An interesting and important feature of FDI is that most occurs within the developed countries. In 1967, the developed countries accounted for 69.4 per cent of the world stock of inward direct investment, and 76.6 per cent in 1991. The perception that most FDI flows from developed to developing countries, attracted by lower wage rates or labour standards, is, in general, incorrect. On a regional basis, the Asian developing countries saw a marked increase in foreign inward investment during the 1980-91 period, from 7.1 per cent to 14.3 per cent of the global total. With respect to outward direct investment, however, the Asian developing countries, as with the developing countries as a whole, are not a significant source.

Foreign direct investment is undertaken for a number of reasons. Five major objectives motivating foreign direct investment have been identified.[3] These are: to facilitate the penetration of foreign markets; to take advantage of the opportunities provided by technological change; to secure a presence in all major centres of production and consumption; to keep costs down; and to increase global flexibility in production and distribution. Firms consider all these motivating factors, as well as the reliability of transportation and communications networks, political stability, social considerations, and other related factors, when deciding whether and where to undertake an investment. Firms pursue their own interests when deciding whether to undertake any investment. Job creation is not generally an explicit objective.

When ODI is motivated by the need to circumvent tariff and non-tariff barriers, the choice for the home country firm is not between exporting the product or investing in the foreign country. To not undertake the ODI would mean foregoing a potentially lucrative market, to which market access, via trade, is impeded. In this situation, there is no real choice between domestic and foreign investment; there is either investment abroad or no investment. Also, ODI in industries in which the home country has lost its comparative advantage constitutes a production strategy that might allow a firm to remain in business, when otherwise it might have closed. Again, the choice may not be between investing abroad and investing domestically, but between investing abroad or not investing at all.

Although it could be argued that it would be more beneficial for the home country to have a firm change production lines to conform with changing comparative advantages, instead of undertaking ODI, this is not always achievable. In reality, competitiveness and profitability of individual firms can depend on intangible assets

[3]Graham Vickery, "Global Industries and National Policies", in the *OECD Observer* 179, December 1992/January 1993.