

The Role of Multinational Enterprises' Investments in Emerging Country's Economic Development, Case of Georgia

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Abstract : From the strategic point of view, not all Foreign Direct Investments (FDIs) are always positively benefiting the host economy, i.e. not all Multinational Enterprises (MNEs) are promoting local/host economies. FDI could have different impact on different sectors of the economy, based not only on annual investment amount, but MNE motivations and peculiarities of the host economy in particular. FDI analysis based only on its amount can lead to incorrect decisions, it is much more important to understand the essence of investment. Consequently, our research is oriented on MNE's motivations, answering which sectors are most popular among international investors and why, what motivated them to invest into one or another business. Georgian economy for the last period of time is attracting more and more efficiency seeking investments, which could be translated as - concentrating production in a limited number of locations to supply various markets, while benefiting local economy with: new technologies, employment, exports diversification, increased income for the local economy and so on. Foreign investors and MNEs in particular are no longer and not so much interested in the resource seeking investments, which was the case for Georgia in the last decade of XX century. Despite the fact of huge progress for the Georgian economy, still there is a room for foreign investors to make a local market oriented investments. The local market is still rich in imported products, which should be replaced by local ones. And the last but not the least important issue is that approximately 30% of all FDIs in Georgia according to this research are "efficiency seeking" investments, which is an enormous progress and a hope for future Georgian success.

Keywords : investments, MNE, FDI motivations, Georgian economy

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