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Can Latin America Learn from Developing Asia's Focused FDI Policies?

Michael Mortimore

Economic Commission for Latin America and the Caribbean, Santiago

Email: michaeldmortimore@gmail.com

Abstract: This paper argues that foreign direct investment (FDI) can make a very important contribution to development. The nature and level of benefits for developing countries and transition economies from FDI has become a much more controversial topic. While the accelerated growth of surging Asian economies, especially China, suggest that FDI in the right circumstances can be considered an important ingredient for economic advance, the debate over technological and other spillovers from FDI has shifted decisively against the existing presumptions regarding 'automatic' FDI benefits to the point of questioning their very existence based on East European and Latin American experiences. As a consequence, more and more developing countries and transition economies now make significant efforts to compete to attract 'quality' FDI at the same time that they also seek to ensure that they effectively benefit from the FDI they receive. To understand this phenomenon, this paper examines existing statistical information on FDI and the operations of transnational corporations (TNC) in the context of the *new global political economy* in which developing countries and transition economies are becoming much more assertive. In this new setting many developing countries and transition economies see themselves as needing general FDI less but wanting quality FDI more. For these reasons, developing countries and transition economies are increasingly prone to use active and focused policies to both attract quality or priority FDI and to ensure that the benefits from such coincide with their developmental priorities.

Keywords: Foreign direct investment, transnational corporations, industrial policy, development

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