, a skilled flexible workforce, expertise, advanced technology and a highly liquid stock market. However, since 1992, there has been a marked shift in favour of developing economies, which captured 40 percent of worldwide inflows in 1993-1994. While the Asian economies, particularly China, are expected to reap the largest share in the developing world, investment is also expected to rise in Argentina, Brazil, Chile and Mexico as well as Central and Eastern Europe. The attractions for multi-national are huge markets, moderate regulations, prospects for rapid growth as well as low labour costs coupled with improving technical skills. However, obstacles remain; including an "uncertain regulatory environment" and "inadequate protection" for intellectual property rights in China. (Adapted from *UNITED NATIONS : INVESTMENT TREND DOWN IN US, EUROPE, RISES IN ASIA, 03Feb97 by Evelyn Leopold. REUTER NEWS SERVICE*).