A B S T R A C T

THIRD WORLD GOVERNMENT POLICIES
AND
FOREIGN CAPITAL

THE CASE OF JAMAICA
1972 - 1988

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Governments in their pursuit of development have opted to seek foreign investment as a mechanism for enhancing economic growth. To this end these governments, especially in the Third World, have been offering numerous incentives (mostly fiscal) in order to attract these investors, in spite of the many controversies regarding the effectiveness of these incentives to attract investments, and in spite of the fact that international foreign investment has been responding to a different set of determinants - namely high-skilled, low-waged workers and developed infrastructure.

In this thesis the effectiveness of incentives to attract foreign investment has been examined against the background of the Jamaican situation during the 1970s and 1980s under two governments with opposing approaches to development.

In order to arrive at a conclusion, this study examined the theoretical determinants of foreign investment and assessed its effects on location decision. The role of investment incentives was evaluated. Incentives during both periods were also examined. A comparison was made of the attitudes of both governments during the period under consideration, as well as the inflows derived from investment. A survey was undertaken on the foreign affiliated firms in Jamaica to determine the effectiveness of these incentives offered in Jamaica.

It was found that for most of these companies, investment incentives were not important in influencing the decision to invest, because at the time of investment, incentives were not being offered.

It was concluded that given the changing determinants of foreign investment, Third World governments need to formulate development policies which are not totally dependent on foreign investment, and also to develop sectoral policies which would determine the need for investment in specific areas. This would prevent the promotion of investments which are not economically beneficial to the country.