4. Foreign Direct Investment

- Foreign direct investment (FDI) occurs when a firm invests directly in new facilities to produce and/or market in a foreign country Once a firm undertakes FDI it becomes a multinational enterprise
- FDI can be:
- **greenfield investments** - the establishment of a wholly new operation in a foreign country
- acquisitions or mergers with existing firms in the foreign country

Free Trade Agreement

1. ASEAN Free Trade Area (AFTA)
2. Asia-Pacific Trade Agreement (APTA)
3. Central American Integration System (SICA)
4. Central European Free Trade Agreement (CEFTA)[1]
5. Common Market for Eastern and Southern Africa (COMESA)
6. G-3 Free Trade Agreement (G-3)
7. Greater Arab Free Trade Area (GAFTA) - June 1957[2]
8. Dominican Republic–Central America Free Trade Agreement (DR-CAFTA)
9. Gulf Cooperation Council (GCC)
10. North American Free Trade Agreement (NAFTA)[3]
11. Pacific Alliance[4]
12. South Asia Free Trade Agreement (SAFTA)[5]
13. Southern African Development Community (SADC)
14. Southern Common Market (MERCOSUR)
15. Trans-Pacific Strategic Economic Partnership (TPP)[6]

Foreign Direct Investment In The World Economy

- The **flow** of FDI refers to the amount of FDI undertaken over a given time period
- The **stock** of FDI refers to the total accumulated value of foreign-owned assets at a given time
- **Outflows** of FDI are the flows of FDI out of a country
- **Inflows** of FDI are the flows of FDI into a country

The Direction Of FDI

- Gross fixed capital formation summarizes the total amount of capital invested in factories, stores, office buildings, and the like
- All else being equal, the greater the capital investment in an economy, the more favorable its future prospects are likely to be

The Source Of FDI

- The U.S. has been the largest source country for FDI
- The United Kingdom, the Netherlands, France, Germany, and Japan are other important source countries