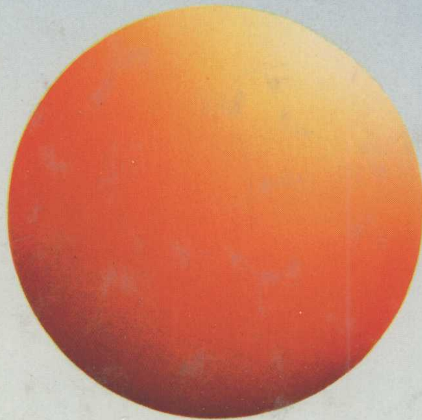
MULTINATIONAL ENTERPRISES, ECONOMIC STRUCTURE AND INTERNATIONAL COMPETITIVENESS



Edited by

JOHN H. DUNNING

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Multinational Enterprises, Economic Structure and International Competitiveness

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Foreword

The world economy is in one of the fastest phases of restructuring. The process of transformation is felt acutely in industrialized countries who have to close down ailing industries, and in developing countries suffering from low commodity prices and high indebtedness. Oil producing countries adapted their potential in the seventies to their expanding income in expectation of a further oil price rise. In the eighties they had to reappraise the situation completely and adapt to a lower oil demand at falling prices.

The rapid change in demand for commodities and for new manufactured products and services asks for a high capacity to adapt to changing situations. Not all the participants in the world economy are able to follow the pace. The rapid change is not only felt in the extracting industries and in traditional branches like steel or textiles. The change in the high technology industries and in the service sector is sometimes even faster. The R&D effort for a new series of computers or video sets can be obsolete even before it reaps its first income, if a competitor has been quicker or better on the same line.

ACTIVE AGENTS IN RESTRUCTURING

Multinational enterprises (MNEs) play an important role in the process of economic restructuring of the world economy. Though they are originating in one specific home country they are operating in many host countries, making use of the particular opportunities which each of these countries is offering to their activities. Is the role of the multinational as active agents in the process of permanent and accelerated restructuring a positive one?

This question ought to be answered on world-wide scale as the process of restructuring is not limited by national borders and as the larger multinationals consider the world as their potential operating ground. But it is easier to pose than to answer the problem on the world scale. Economic and social statistical data is still assembled on national or regional levels and the nation state is still alive in reasoning about economic advantages and disadvantages.

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This study tries to give an answer by raising the question on the positive and negative contributions of MNEs for a limited but representative number of countries of the world economy.

Twelve economists have studied the impact of the MNE on the restructuring of twelve significant home and host countries of multinationals in developed and developing economies.

The questions put to the authors were the same, the working methods of the team were similar, but each author did his work individually, taking account of the specific national situation.

The group met several times to compare and discuss the findings, once for a week at the Rockefeller Centre in Bellagio, Northern Italy, with representatives of the European Trades Union Confederation (ETUC) and the International Confederation of Free Trade Unions (ICFTU), and with journalists specialized in the field of international direct investment and multinational corporations.

DISTRIBUTING A SMALLER CAKE

There has been no time in the post-war period in which the contribution of MNEs for world-wide economic development has been so universally recognized as today.

In the sixties, the discussion was dominated by fears on the part of Europeans of losing the control over their industry to universally expanding US MNEs. In the seventies, less developed countries and the oil exporting countries united in the demand for a new economic world order. The drafting of a UN Code of Conduct for Transnational Corporations was started, but the project is still on the conference table. The emphasis has meanwhile changed. If a code is finally adopted it will regulate not only the behaviour of multinationals but also that of nation states *vis-à-vis* transnationals. Under these conditions the less developed nations are hesitating to subscribe to rules which can also limit their sovereignty.

The industrialized world has shown foresight. In 1976 it proclaimed non-mandatory but morally-binding guidelines of behaviour for MNEs, completed by rules on non-discriminatory treatment of international investment and on incentives and disincentives for foreign investment. These rules are addressed to governments and not only to MNEs.

The change in emphasis is due to the changes in the world economy since the end of the seventies and the beginning of the eighties. In a period of world-wide slow down of trade and investment, multinationals are not so much considered primarily as invaders who might limit a nation's economic sovereignty. No longer is the control of foreign investment the main

political issue as it was in the period of fast growth of the sixties and early seventies. In many countries new investment is more likely to come from foreign multinationals than from domestic companies. Therefore the main issue of the eighties seems to be the struggle of nation states for an adequate share in the investment cake which multinational corporations are still distributing.

