sciendo

NS global economics

ECONOMICS
Innovative and Economics Research Journal
Volume 11, No. 1, 2023

www.economicsrs.com

SEVENTY YEARS OF FDI LITERATURE: REVIEW, COMPARISON AND CRITIQUE

Hasinul Hussan Siddique [1], Barjoyai Bin Bardai [2]

Received 11. 01. 2023. | Sent to review 23. 01. 2023. | Accepted 23. 05. 2023.

Original Article

[1] Al Madinah International University, Kuala Lumpur, Malaysia

[2] Al Madinah International University, Kuala Lumpur, Malaysia

Corresponding Author:
Hasinul Hussan Siddique
Email: brains786@li ve.com

JEL Classification:
O47, F21

Doi: 10.2478/eoik-2023-0015

UDK: 339.727.22(4-672EU)(048.83)

ABSTRACT

International capital movement in the form of Foreign Direct Investment (FDI) by multinational enterprises (MNEs) signifies a widely researched phenomenon in comprehensive review of the FDI literature. Its vastness makes it impossible to fathom its depth, as such the paper highlights what the author considers to be mainstream theories in the domain of empirical studies on FDI. This study critically reviews (FDI) literature over a period of 70 years from 1950 to 2020 to provide a theoretical lens for future research beyond the established models. The discussion covers the mode of FDI inflows, statistical methods applied, theoretical models, contributions to paradigms and empirical papers investigating FDI. Furthermore, the papers selected cover heterogenous geographical regions, while in certain papers FDI has been studied as a dependent variable in others as an independent one. The focus lies on the FDI and its resultant activities of MNEs in the form of subsidiaries to carry out market seeking, strategic asset-seeking and efficiency seeking activities. Though, most researchers have narrowed down to four determinants of FDI i.e., motives of MNEs for undertaking FDI, size of MNEs, entry modes into host country and investments sector recently, many works have applied formal theories to provide a framework for market failure such as holdup problems, non-fulfillment of contracts and related agency costs. It is concluded that FDI has evolved into a significant area of empirical investigation. Overall, the gaps and opportunities in existing literature are identified thereby directions for further research emerge.

Keywords: *Foreign Direct Investment, Empirical studies, Literature review, Statistical methods, Critique, internalisation.*

1. INTRODUCTION

The emerging real-world economic scenario has led economic literature to investigate the influence and orientation of research undertaken over the past seven decades. Since the volume of FDI literature is humongous it is not possible to conduct an exhaustive review, however despite constraints the study is a major contributor to its field. The focus lies on the FDI and its resultant activities of MNEs in the form of subsidiaries to carry out market seeking, strategic asset-seeking and efficiency seeking activities (Dunning 1993, 1998).

The study contributes significantly to the investigation of FDI. Firstly, it is the first of its kind that covers such a wide and significant range of empirical studies over such a large time, since previous studies have restricted time periods. (Almfraji & Almsafri, 2014). Earlier research exhibits the link between different variables such as corporate governance, foreign market entry and establishment modes, ownership, location, and internalisation choices. (Dikova, 2009; Dikova and Sahib, 2013; Lien et al., 2005; Filatotchec et al., 2007; Ambos et al., 2006, 2011, Dikova and Van Witteloostuiin, 2007; Hertensstein et al., 2017). Secondly, the present paper focuses on heterogenous geographical regions rather than past homogenous case studies e.g. (Kurtishi-Kastrati, 2013). Thirdly, the present study is not limited to FDI determinants alone but the interaction of economic growth, economic and structural reforms, increase in competitiveness and deregulation and impact of FDI in the host country. The review also covers the dominant theories that have evolved over the last seven decades including the OLI paradigm and Internalisation theory.

After introduction the literature review focusses on FDI literature, methodology section describes the research approach and thereafter critique of theories and variables. Finally, limitations and gaps are highlighted, and suggestions are given for selecting theories and content.

