

Transnational Corporations and Management Division
Department of Economic and Social Development

World Investment Report 1992

Transnational Corporations as Engines of Growth



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NOTE

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The *World Investment Report* is published annually by the Transnational Corporations and Management Division to contribute to a better understanding of transnational corporations, their activities and their impact.

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PREFACE

A major challenge facing the world economy today is the revival of economic growth, especially among developing countries, most of which have suffered serious setbacks during the 1980s. Transnational corporations and foreign direct investment can play an important role in meeting this challenge. Since the early 1980s, world investment flows have been expanding rapidly, much faster than other key economic variables such as world trade and world output. A number of major new developments in the global economic situation—the enhanced role of the private sector and a greater reliance on market forces, major technological breakthroughs, the globalization of firms and industries, the ascendancy of the services sector and trends towards a regionalization of markets—has placed foreign direct investment in a central position to influence the pace and the nature of economic growth in most countries. Finally, developing countries themselves have implemented notable and, in many cases, dramatic policy changes, in order to open their economies to greater contributions by transnational corporations.

The question of how, to what extent and under what circumstances transnational corporations can contribute to economic growth of developing countries forms the core of the analysis in the *World Investment Report 1992*, the second in this annual series. Growth itself is a complex process, involving familiar elements, such as capital accumulation, the creation and dissemination of new technology, the development of human resources, access to markets and, of course, the environmental sustainability of growth. How these elements are combined varies substantially across regions and countries, with different results in terms of growth. The contribution of transnational corporations can also vary substantially, due, among other factors, to the structural conditions and policy environments in host economies.

The evidence provides ample cause for optimism, as transnational corporations have made important and positive contributions to some of the most successful recent cases of economic revival in developing countries. At the same time, transmitting such success to a greater number of countries is a formidable task. The lessons learned from the analysis in this Report about the contributions being made by transnational corporations to growth in developing countries can hopefully assist in policy formulation and the design of technical assistance in an increasing number of countries, and thereby help make the 1990s a decade of renewed economic development.



Hamdan BenAissa
Director

New York, June 1992

Transnational Corporations and Management Division

The present Report was prepared by a team led by Karl P. Sauvant and comprising Marita Andersson, Victoria Aranda, Persephone Economou, Michelle Gittelman, David Gold, Torben Huss, Azizul Islam, Peter Koudal, Padma Mallampally and Paz Estrella Tolentino. Specific inputs were received from Vincent Casim, Norman Edinberg, Alejandro Grinspun, Hiroshi Kawamura, Charles Lipton, Anita Mathur, Ike Minta, Anna Theofilopoulou and Zbigniew Zimny. Principal research assistance was provided by Jag Alexeyev, Mohamed Chiraz Baly, Ming-Wah Lam, Zane Nobbs and Dorothy Woo. The team received extensive advice from John Dunning, Senior Economic Adviser to the Director of the Transnational Corporations and Management Division, Peter Hansen and Goran Ohlin. The Report was edited by Betty Hamnett and was desktop-published by Valerian Monteiro. Production of the Report was carried out by Marie Antoine, Carmelita Aquilizan, Maria Luisa De Jesus, Juliet Capili, Kanayalal Israni and Armi Manamtam.

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