But the cake which multinationals can distribute (or in some cases only redistribute) has become smaller. Therefore the MNE problem is dominated today by the fears of nation states and of trade unions to become the victims of the restructuring of multinational investments. Transnationals are the most mobile factor in a stagnant or only moderately growing world economy. They are still prone to bring new investment of their own, and new incentives for investment of others, to a country offering the adequate conditions. But transnationals may also be the first to leave a country whose investment conditions are no longer considered as satisfactory. This may mean less expense on infrastructure by local governments and less employment for the local manpower which is not as mobile as the transnational investor. The monographies of this study are full of examples of such painful but often inevitable restructuring.

FOUR GROUPS OF COUNTRIES

The study had to be limited to not more than a dozen countries, mainly in the industrialized world. Nine studies cover industrialized countries and three studies developing countries.

Inside the industrialized countries three main groups can be distinguished. A first group of countries in which outward foreign direct investment (FDI) dominates: United States, Japan and Sweden. In this group the main question asked about FDI is whether the capital outflow does not result in a loss of export, employment and knowledge insufficiently equilibrated by the reflux of earnings out of foreign investment. In a second group of countries, Canada, Portugal and Belgium, a net inflow of FDI is registered. In this group two contradictory questions are raised: Is the economic, cultural and political independence not menaced by new foreign capital investment? And is a slowing down, a lack of new FDI, or an outflow of existing FDI not even more menacing for the country's economy due to its dependence on FDI? In a period of recession and of

rapid restructuring the second question has been asked much more frequently and has become more important than the first question.

The third group of countries: United Kingdom, West Germany, and France, has a broadly balanced FDI position. Therefore, in these countries the value of both outward and inward FDI is discussed and the accent on one or other problem is changing.

In the fourth group, the three developing nations considered are all in the stage of becoming newly industrialized countries. They have already developed industries of their own and they host FDI. But the attitude to FDI differs widely. In India, the government's policy to FDI is highly restrictive; in Korea it is moderately restrictive, while Singapore's policy to FDI is very open.

This difference in attitude may invite certain comparisons between the effects of a more open and a more restrictive policy towards FDI in newly industrialized countries (NICs). But it would be risky to go too far in drawing conclusions, because the difference in structure between the three NICs analysed is too important: India is a subcontinent of its own, Singapore is a freeport and city state, whilst Korea is following closely, though critically, the Japanese example of development.

THE NET OUTWARD INVESTOR COUNTRIES

In the first group of the industrialized countries with net outward FDI, the United States has long been recognized as the pre-eminent home country of MNEs, creating wealth or problems in countries with net inward FDI. Today the situation has partially changed, as the United States has also become a major host to affiliates of foreign MNEs. For the first time, in the seventies, the US itself had to ask whether a restrictive policy towards foreign investment and takeovers was desirable. This question was answered negatively, but the fact that it was raised made American policy-makers more aware of the problems with which foreign-host countries of FDI are confronted.

The US policies towards inward and outward FDI are largely non-existent or neutral. According to Thomas A. Pugel this probably serves the national interest well, given the complexities of the activities of MNEs and of the US economy. This neutrality does not prevent the US government from favouring liberal policies of foreign governments towards FDI: a policy beneficial to US companies' investments abroad.

Inside the US the substitution of FDI for exports is the main argument

about foreign investment. Trade unions fear that the jobs of their members are expatriated to countries with lower wage costs or that American know-how is used outside the US. But existing studies provide evidence that US outward FDI tends to act as net complement, rather than as net substitute, to US exports in industry. Many of the 'lost' exports might have been sales lost anyway to foreign firms, and outward FDI may enhance certain US exports.

Foreign trade barriers have played an important role in the orientation of US outward foreign FDI. According to Pugel, MNEs are responsive to location factors, comparative cost differences and barriers to trade in much the way that trade theory suggests business would be. As MNEs can hardly be blamed for responding to trade barriers, it is understandable that the US government is advocating a world-wide policy of trade liberalization combined with a liberalization of services and of foreign direct investments. In a more liberal world order for trade, services, and FDI, the neutral US home policy towards FDI would find its international justification.

The US has become quite unconsciously, due to the power of its economy and the importance of its companies, the largest foreign investor in the world. US companies are influencing the structure and development of host countries and are playing an important role in restructuring the economies of a great number of industrialized and newly industrialized countries.