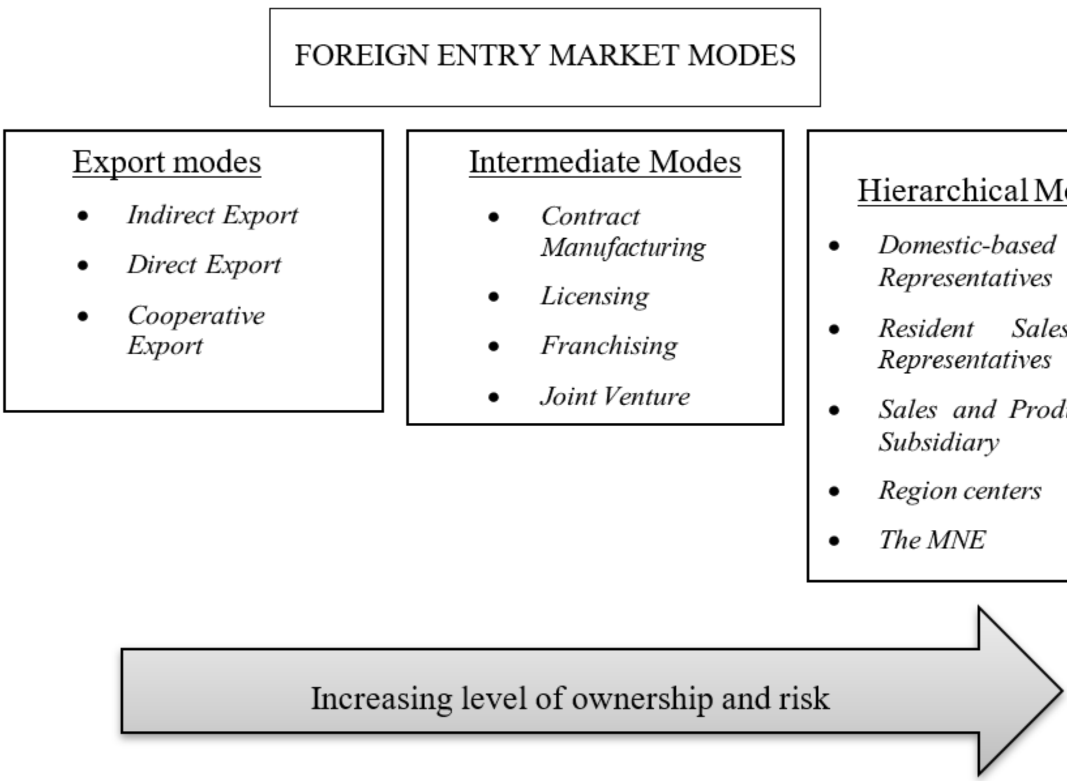
2. LITERATURE REVIEW

A brief construct of the mainstream FDI theoretical paradigm is divided into perfectly competitive and imperfectly competitive theories. FDI theories emerged during mercantilism when capital and wealth accumulation was reflected in gold reserves (Carbaugh, 2004). Thereafter, the quest for natural resources, establishing colonies and spreading religion led to the flow of FDI to colonies. (Sage, 2010).

The content exploration of prior reviews of FDI literature reveal that the origins of FDI are quite old with many schools of thought with new theories embedded. There appears to be a lack of consensus amongst them e.g. based on modes of foreign market entry i.e. export mode, intermediate mode, and hierarchical mode of entry. (Cullen, 2002; Hollensen, 2001; Kim et al, 2002; Marshall, 2003). The review also identified some widely used variables in FDI studies such as Inward FDI, Outward FDI, locational determinants, FDI spillover, entry modes etc.

Foreign firms chose either investment mode or ownership mode to enter foreign markets. The investment mode involved a trade-off between a Greenfield investment or Merger & acquisition while ownership mode comprised opportunity cost between owning a subsidiary and joint venture (JV).

Figure 1. Foreign entry market mode.



Source: adapted from 'A Summary of studied Entry modes', Cullen (2002).

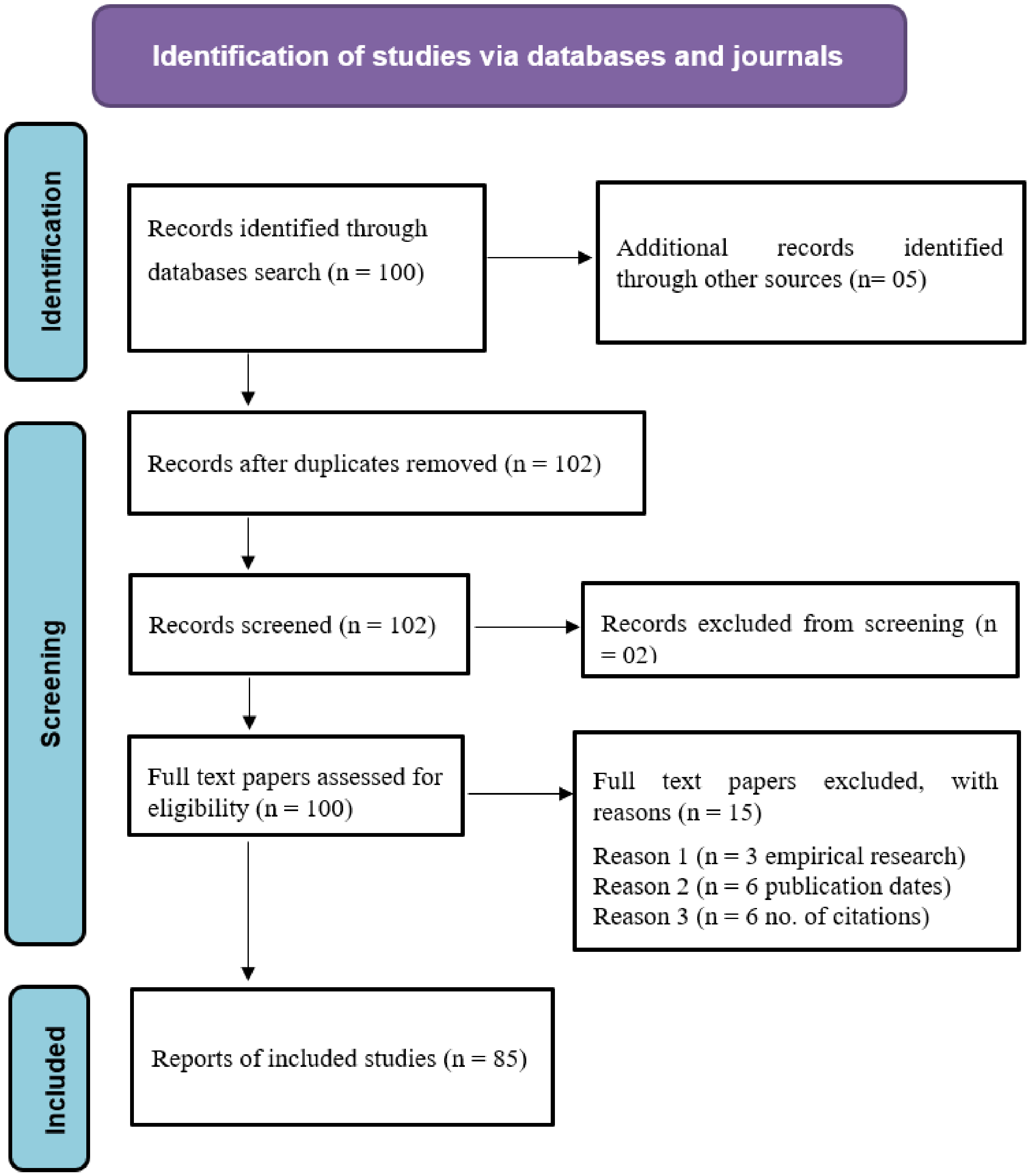
While making their choice of entry mode, MNEs, trade-off between risks and returns or resource availability and need for control (Cespedes, 1988). Agarwal & Ramaswami (1992) opined that the choice of an entry mode is often a compromise among these attributes. A high investment requires the ability of an MNE to secure financial resources and is associated with high risk/return.

