

A STRATEGY TO ATTRACT INVESTMENT FROM THE UNITED STATES

ANNEX II

INTERNATIONAL INVESTMENT AND ITS ATTRACTION

INTERNATIONAL INVESTMENT

The role of International Investment

- Historically, firms only invested after they had established a trading relationship.
- Today, trade follows investment; companies invest in order to facilitate trade. Investment has become critical in positioning a firm to conduct trade.
- Subsidiaries are established to get past barriers and establish a firm inside a market. This allows it to trade into that market more easily (for example, by supplying the subsidiary with parts or technology), but if the subsidiary is successful, it may then re-export to other markets and even to the home market.
- Investment today involves more than just the flow of cash: it also involves partnerships, technology transfer, and the commitment of expertise.
- Investment in a partnership is increasingly becoming a way of penetrating overseas markets. Joint ventures with partners in a target market can provide a firm with the foothold it needs to get into that market successfully.
- Investment in international partnerships can be critical for smaller businesses seeking to export. Such partnerships provide them with the expertise and resources they need for success. For example, it is becoming increasingly common for smaller firms to develop a supplier relationship with larger corporations. When the large corporation moves into a market, it will take its small suppliers with it.