But the US is no longer alone in the limelight as an agent in the restructuring process. Japan, an industrial power which is very new on the scene as a foreign investor, is nevertheless confronted already with numerous problems of outward FDI. Japanese MNEs are in the centre of the debate about the restructuring process in the car, the electronics and the engineering sectors of several European countries.

The Japanese official policy towards foreign investment is, and was always, clearly different from the American neutrality and liberalism. The visible hand of government has been at least as important as the invisible hand of the market place in Japan's structural transformation and growth. According to Terutomo Ozawa, Japan was more conscious than other nations of the vital link between FDI and industrial restructuring. This is certainly an important fact explaining the permanent and consequent linkage between Japanese policies in trade, technology and FDI. In the first decades after the war, this overall course of action implied a very restrictive policy toward inward FDI motivated by the fear of foreign domination of domestic industries. The policy intended the development of an industrial structure avoiding the dependence on direct investments of Western corporations. As soon as this aim was realized in one sector then that sector was opened to foreign direct investment.

The restrictive policy towards outward FDI has not prevented Japan from acquiring foreign technology, because foreign MNEs do not between themselves coordinate their policies in a planned system as do the Japanese authorities. Instead each acts individually on its own account. So for Japan, licensing has become a far more important vehicle of acquiring knowledge than direct investment.

The gradual opening of Japan to inward FDI, mainly by joint ventures, occurred under the increasing foreign pressure for reciprocity in liberalization of trade and FDI. It allowed Japan to acquire the latest foreign technologies, which could no longer be purchased under licensing agreements.

Japan's policy toward outward FDI was designed to help its own export activities in sectors in which the increasing wage cost structure or foreign trade barriers made exports more difficult or impossible. Its second and not less important aim was to secure vital supplies to an economy poor in its own natural resources. A further aim was to transfer overseas those segments of manufacturing activities that were no longer suitable to be home-based for such reasons as competition or environment.

Japan has managed to implement its main strategic aims with the help of a planned and coordinated policy between state authorities and business. This success was certainly facilitated by the structure of the Japanese society and the direct government influence on business, without exclusion of the market forces. So Terutomo Ozawa can conclude that foreign ownership advantages have been translated into home-based ownership advantages, which now constitute the basis of new comparative advantages for the Japanese economy. Japan has solved its problems of inward FDI to its own advantage, but Japanese MNEs are increasingly becoming involved in problems of restructuring of the foreign host countries in which they are operating.

Sweden is a substantial net foreign investing country in that investment abroad by Swedish firms is several times larger than investment in Sweden by foreign firms. But Swedish authorities are rather suspicious about the effects of outward investment and are scrutinizing capital exports for FDI very closely. Initially the main concern was the influence of investment outflow on the balance of payments. Later the emphasis changed and Swedish trade unions complained about export substitution of outward foreign investment which influence the level and structure of employment negatively. Birgitta Swedenborg's empirical findings do not confirm these complaints. According to her, the product mix and production technology of outward investing firms undergo constant change. The technology and skill-intensive part of output, in which the home-based parent has a competitive advantage, remains in the home country, while complementary output is moved abroad. The change results in increased specialization, higher efficiency and a net increase in exports. Only artificial trade barriers

cause a less efficient allocation of resources. Swedish exports are even somewhat larger than they would have been in the absence of foreign production.

The indirect and long term effect of Swedish companies going foreign is that they became larger and financially stronger by FDI, and that they can invest more in research, advertising, sales promotion and the distribution network, as their costs spread over a larger sales volume than the restricted Swedish market would have permitted. The special merit of this study is that it has to some extent quantified the positive effect of increased R&D investment by MNEs on Swedish exports. The study shows that there are important efficiency gains from inter-firm specialization through MNE production just as there are from inter-country specialization through trade. So it establishes in the case of Sweden—but certainly also for countries in comparable conditions (as for instance the Netherlands and Switzerland)—a strong argument for a non-interventionist policy towards outward MNE investment. The three studies on outward investor countries can find no empirical proof for the charge that being a net outward foreign investor has a negative impact on the home economy.

THE NET INWARD INVESTOR COUNTRIES

While Sweden is a country which scrutinizes outward FDI very closely, Canada, the most important in the group of net inward investor countries, is one of the industrialized nations which up to recently has scrutinized inward FDI most intensely. This is not astonishing, as Canada is unique among all industrialized countries with its substantial percentage of private sector assets owned and controlled by foreigners. It is also unique in that the southern neighbour, the United States, is clearly the dominant source of inward FDI as well as the primary destination of outward FDI. The relation of inward to outward FDI declined significantly from 1955 to 1978 (from 5 : 1 to 3 : 1), as did the relative importance of the US as the destination for Canadian outward FDI. Nevertheless the US clearly remains the dominant source of inward FDI as well as the primary destination of outward FDI.

