

ECONOMICS DICTIONARY

Syllabus 4.5:

FDI

Terms:4

Submariner Dictionary: Unit 7 (4.3, 4.5, 4.6 + 4.7)

Term	Definition note the use of key terms to explain the term	Diagram. Probably better to add by hand!	Example. Add examples as appropriate.
Term	Definition:	Diagram to use:	Example:
FDI or foreign direct investment	foreign direct is the process of firms (MNC's or mutli national corporations) spending money on capital in LEDC's. This includes spending on private enterprise activities such as building a factory or setting up a service in the country. Remember that these are profit making activities but the local economy benefits as the MNC spends money employing factors of production in the LEDC.		good example of FDI is the establishment of call centres in countries such as India where customers worldwide access advice and support from the call centre.
low cost factor inputs	this is a useful term to explain why MNC's invest in LEDC's so as to avail of the low costs of factors of production and in particular labour is a key factor attracting the MNC to the LEDC market and it may also allow the MNC to establish new markets or simply export the output to their domestic market.		
MNC	MNC is a Multi Nationa Corporation. These firms are mostly oligopoly firms operation for profit maximisation or some other corporation goals		VW, Pepsi etc

Term +Explanation

Diagram + Example

[illegible]