3. METHODOLOGY

We conducted a keyword search across online databases and journals like Business Source Premier, JSTOR, ScienceDirect, ProQuest, Elsevier database, Scopus, SpringerLink and Google Scholar for publications in the last seven decades. Keywords included inward FDI, outward FDI, MNE etc. to retrieve relevant studies with a holistic approach and a minimum citation of 500 counts that contained the terms FDI in the title, abstract or keywords list were also analyzed. The PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses) method was used to validate the research process.

By deploying a structured PRISMA, the titles and abstracts of the review literature were screened independently for any discrepancies. Limited by publication dates, full text, citation counts etc. records were obtained and entered in the flowchart. This study has been divided into three parts (1950-74), (1975-99) and (2000-20). The classification of the time-period identifies the effect of MNE-FDI research literature publications over a period of seven decades (1950-2020).

Figure 2. PRISMA process flow chart.



Source: adapted from Trifu, A. et. Al (2022).

The PRISMA flow diagram was completed, and the systematic review revealed that, overall, 85 theories with high impact theoretical research as evidenced by a minimum of 500 citations, to identify key contributions to theory were selected. Altogether, 20 theories were published between 1950-74, 30 theories between 1975-99 and 35 during 2000-20.

4. DISCUSSION - COMPARISON AND CRITIQUE

The first period of review, (1950-74), is a period of economic uncertainty marked by raging cold war between USA and USSR, birth of European Economic Community and emerging oil crisis. Empirical data revealed that during this period of 1950-74 'multiple regression' analysis is applied as a common tool of statistical method. Since the global economies were more focused on economic growth, most authors conducted research on FDI and its productivity in host nations as a dependent or independent variable.

The second period of review, (1975-99), is a period of severe energy crisis (OPEC oil embargo) and economic uncertainty marked by Balkan war in Europe and first Gulf war in Middle East. Empirical data revealed that during this period of 1975-99 'Ordinary Least Square and multiple regression' analysis is applied as a common tool of statistical method and FDI was studied as an independent variable.

The third period of publications review, (2000-20), marked by the second Gulf War and expansion of the European Union. Europe was hit by challenges arising from the enlargement of the EU market and adoption of Euro in the Schengen area, persistent threats to internal security, illegal migration through porous external borders, Balkan wars, and coronavirus pandemic. The period culminated in global financial crisis, rise in liquidity crunch, collapse of banks worldwide and covid lockdowns. Empirical data revealed that during this period of 2000-20 'OLI paradigm' and 'Internalisation theory' are applied as a common tool of statistical method to study FDI determinants.

Mainstream FDI Theory Publications (1950-2020)

Table 1. Empirical studies on FDI published (1950-74).

S no	Authors	Year	Dependent variable	Analysis unit (Tests)
1	Barlow & Wender	1955	FDI	Regression analysis
2	MacDougall-Kemp	1958	Marginal rate of Productivity	Regression analysis
3	Hymer	1960	FDI	Multiple regression
4	Vernon	1966	FDI	Multiple regression
5	Krainer	1967	FDI	Multiple regression
6	Scaperlanda	1967	FDI from US	Multiple regression
7	Griffin	1968	GDP	Cross-sectional analysis
8	Bandera & White	1968	FDI, size of market	Multiple regression
9	D'Arge	1969	FDI	Multiple regression
10	Schmitiz	1970	FDI	OLS
11	Erbe	1970	FDI	Multiple regression
12	Aliber	1970	Financial flows	Regression analysis
13	Caves	1971	FDI	FDI gravity model
14	Weiskoff	1972	Domestic savings / Gross investment	Pooled OLS
15	Pesmazoglu	1972	GDP	Multiple regression
16	Kim	1972	Gross fixed capital formation	OLS
17	Christian & Pagoulatoes	1973	GDP, Gross fixed capital formation	Cross-sectional analysis
18	Healey	1973	GDP	Multiple regression
19	Knickerbocker	1973	FDI	Entry concentration index
20	Kouri & Porter	1974	Private FDI	OLS

Source: Author's compilation.