The Canadian fear is that due to foreign investment in the long run, Canadians are deprived of the opportunity to develop their skills at innovation and that American subsidiaries are perpetuating Canada's technological dependence, thereby preventing the creation of dynamic comparative advantages in the growth industries of the future.

Steven Globerman's study concludes that the benefit of foreign investment for Canada would increase, if foreign subsidiaries would engage

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more intensively in indigenous R&D activities and in exporting, even if it led to reduced inward FDI and reduced efficiency for the firms. The very special Canadian situation and sensibility might result in the seeking of solutions which are not entirely justifiable by mere economic reasoning.

This does not mean that Globerman advocates restrictions on inward FDI and judges policies designed to reduce existing levels of foreign ownership as necessarily being in the national interest. He rather advocates a more comprehensive and liberal trade policy, because inward FDI has been promoted by government-imposed trade barriers. Canada's trade and investment policies were never as closely coordinated as the Japanese ones. In accordance with Birgitta Swedenborg, Globerman advocates policies designed to promote efficient behaviour of all economic units, foreign or domestically-owned. Such policies favour a competitive domestic industry better than policies which encourage or discourage inward or outward FDI.

Belgium is a country whose inward direct investment is twice as high as the stock of outward investment. From 1967 to 1978 the increase of inward FDI was more rapid than in the market economies of Western Europe and the world. Nevertheless Belgium never resented inward FDI and never expressed fears of foreign domination. This is certainly attributable to the fact that multinationalization in the fields of trade and investment is a main structural characteristic of the Belgian economy. Another reason for the openness with which foreign investors are received in Belgium is the fact that no single nation is dominating the investment scene, with no more than half of the investment originating from EEC countries and no more than one third from the US.

The main problem of inward FDI for Belgium is how to remain or become attractive again for foreign investors. Daniel Van Den Bulcke points out that the Belgian economy, accustomed to a steady inflow of foreign investment in the sixties and early seventies, was hit hard by the changed general economic conditions and by the ensuing slowdown in economic growth in the second half of the seventies.

Again, as in the case of Sweden and Canada, it proved that general economic conditions which discourage domestic investment even more discourage mobile foreign capital. The increasingly expensive social security system and the increase in labour costs, compared with international standards, were factors working against inward FDI. Not only did foreign investors no longer choose Belgium as a location, but Belgium had to combat an increasing trend of foreign disinvestment. The fact that the government insisted on the enforcement of the OECD guidelines for foreign investment in order to safeguard workers' rights of bankrupt subsidiaries of foreign MNEs did not make Belgium more attractive for new foreign investment.

The Belgian authorities supported ailing companies in order to protect employment, a policy which did not help to make Belgium more attractive for foreign investors. Recently more emphasis has been put on aiding restructuring by special employment zones and coordination centres aimed at technologically innovative firms. The Belgian study makes clear that countries with a traditionally open policy for inward FDI, and countries who need the inflow of FDI should not rely primarily on special incentives for investors. If the general economic situation and the wage cost structure is considered discouraging for investment, foreign investors do not react upon special incentives and they are even more mobile than domestic firms in leaving a country. In such a situation a large dependence on inward FDI may be dangerous, if it is not understood as a need to act quickly and to restore the competitivity of the national economy.

For Portugal, at the eve of its entrance into the European Community, Vitor Simões advocates a policy which creates the right climate for domestic and foreign investment. Foreign investment is considered necessary for Portugal. It should play a dynamic role *vis-à-vis* domestic investment. The internal market of Portugal is much too small to permit large scale production without exports. MNEs are in a position to use their marketing structure for sales abroad. Foreign investments mainly in the forms of joint ventures and licensing, are considered desirable according to Simões, because the high trade protection and the maintenance of monopolistic and oligopolistic situations preserved low efficiency for a long time. They also permitted inward FDI to reap extra rent and to make foreign investors inclined to repatriate a relatively high share of their profits by direct means or by means of transfer pricing. MNEs also preferred to use domestic credit facilities in order to avoid the risks of investing foreign capital. All this contributed to tarnish the picture of foreign MNEs' contribution to the Portuguese economy though there was, according to the findings of Simões, a positive contribution to the restructuring of Portugal's industrial system to a higher technical level and to higher productivity.

