such as technology, production techniques, managerial skills or other expertise. These assets are not always easily transferable to different types of products, production processes or market conditions and this restricts the number of business options open to firms.

Employment Effects of ODI

Outward direct investment has a number of effects that may influence both the aggregate level of employment and the composition of the work force. ODI has employment effects that arise from the actual investment, and economic activities stimulated by that investment. These can take the form of short-term and long-term effects. The distinction between short-term and long-term effects could be particularly important for policy makers, as they might be offsetting. For example, potential negative short-term effects, brought about by not building a plant domestically, could be offset by a strengthening of the firm's global competitive position, and the creation of intra-firm trade flows from parent to subsidiary. Some forms of ODI can even directly support exports from the home country, such as investment in sales and servicing organizations, particularly of highly differentiated products. ODI can also generate a stream of return from the host to the home country in the form of dividends, fees, royalties, etc..

Because of the complexity of these effects, it has been very difficult to estimate the amount of job loss (or gain) resulting from ODI. The possibility of job preservation, i.e., jobs saved owing to the parent company maintaining its competitiveness and increasing intra-firm exports, coupled with the fact that there would otherwise have been natural changes in the employment structure as the economy evolved, makes it more difficult to determine the net effects of ODI. It is not feasible to compare accurately a given economy with ODI, to that same economy without ODI, because no such control situation exists.

There are two separate views on the economic effects of ODI, based on different sets of assumptions. The key difference in the two sets of assumptions is the degree to which ODI complements or substitutes for domestic economic activities. The first view, that ODI is a substitute for domestic employment, results in the fear of delocalization. This refers to the concern that potential domestic investment will flow off-shore, thus reducing potential domestic employment; or that production will be transferred abroad accompanied by the closure of a domestic production facility, thus reducing current employment. The second view is that ODI is a complement to domestic activities. With this view, ODI is seen as strengthening a firm's overall competitive position, increasing exports to the new foreign affiliate, and increasing