Table 2. Empirical studies on FDI published (1975-99).

S no	Authors	Year	Dependent variable	Methodology
1	Stoneman	1975	EG	Multiple regression
2	Kouri	1975	FDI	OLS
3	Johanson & Wiedersheim-Paul	1975	FDI & psychic distance	Time series data
4	Buckley & Casson	1976	FDI	Regression analysis
5	Hymer	1976	International production	Time series data
6	Hirsch	1976	Trade investment	Regression analysis
7	Johanson & Vahlne	1977	FDI internalisation	Time series data
8	Magee	1977	FDI & Skills	Analysis of capital flows
9	Kojima	1978	FDI comparison	Regression analysis
10	Krugman Paul	1979	FDI & EOS	Cost analysis
11	Dunning	1979	Eclectic paradigm	OLI approach
12	Blomstrom & Pearson	1983	Value added per employee	OLS
13	Wells	1983	FDI & technology	Time series data
14	Helpman	1984	Trade equilibrium	Variation analysis
15	Meyer	1984	FDI spillovers	Curvilinear analysis
16	Blomstrom	1986	Market concentration	OLS
17	Santiago	1987	FDI	Stepwise regression
18	Culem	1988	FDI	OLS, GLS
19	Kharas & Levinsohn	1988	Total consumption	2SLS
20	Rothgeb	1988	GDP	Multiple regression
21	Smiths	1988	Exports	OLS
22	Krugman Paul	1991	FDI location	Multiple regression
23	Drake & Caves	1992	FDI	OLS
24	Pastor & Hilt	1993	Private FDI	OLS
25	Metwally & Tamaschke	1994	Debt service, debt stock, capital inflow, GDP	OLS, 2SLS
26	Aitken et al	1996	Wage	2SLS
27	Kumar	1996	R&D expenditure	OLS
28	Markusen et al	1996	Knowledge-capital	Linear regression
29	Borensztein	1998	EG	2SLS, 3SLS
30	Wilhelms & Witter	1998	FDI fitness	OLS

Source: Author's compilation.

Table 3. Empirical studies on FDI published (2000-20).

S no	Authors	Year	Dependent variable	Analysis (Test)
1	Noorbakhsk	2001	FDI	WLS
2	Ghemawat	2001	FDI	Not used
3	Choi	2003	FDI	OLS, WLS
4	Fung et al	2003	FDI	GLS
5	Bevan and Estrin	2004	FDI	RE
6	Bevan et al	2004	FDI	Cross-section analysis
7	Durham	2004	EG	OLS
8	Nocke & Yeaple	2004	Heterogeneous FDI	Equilibrium analysis
9	Li & Liu	2005	FDI, GDP	3SLS
10	Schneider	2005	GDP, innovation rate	OLS, FE
11	Alsan et al	2006	FDI	OLS, RESET
12	Ramman & Zurbuegg	2006	FDI	FE, RE, cross section analysis
13	Hansen & Rand	2006	FDI	FE, VAR
14	Asiedu	2006	GDP	Panel data analysis
15	Kasugalluo	2007	FDI, gross fixed capital formation	OLS, FE, RE
16	Mina	2007	FDI	GLS
17	Te Velde & Xenogiani	2007	Literacy ratio	OLS, RE, FE
18	Rugman A.	2007	FDI internalisation	FSA-CSA matrix
19	Luo & Thung	2007	Internationalisation of EM MNEs	Theory construct
20	Azemar & Desbordes	2009	FDI	OLS, FE
21	Suliman & Mollick	2009	FDI	FE
22	Vijayakumar et al	2010	FDI	Panel analysis
23	Azman, Saini et al	2010	EG	PTR
24	Ali et al	2011	IPR	OLS, GMM, Panel analysis
25	Tiwari & Murascu	2011	GDP	Pooled OLS
26	Jadhav	2012	FDI	Panel analysis
27	Morrissey & Udomkerdmongkol	2012	Pvt investment	GMM
28	Tintin	2013	FDI	OLS, FE
29	Masron & Nor	2013	FDI	Panel analysis
30	Kashcheeva	2013	EG	OLS, GMM, FE
31	Kaur et al	2013	FDI	Panel analysis, FE, RE
32	Lessmann	2013	Regional inequalities	OLS, LIML
33	Fereidouni	2013	CO2 emissions	GMM, FE
34	Goswami & Haider	2014	FDI	Panel and factor analysis
35	Paul & Sanchez-Morcillo	2019	FDI	Multiple regression

Source: Author's compilation.

4.1. PERFECT MARKETS

It is a theoretical concept that assumes a perfectly competitive market and absence of informational asymmetries.