Portugal has no choice but to open its markets for trade and investment to the EEC in the next decade. For Portugal this opening will above all mean a common market with its neighbour Spain, as well as open and fierce competition with Spain for the location of foreign direct investment. Investors who choose Portugal to serve the domestic market could just as well choose Spain or another location within the EEC.

The three studies on net inward investor countries show that it depends mainly on the general economic policy, whether inward FDI is profitable for a country or whether it tends to weaken its own creative and dynamic capacities.

THREE COUNTRIES IN A BROADLY-BALANCED SITUATION

The three most important EEC member states, the United Kingdom, France and Germany are countries with a long tradition of outward and inward FDI. The United Kingdom has a broadly-balanced position between inward and outward FDI. But as MNEs became more footloose in their production, this may mean only, according to John H. Dunning, that British interests may be hurt both ways if the economic conditions inside the country are judged unfavourable to MNEs. In fact the United Kingdom has become one of the main battlefields in the restructuring process of mobile and aggressive Japanese MNEs.

The study makes a clear distinction between the social interest of the British society and the private interest of MNEs. Because of the possible divergence of these interests, government has, according to Dunning, a responsibility of positive intervention whenever there are costs and benefits which individual firms cannot reasonably be expected to bear. The main problem raised by British trade unions is the expatriation of employment by outward FDI of British MNEs. Empirical studies permit Dunning to conclude that the involvment in international production has made a positive net contribution to domestic allocative efficiency in the United Kingdom.

In order to increase the welfare which inward FDI can give to the British society, Dunning advocates positive and negative interventions. The first should assist the adjustment process and gain a fair share of investment. The latter should protect against distortions between social and private interests due mainly to market imperfections. This is no easy task as national monopolistic legislation is no adequate countervailing power against transnationally operating MNEs.

France is the country from which the theory of the 'économie dominante' (François Perroux) and the 'défi américain' (Jean-Jacques Servan-Schreiber) originated. Though the phenomenon of American investment in Europe was discussed so widely in France, US foreign investment never played a really dominant position either in the French economy or inside the inward FDI in France. Between 1962 and 1980 the US contribution to inward FDI accounted for only 13% against 50% from EEC countries. Neither did France suffer from the role of unilaterally hosting foreign investment. French MNEs were always participating actively on outward foreign investment in industrialized and developing countries. After 1973 the emphasis in French outward FDI in less developed countries (LDCs) turned away from the former dependent African countries to a larger spectrum of LDCs and oil exporting countries.

Public opinion follows very closely all moves of American foreign investors in France. But the authorities rarely opposed themselves to US new investment projects in France. With or without success, French industrial policy aimed at strengthening French companies, for example in electronics and data processing. Many of the apprehensions of the past did not concern new investments but rather takeovers in traditional and prestigious sectors like agricultural machinery, the perfume and footwear industries.

Since the beginning of the seventies, foreign MNEs have lessened their involvement in industries of low technology and profitability. They have shown a greater capacity for adaption than their indigenous counterparts. Charles-Albert Michalet and Thérèse Chevallier point out that this may be due partially to the fact that foreign investors are allowed even greater freedom of action by the government than domestic companies. The authorities have more control over French firms in trying to prevent the adverse social consequences of the shutdown of factories.

On outward FDI the study comes to the conclusion that the successful modernization of the French economy is partly dependent on the recognition that international production is as important as trade in goods. French outward FDI was certainly motivated in many cases rather by financial reasons and it seems to have had a negative impact on the French trade balance. But French MNEs have sharpened their competitive advantages by investing abroad. Government policies have encouraged the multinational growth in French firms in order to strengthen those firms. But in the present accelerating pace of restructuring, France may be caught in a difficult situation between the redeployment of French firms abroad and a slow down—in some cases even a retreat—of foreign productive activities in France. This situation cannot be mastered by French industrial policy with regard to MNEs alone, a policy which was always hesitating between different and sometimes contradictory objectives. A general economic policy prone to facilitate the restructuring process is necessary and this necessity has been recognized by government.

The situation in Germany is perhaps not very different from the one in France. The ratio between inward and outward FDI which was 1,5 :1 in 1971, has turned to 1 : 2,5 in the eighties. Germany became a net FDI exporting country, after having been in the post-war decades one of the preferred net recipient countries, mainly of American MNEs. This does not exclude the fact that Germany may also one day find itself in a broadly-balanced situation. Paulgeorg Juhl insists that Germany needs to create a climate favourable to the creation and application of firm-specific skills, complemented by a stable regulatory framework which encourages successful future industrial activities.

