

The research analyses factors which are likely to affect the demand for TNE programmes in the host country, as well as the extent to which host country governments have implemented policies and processes to facilitate and manage inbound TNE.

By their choice of policies, both host-country and home-country governments encourage and restrict FDI. We also explored the factors that influence negotiations between a host-country government and a firm contemplating FDI. The chapter made the following points: An important determinant of government policy toward FDI is political ideology. Political ideology ranges from a radical stance that is hostile to FDI to a noninterventionist, free market stance. Between the two extremes is an approach best described as pragmatic nationalism. The radical view sees the MNE as an imperialist tool for exploiting host countries. According to this view, no country should allow FDI. Due to the collapse of communism, the radical view was in retreat everywhere by the end of the s. The free market view sees the MNE as an instrument for increasing the overall efficiency of resource utilization in the world economy. FDI can be viewed as a way of dispersing the production of goods and services to those locations around the globe where they can be produced most efficiently. This view is embraced in principle by a number of nations; in practice, however, most are pragmatic nationalists. Pragmatic nationalism views FDI as having both benefits and costs. Countries adopting a pragmatic stance pursue policies designed to maximize the benefits and minimize the costs of FDI. The benefits of FDI to a host country arise from resource-transfer effects, employment effects, balance-of-payments effects, and its ability to promote competition. FDI can make a positive contribution to a host economy by supplying capital, technology, and management resources that would otherwise not be available. Such resource transfers can stimulate the economic growth of the host economy. Employment effects arise from the direct and indirect creation of jobs by FDI. Balance-of-payments effects arise from the initial capital inflow to finance FDI, from import substitution effects, and from subsequent exports by the new enterprise. By increasing consumer choice, foreign direct investment can help to increase the level of competition in national markets, thereby driving down prices and increasing the economic welfare of consumers. The costs of FDI to a host country include adverse effects on competition and balance of payments and a perceived loss of national sovereignty. Host governments are concerned that foreign MNEs may have greater economic power than indigenous companies and that they may be able to monopolize the market. National sovereignty concerns are raised by FDI because key decisions that affect the host country will be made by a foreign parent that may have no real commitment to the host country and the host government will have no control over them. The benefits of FDI to the home source country include improvement in the balance of payments as a result of the inward flow of foreign earnings, positive employment effects when the foreign subsidiary creates demand for home-country exports, and benefits from a reverse resource-transfer effect. A reverse resource-transfer effect arises when the foreign subsidiary learns valuable skills abroad that can be transferred back to the home country. The costs of FDI to the home country include adverse balance-of-payments effects that arise from the initial capital outflow and from the export substitution effects of FDI. Costs also arise when FDI exports jobs abroad. Home countries can adopt policies designed to both encourage and restrict FDI. Host countries try to attract FDI by offering incentives and try to restrict FDI by dictating ownership restraints and requiring that foreign MNEs meet specific performance requirements. A firm considering FDI usually must negotiate the terms of the investment with the host government. The object of any negotiation is to reach an agreement that benefits both parties. Negotiation inevitably involves compromise. The outcome of negotiation is typically determined by the relative bargaining powers of the foreign MNE and the host government.

Chapter 2 : Chapter Summary

the host country effects), the home country effects of FDI have been researched to lesser extent. Still, this issue has (also historically) provoked significant interest for the policy makers in advanced.

Hostile Environment Every country has its own culture and legal bindings which shapes the business operations in that country. A company formulates its strategy based on the origin country. If a company expands its business in other countries, it has basically 3 strategic choices to adopt: Ethnocentric, Polycentric and Geocentric. Human resource management system is largely influenced by the host country culture, practices and legal bindings. The 3 strategic choices are explained below in terms of human resource management: Here the company does not changes its workforce as well as keep its practices and culture same as parent country. Here the employees are of the parent country origin and are called as expatriates in the host country. In this strategic approach, it becomes easy for the company to maintain integration of operations to the headquarters in the parent country. In this strategic choice, the company in host country hires employees of the same country. It saves them cost that they spend on expatriates. This approach helps better to understand the culture of host country. There could be some officers in the top management in host country which could be expatriates but majorly the workforce is of host country. This strategic choice is used by multinational companies when they do not care about the origin country of the employees while hiring them. The employees are hired based upon their skills, talent and suitability to the role. Maintaining the integration among the businesses may be difficult but it leads to high productivity and creating a global culture. Some of the countries adopt hybrid structure and human resource practices. The host country generally have different legal influence and culture effecting the MNCs. For management of human resources of the host country, MNCs have to infuse the local practices. Hence, this concludes the definition of Host Country Effect along with its overview. **Advertisements** Browse the definition and meaning of more terms similar to Host Country Effect. The Management Dictionary covers over business concepts from 6 categories.

Chapter 3 : Economic Analysis | OPIC : Overseas Private Investment Corporation

Home and Host Country Effects of FDI Robert E. Lipsey. NBER Working Paper No. Issued in October NBER Program(s): International Trade and Investment Fears that production abroad would cause home country exports and employment to fall have not been confirmed by evidence.