4.1.1 FDI CAPITAL/RATE OF RETURNS

(MacDougal, 1958) assumed perfectly competitive market conditions, in a two-country model, to explain his FDI construct. The underlying assumption was that capital out-flows from a low-rate to a high-rate return country. (Gamal, 2008). It was argued that the driver for undertaking FDI is to invest in countries where the marginal rate of productivity is equal to or higher than the marginal costs, thereby giving birth to import substitution efforts. Kemp (1964) assumed that marginal productivity of capital and its prices, in any two countries were equal. However, similarity of argument that free mobility of capital leads to equalization of the marginal productivity of capital between any two countries, defeated its revised objectives.
Similar theories were put forward by (Simpson 1962, Frankel, 1965), (Pearce & Brown, 1966) and (Caves, 1971). (1969) argued that if the economies were perfectly competitive, FDI was not necessitated. The need for FDI exists due to market distortions. Hymer rejected the perfect competition concept and built his theory based on imperfect market setup (Hymer, 1976). Empirical research undertaken by (Agarwal, 1980) and (Bandera & White, 1968) disapproved the FDI Capital theory on three fronts. Firstly, human capital plays a major role in ironing out the differences in return on capital. Secondly, rate of return is an imperfect precondition for explaining prospective FDI flows. Thirdly, capital flows may not necessarily occur from low-income countries to high income countries.

4.1.2. FDI MARKET

(Bandera & White, 1968) tried to establish a link between efficiency seeking FDI and size of market as measured by a firm's sales or GDP. Assuming prices as constant, an increase in market size will generate more profits, thereby pushing the GDP per capita and economic welfare up. (Asiedu, 2006) and (Mughal & Akram, 2011) further improvised this theory. But it suffers from universal appeal and does hold true for FDI flows from some countries but not all countries. If FDI were to exist based on perfectly competitive markets, then barriers to access to knowledge and trade etc. would not exist. (Calvet 1981 & Kindleberger 1969). If political conditions are included, then FDI theories can be defended better by theories of Imperfect markets.

4.2. IMPERFECT MARKETS

Imperfect competition is a market situation that assumes market inefficiency and market failure arising from informational asymmetries, government interference and entry and exit barriers. It leads to collusion amongst firms and unethical business practices leading to above normal profits and concentration of wealth. (Vasyechko, 2012).
(Kindleberger, 1969) argued that imperfections in a market were the outcome of violations of features of Perfect competition. Therefore, it involves strategic decision making on the part of firms to undertake FDI knowing the risk factors. (Mankiw, 2009).

4.2.1. INTERNAL FINANCING

(Barlow & Wender, 1955) based their theory on the 'Gambler's Earnings theory.' Initially, multinational enterprises undertake minor investments overseas. As the subsidiary firm grows, reinvestment of its profits from operations in the host country becomes the source of financing. (Anderson, 1983) showed that growing cash flows act positively with investment outlays due to lower costs of financing. (Froot & Stein, 1991) also showed that multinationals prefer internal financing in future because external financing is costly due to information asymmetries in capital markets. Restrictions on profit repatriation by multinationals mandate reinvestment of their earnings in the subsidiary.

4.2.2. INTERNALISATION/TRANSACTION COST

Hymer, Kindleberger and Caves gave valuable inputs to internalization concept, however, they only re-worked their construct based upon the theory of firm (Coase, 1937). (Buckley & Casson, 1976) in their book 'The Future of Multinational Enterprises' looked at firms as an alternate institution to markets, hence market imperfections were the basis for internalisation. Internalisation of markets refers to replacement of arm's length contract relationship (open market transactions) by managerial coordination within the firm. (Aliber, 1993) & (Kindleberger, 1984); both through (Rugman, 1986) argued that Hymer was aware of the existence of the transaction cost angle though, at no point, he mentioned it. Other researchers opined that it was born out of the (Coase, 1937) Transaction Cost theory.

Firms that spend on R&D develop new input processes. The higher cost of conducting market transactions acts as barriers to sell inputs or transfer technology to unrelated firms. In such scenarios firms internalize their transaction costs through backward or forward integration. A major limitation of this theory was the risk of the host government intervention. However, Buckley and Casson, both, were indifferent to risks across industries. For example, utility services like telecommunications, electricity, and water supply face greater risk of government intervention due to fear of social considerations being sacrificed.

The "Transaction Cost analysis" turned out to be a big success since it explained the tradeoff between the wholly owned enterprises (WOE) and equity joint ventures (EJVs) (Anderson & Gatignon, 1986; Hennart & Larimo, 1998; Chen & Hu, 2002).

4.2.3. UPPSALA SCHOOL/NORDIC INTERNATIONALIZATION MODEL

Researchers at the University of Uppsala, Sweden (Johanson & Wiedersheim Paul, 1975) & (Johanson & Vahlne, 1977) propounded a FDI model known as "The Uppsala School Approach" or the "Nordic Internationalization Model" or the "Scandinavian Stages Model."

Internationalization in Swedish firms was defined as, "a journey of a firm's movement of its operations beyond the boundaries of home country". (Dima, 2010). The process of internationalization involved steady acquisition, integration, and use of business knowledge in foreign markets and operations. (Johanson & Vahlne, 1977).

The Uppsala model focused on four core concepts i.e. knowledge of market conditions, market commitment, current activities and uncertainty decisions. The two variables i.e. state factors (comprising market knowledge and market commitment) and change factors (comprising commitment and current activities) are the drivers for the model. (Masum & Fernandez, 2008) differed that market knowledge is the driver for a firm's ability to identify opportunities and challenges. Market knowledge and market commitment combine to represent resource commitment.

