

# The Role of Foreign Capital in the Domestic Economy of the Third World

by

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## Abstract

*The Paper examined the impact of Foreign Direct Investment in the domestic economies of the third world countries through the activities of the Multi-National Corporations MNCs. It adopted the descriptive and historical approach as such data were obtained through secondary sources and analysed from the Dependency Theory for in-depth explanation of the issues of foreign capital in the third world economies. The findings of the study revealed that foreign investment can lead to economic growth and can also have a negative impact in the economic growth and development of the recipient country. The impression often given about foreign direct investment from the much talked about investment in the developing countries is that the balance of payment situation in these countries have improved and this is obviously not the case since the MNCs are involved in sharp practices which led to the perpetuation of underdevelopment. In view of these growing concerns, it was recommended that developing countries should devise means by which MNCs can be made to serve the interest of their host country by ensuring that their operations are in line with international best practices. The MNCs should also be subjected to the laws and the regulations of the host country to minimise or reduce friction between companies and their host.*

**Keywords:** Investment, Production, Corporations, Growth, Underdevelopment