Filed under Economics Here is an oversimplified vision of immigration: This is does not need to be the case. Immigrants may also be entrepreneurs, adding also to the demand, and skilled workers may add to the human capital of the recipient country, and create complementarities with native workers. Here I summarize a recent article by Giovanni Peri 1 often with his own words that overviews the studies on immigration that take all these complications into account. In these rich regions there has been a similar growth of foreign-born as share of the population with an increase by percentage points of the population from to , or about 0,2 percent per year. Since most immigrants come from non rich countries that are not the poorest in their regions. Emigration to high-income countries is better described as in Clemens 2 as a phase in the economic development of a country rather than an escape valve for countries most deeply mired in poverty. However, the most striking fact about immigration is that the composition of immigrants tends to be more educated not just relative to other people in their countries of origin, but also relative to the country of destination Docquier and Marfouk 3 ; Docquier, Lohest, and Marfouk 4. This is most likely due to the fact that the benefits from emigration are higher for those individuals. Finally, immigrants tend to locate in cities, where they could be contributing to human capital agglomeration and density externalities. In the USA the inflow of immigrants has been balanced between these two groups. Furthermore, in the percentage of foreign born among the US workers without and with a college degree was These facts have two implications. First, because of the similar composition of these two groups, immigration would not have much effect on their relative wages. Second, because of the immigration is constant and steady, capital could adjust easily as it adapts to a steady growth in population , so absolute wages should have remained stable in response to immigration. A more detailed distinction separates the group of non-college-educated workers in subgroups, depending on the performance of manual or non-manual tasks. Now we find a relevant difference in the composition of these subgroups, with a percentage of foreign-born workers of 18 and 32, in the most and less manual subgroups, respectively. College educated workers, on the other hand, can be separated in those performing math-analytical tasks, where immigrants are concentrated, and those performing managerial-communication tasks. Theoretically these differences in composition imply that wages in both manual and math-analytical tasks would decrease, while, through complementarity, they would also generate an increase in the wage of non-manual and non-math-analytical occupations, which would disproportionately benefit native workers. Manual abilities are transferrable across countries but communication abilities especially if native languages are different are much harder to transfer. For college-educated immigrants, math-analytical skills are more easily transferred across countries than managerial and communication skills, which are more culture and country specific. This move will enhance the complementarities and reduce competition between immigrants and natives Peri and Sparber 5 study the effect for non-college educated workers and Peri and Sparber 6 do the same for college educated workers. These moves are not the only possibilities, as native workers may react with geographic mobility or with adjustments at the firm level. Empirical evidence For empirical studies that focus on skill and structure a good option is to divide workers by education and simulate a general equilibrium economy to estimate the effects of incoming workers. This is better than the alternative that uses partial equilibrium analysis focusing on one type of workers at a time , as it take into account cross-effects between groups. Ottaviano and Peri 7 analyze the effect for “ $\hat{\epsilon}$ ”, finding a positive impact between 0. When the focus is on adjustments and identification, the research strategy is to identify two cities or two groups of cities , one with previous immigrants of the same nationality, and the other without it. Immigrants tend to go to the first city for non economic reasons, so we can study the differences between the two cities to assess the effects of immigration. Ottaviano and Peri 8 estimated a significant positive effect from increased immigration on labor productivity, especially if immigrants are from a variety of countries of origin. These studies observe some specific

European features: This is likely due to barriers created by language, licensing, and legal requirements. Another source of data is available when a region receives a sudden inflow of immigrants for causes other than economic circumstances in the region. This happens, for instance, when a city, province or state receives a large number of refugees. A previous article in mapping ignorance reported some cases. Although Peri [1] finds these cases an unreliable source of data, the best studied cases report a positive effect on native wages. This is true for the Mariel boatlift and for the surge in refugees to Denmark from the war zones of Bosnia, Somalia, Afghanistan and Iraq. In accordance to the previously stated hypothesis, the explanation for this wage increase is that native low-skilled workers made a transition towards less manual and more complex communication- and cognitive-intensive occupations in response to the inflow of refugees, who specialized in manual jobs, and this increased their wages. Promising research avenues The experience gained with the latest empirical studies on the effects of immigrants on the labor markets suggest three research lines: Immigrants, Productivity, and Labor Markets. Journal of Economic Perspectives Does Development Reduce Migration? Measuring the International Mobility of Skilled Workers â€” Brain Drain in Developing Regions â€” Task Specialization, Immigration, and Wages.

Chapter 4 : The effects of immigrants in the host country - Mapping Ignorance

To analyze the immigrants' effects on the host country, it would be useful to consider separate groups according to their skills. A first relevant distinction is to consider "college-educated" and "non-college-educated".

Chapter 5 : Foreign Direct investment (FDI) and its effects on the host and home countries

MULTINATIONAL COMPANY STRATEGY AND HOST COUNTRY POLICY 9 The MNCs' reduced interest in high-cost oil in the North Sea was inversely related to the number of alternative sources of oil. The new situation made it necessary for the host country to change the MNCs' incentives to stay in the relationship.