Later, a new phenomenon "Psychic distance" was identified as the sum of factors (variances in language, work culture, education, cultural and industrial development) preventing the flow of information from and to the market". (Johanson & Vahlne, 1977). Psychic distance gives priority to countries with similar market conditions and cultural environments.

The model "focused on the gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments to foreign markets"

(Johanson & Vahlne, 1977). It justified that business firms tend to intensify their commitment towards foreign markets with a increase in experience (Hollensen, 2001). However, two major weaknesses of the model are that absence of market knowledge prevents firms from investing abroad and secondly resource commitments and uncertainty are inversely related. (Alserud & Tykesson, 2011).

4.2.4. APPROPRIABILITY THEORY

Appropriability refers to excludability of technology or an asset from other firms as a means of rewarding the innovator through protectionist measures (Magee, 1977). The theory is based on the ability of multinational firms to utilize FDI to earn more revenues from their advanced technology and competencies in five stages i.e., discovering new product, product development, product creation, market creation and appropriability.
The model focused on four variables i.e. knowledge of market, decision making in market, and current activities. Innovations give rise to product acceptability in the market and standardized production shifts to developing countries. Thus, capital flows take place from developed to developing countries. Despite the weaknesses the model laid the foundation for Internalization theory.

4.2.5. MONOPOLISTIC POWER ADVANTAGE

In 1960, Hymer's Ph.D. dissertation titled "*The International Operations of National Firms: A Study of Direct Foreign Investment*", posed a fresh challenge on the international operations of multinationals. He argued that the traditional international trade theories of the times i.e. "Global Trade Theory" or "Neoclassical Financial Theory of Portfolio Flows", presented by (Heckscher, 1919) & (Ohlin's, 1933) "Factor Endowment Theory", to explain flows of capital between countries were inadequate to explain the motives of multinational engagement in FDI.
Hymer assumed imperfect markets and information asymmetry as the theoretical basis and used 'Industrial Organization approach' to study FDI activities undertaken by multinationals (Parry, 1977). He propounded that capital flows arose from the variances in rates of return on investment (interest rate) between different countries. The rate of return on investment in "*capital-abundant*" countries or developed nations was less than that in developing nations without abundant capital resources, leading to developed countries undertaking investment in developing countries.
(Kindleberger, 1969), expanded the work of Hymer to augment FDI in monopolistically competitive markets. Pareto optimality cannot be achieved until constraints in the working of perfect competition were removed. Market imperfections that encourage overseas investment comprise asymmetric information about markets, cost leadership, superior technology, managerial expertise, patents, barriers to entry of firms etc.
Later, (Pitelis, 1991) and (Cowling & Sugden, 1987) gave the 'Monopolistic Advantage theory' that dealt with the lack of aggregate demand in monopolistic markets and its impact on the growth of GDP. Once a firm established its superior knowledge, it used it overseas at no extra costs. It was simply an extension of the work of Kindleberger and Hymer.

4.2.6. OLIGOPOLISTIC REACTION

(Knickerbocker, 1973) came up with his FDI theory based on Oligopolistic reactions arising from market imperfections. Knickerbocker argued that there are three reasons that motivate firms to undertake FDI i.e. location advantages, ownership advantages and imitative behaviour to match a rival firm's move (Head et al., 2008).
Since interdependence amongst oligopoly firms creates uncertainty in the production costs in the

country to which they are currently exporting, they are vulnerable to the risk of being undercut by rival firms switching from exporting to setting up a manufacturing base in the host country. Thus, by replicating rival's FDI, the firm can avoid being underpriced (Altomonte & Pennings, 2003).
If there are cost uncertainties in the host country then oligopolistic interdependence is held up, but if certainty in costs prevails, then the incentive to produce overseas decreases with rival firms' investment.

4.2.7. PRODUCT LIFE CYCLE

While (Joel Dean, 1950) originally introduced the 'PLC theory' the concept was never fully clarified. (Polli & Cook, 1969) Later, in 1851, Herbert Spencer introduced the thought of "survival of the fittest" after analyzing business firms in a free market. In 1966, Vernon propounded the theory of "Product Life Cycle". based on the US manufacturing firms. The theory suggested that firms undertake FDI at a stage in the life cycle of products they have pioneered.
The argument was that FDI occurs as a response to the fear of losing markets as products matured and the desire for cheaper factor endowments arising from competition (Latorre, 2008). (Vernon 1966, 1979) argued rising competitive conditions in home markets makes the demand elastic. Therefore, it is more remunerative to shift a firm's production line to a less developed country. As these countries expand enough for large-scale production, products can be exported to the original domestic market. However, Vernon's theory did not give any insight on whether FDI was more efficient than exporting or licensing for expanding abroad.
Later, (Vernon, 1979) admitted that the theoretical conditions had changed rapidly, and that the theory's predictive capacity had diminished significantly as a result (Latorre, 2008). Nonetheless, the "Product-cycle Theory" continues to provide a framework within which scholars like (Hirsch, 1976) and (Helpman et al., 1984 and 2004) investigated whether to follow the FDI or export route. (Hakansson 1982; Hakansson & Snehota 1995; Blankenburg Holm, Eriksson & Johanson, 1999; Blomstermo & Sharma, 2003) claimed that market knowledge can be established through networks of interconnected commercial contacts.
(Knickerbocker, 1973) improved the PLC model by evaluating the divergence between a firm's actual choice of FDIs and the proposals derived under the PLC-model. Risk and uncertainty variables for enterprises were identified as the key sources of variations.