His study points out that in Germany inward and outward FDI is concentrated in a few branches of industry: chemicals, machinery, electrical

engineering and transport equipment. This points to the assumption that the sources of corporate advantages upon which foreign investors have to rely, are comprised in those skills which have been acquired at firm-level management. The rising outward investment dynamics result from major changes in Germany's politico-economic environment.

The reversibility of this process is, in the absence of a specific FDI policy, largely dependent on Germany's competitive position and its domestic economic environment.

In a country where industrial policy is part of the overall planning, a specific policy versus FDI is hardly conceivable. The impetus must come from the continuation of a policy of capital import and export neutrality, the readiness not to retard the relocation of outdated industrial activities abroad and the search to make Germany remain an attractive location for high level new investment, including FDI. So the objectives in the three countries with a ᐣre or less balanced FDI situation are very similar.

THE NEWLY INDUSTRIALIZED COUNTRIES

In the Third World, no market economy with a substantial industrial sector has constricted MNE entry anywhere near to the extent of India. This tight exercise of control is not restricted to MNE entry, it is a part of a system of almost total protection against imports, of restrictions on licensing and of widespread price controls. India's overall industrial policy as a NIC is differing from the one Japan adopted when it was at a comparable stage of development. India is attempting an industrialization with the lowest possible reliance on the technology of the industrialized world. The result is an export performance markedly poorer than other NICs, though India excels as the largest NIC exporter of turnkey projects and as one of the leading exporters of industrial technology specifically designed for the Third World. Sanjaya Lall shows that the combination of restrictive policies pursued towards imports, inward foreign investment and licensing, is partially responsible for India's poor export performance and for the low average growth in per capita income, which between 1960 and 1980 was only 1.4% compared to 7% for Singapore.

By its policies India has obtained a greater technological autonomy as compared to other NICs. But this independence has been paid for with slower growth. According to Lall the technological prowess of Indian MNEs investing abroad could be economically beneficial for the home economy and could create an export drive, if the conditions of India's

economy were not so restricted and distorted. Liberalization of FDI alone would not be enough to change the situation. Greater freedom in a less restrictive economic system is considered necessary for domestic and foreign investors.

Korea is an intermediate case between the highly restrictive Indian and the very liberal Singapore economic policy. Korea followed a restrictive foreign investment policy until recently: a policy inspired to a certain extent by the successful example given by Japan two decades ago. Korea permitted majority foreign ownership only in special cases, such as for export-oriented or highly technology-intensive projects. Basically inward FDI was permitted only where the entry of foreign firms was considered compatible with the government's development strategies, which were planned as accurately as in Japan.

Only two types of direct FDI were permitted: the substitution for imports of raw materials and the export-oriented investments. According to Bohn-Young-Koo's findings the strategy to admit FDI in order to substitute for imports was less effective than the export-oriented strategy.

Korea is a NIC which has determined its foreign investment policy itself and which has tried always to adjust its trade and licensing policy harmoniously with the FDI policy in order to acquire the necessary know-how for domestic MNEs. In the process of the maturation of the Korean economy and of gradually increasing wage changes, Korean outward FDI increased, first by construction firms and later in the plywood and in the textile industry. Up to now Korean authorities dominated the phenomenon of FDI and the influence of FDI on changes in Korea's economic structure remained marginal.

Of the three NICs considered, the example of Singapore is the most striking. Its strategy is completely different from India's restrictive policy. Singapore adopted an open strategy towards inward FDI, a strategy which nevertheless differs also from the neutral non-interventionist policies of certain industrialized nations such as Germany. Singapore's government planned its policy as precisely as Japan or Korea with the objective of taking advantage of foreign FDI for the necessary restructuring of the economy of a small open state. While Japan tried to rely mainly on licensing, Singapore relied mostly and much more than Korea on inward FDI, in order to create the conditions for its own future outward FDI. In 1982 the gross fixed investment by MNEs in Singapore was almost equal to one third of the GDP: the highest percentage of any country in the world. Foreign capital financed one third of total investment in the period 1960 to 1980.

The result of the Singapore FDI policy was highly positive but this result cannot be compared without the necessary precaution and reserves with the disappointing results of the Indian restrictive FDI policy.

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