4.2.8. INDUSTRIAL ORGANISATION APPROACH

(Hymer, 1976) work focused on international production in imperfectly competitive markets. (Lemfalussy, 1961), (Kindleberger, 1969), (Knickerbocker, 1973), (Caves, 1974), (Dunning, 1974), (Graham & Krugman, 1989) and (Cohen, 1975) supported this construct.
(Sodersten, 1970) also claimed that firms undertook FDI to maximize profit margins by exploiting technology or organizational dominance. Simultaneously, (Robock & Simmond, 1983) contended that having firm-specific advantages did not necessitate foreign investment because firms could utilize their advantages through exporting or licensing as evident in the post war period from 1940s to 1960s.
The sources of market dominance i.e. technology patents, brand value, marketing and management expertise, economies of scale, and low-cost financing were dubbed firm-specific advantages by Hymer and monopolistic advantages by Kindleberger. The fear of technology being hacked by competitors is a big source of concern for businesses (Sodersten & Reed, 1994).
The theory proposes that advantages are efficiently conveyed from one unit of a commercial entity to another unit of that firm, regardless of whether they are shared in a country or in more than one country (Caves, 1971). However, Hymer failed to present a complete explanation for FDI in his thesis. Consequently, when, and why FDI takes place was attempted by Vernon's (1966) PLC

theory, the eclectic approach by (Dunning, 1977, 1979 and 1988) and the Internalization theory by (Buckley and Casson, 1976).

4.2.9. FINANCIAL FLOWS

(Aliber, 1970) explained FDI in terms of purchasing power of a currency. The strength of the various currencies in the host and source countries was the basis for the investment hypothesis. Weaker currencies had a greater potential to attract FDI due to variations in market capitalization rates as compared to stronger investing country currencies.

Countries with high entry barriers attract FDI because MNEs bypass trade obstacles this way. Despite Aliber's contention that it was an alternate hypothesis and hence a valid basis for direct venture in developed countries, it does not appear to be particularly applicable to less developed countries where markets are imperfect, run-on baby capital, and tightly controlled foreign currency (Lall, 1978). (Caves, 1988), (Froot & Stein, 1991), and (De Mello, 1997) are among the other notable works in the same class.

Even though Aliber's idea was widely accepted, neither it explained why two developed countries with equal parity currencies would invest nor why MNCs from emerging countries (with weaker currencies) speculate in rich countries (stronger currency).

4.2.10. FDI INTERNATIONAL TRADE

(Adam Smith, 1776) and David Ricardo (1817) developed a theory that clarified international trade flows. But in modern times, foreign direct investment has overtaken international trade as the most important factor (Graham, 1996; and Helpman & others, 2003).

(Adam Smith, 1776) formulated his thesis based on total cost disparities, or 'Absolute advantage.' It was like mercantilist notions that ignored the role of FDI in production. Ricardo developed his theory on 'comparative advantage,' which broadened Smith's idea. Since it assumed only labour as one factor of production i.e. labour, differences in production technology explained the costs that motivated trade.

However, the classical theories failed to explain the global movement of capital since they assumed immobility of labour across the borders. (Morgan & Katsikeas, 1997).

4.2.11. INTERNATIONAL TRADE & INVESTMENT

Hirsch (1976) analyzed FDI using industrial organization and location theory models. He focused on two characteristics: (a) a profit-maximizing firm choosing to serve an overseas market, and (b) the conditions under which a firm enters an overseas market, either through exports or as a local manufacturer due to direct investment.

Assuming the transport and marketing costs to be zero, multinational FDI can only take place in an environment that accepts firm-specific productive output determinants on one hand, and rising information, communications, and transaction costs as economic distance increases on the other.

4.2.12. MARGINAL INDUSTRIAL EXPANSION

In his work '*Foreign Direct Investment*', (Kojima, 1978) propounded the marginal industrial expansion theory. He analyzed "*Japanese-type Direct Investment*" and "*American-type Direct Investment*". (Kojima, 1973, 1975 and 1985) equated the trade theories with direct investment theories. He argued that FDI was necessary for factor markets to become more competitive and efficient globally.

The theory suffered from a major limitation i.e., it was relevant to Japan's FDI situation during the

1970s. (Geroski, 1979) criticized it to be an immature model for explaining the FDI activities of multinational firms. None of the works cited above consider the modes of FDI i.e., either vertical or horizontal. (Helpman, 1984) and (Helpman et.al., 2003 and 2004), linked international trade to vertical and horizontal FDI.

4.2.13. INTERNATIONAL TRADE EQUILIBRIUM

Helpman (1984), developed an international trade equilibrium model which combined the elements of ownership and locations with reference to vertically integrated firms dealing with production of a single product. The theory tested firms that enjoyed a single production facility, located far away from headquarters. It assumed that zero tariffs and transport costs negated the incentive for a vertically integrated firm to open multiple production facilities.

(Helpman et al., 2004) studied the choice faced by a firm either to export or form a horizontal FDI. (Helpman, Melitz & Yeaple, 2003) developed a model of international trade in which firms chose either to cater to the domestic market or exported or engaged themselves in FDI to serve markets overseas. They argued that every industry had heterogeneous features; therefore, the firms differed in their output. The results supported the hypothesis that overseas markets are better catered to by exports relative to FDI sales when trade asymmetries are less, or economies of scale are more.

4.2.14. FDI MODE

(Nocke & Yeaple, 2004) studied the underlying differences amongst countries, thereby giving rise to vertical form of FDI. Greenfield investment is establishing new plants in a foreign market, whereas Brownfield investment entails entering a foreign market through mergers and acquisitions.
It was asserted that if the two FDI modes were indeed perfect substitutes then all the firms would be indifferent between the two modes leading to no variation in the mode of choices across firms within the same industry. However, government policies too view them as separate in many host countries.
Mergers and acquisitions permit heterogeneous organizations to take complementary factor endowments in their firm-specific assets (Maksimovic & Phillips, 2001). Greenfield investments, on the other hand, entail the development of a production capacity plant in a foreign country to allow a company to deploy its assets there. Assuming, ceteris paribus, that there were no trade barriers and zero trading costs between any two countries. (Nocke & Yeaple, 2004) projected that differences in factor costs among countries lead to Greenfield FDI (from a high-cost to a low-cost country) and cross-border acquisitions (from one country to the other). Cross-country diversion would lead to Greenfield FDI (from one country to the other), while cross-country differences in entrepreneurial competencies give rise to mergers and acquisitions (from each country to the other). This model showcased two-way FDI flows.
Differences in production costs were the cause for undertaking greenfield FDI and cross-border acquisitions by multinational enterprises. Hence, firms undertaking greenfield investments were more efficient than those going in for acquisition and mergers. In the long run as production cost differentials level out all FDI takes the form of cross-border acquisitions.
However, the hypothesis failed to explain the enormous expansion of FDI from less developed host countries to developed countries.

4.2.15. SMALL SCALE TECHNOLOGY

(Wells, 1983) propounded the theory based on three characteristics of outward FDI –

(i) Multinational firms in developing countries form joint ventures than those from industrialized countries.

(ii) Developing-country investments are concentrated in another developing-country or its vicinity.

(iii) A host country's economic development is typically lower than that of the home country.

However, rather than interpreting the expanding FDI flows from developing countries to developed countries, this study could only explain the likely characteristics of outbound FDI from developing countries in the early stages (Lindsey, 1984).

4.2.16. INSTITUTIONAL FITNESS

(Wilhems & Witter, 1988) argued that a country's ability to attract, absorb, and retain foreign direct investment should match the expectations of the prospective investors.
The government's legal and regulatory framework over-ruled determinants like market size, low labour costs etc. (Popovici & Calin, 2012, 2013). A government's active role is envisaged through the four pillars i.e., government, markets, education system and socio-cultural environment. (Wilhems & Witter, 1998). While (Assuncao, 2011) suggested that governments decide the rule of FDI flows, (Benassy-Quere et al., 2007) highlighted the dominant role of institutions in attracting FDI. (Popovici & Calin, 2014) added that government fitness included economic freedom, minimal trade and exchange rate interventions, low level of corruption, and greater transparency level. Unfavourable economic policies discourage investors from investing in such countries for fear of losing returns on investments (Wilhelms & Witter, 1998).
A country's competitive advantage in the international FDI markets is determined by its institutions, policies, and implementations rather than by general inflexible characteristics. (Wilhelms & Witter, 1998).

4.2.17. FSA-CSA MATRIX

(Rugman, 2007) developed the FSA-CSA matrix as model paradigm based on a manager-oriented approach. His 'internalization hypothesis,' centered on a single firm's firm-specific advantages (FSA) and location in the form of country specific benefits, as consideration for FDI (Narula & Verbeke, 2015). The concept was based on the behaviour of a firm that decides to go in for an external market to take advantage of its specific competencies. (Rugman, 2007).
FSA comprise unique factor endowment like competencies in innovation or marketing and managerial abilities. Transactional advantages refer to the capabilities of business firms to economize on business transaction costs because of multinational coordination and control of assets. (Rugman & Verbeke, 1992; Buckley & Casson, 1976; Dunning & Rugman, 1985; Rugman & Rugman, 1985). The CSA are country-specific benefits such as factor endowments, demand for local products, and favorable politico-economic rules. (Rugman & Collinson, 2008; Rugman & Verbeke, 1990; Verbeke, 2013) (Dunning & Lundan, 2008; Hennart, 2009). (Rugman & Collinson, 2008; Rugman & Verbeke, 1990; Verbeke, 2013). (Rugman, 1981, 1988) and (Rugman, Lecraw & Booth, 1985), provided the conceptual framework for the FSA/CSA matrix.
The matrix analyzed the situation between strong and weak options against its competitors. The entire CSA/FSA paradigm considers demand side resource endowments and supply side potential development of the firm. (Rugman and Verbeke, 2008; Rugman, 2010). However, the CSA/FSA theory was overshadowed by Dunning's OLI paradigm which appeared at the same time.

4.2.18. NEW TRADE CONCEPT

(Krugman, 1979) built an industrial-organization model of non-comparative trade. A critical factor as envisaged in the new trade theory of FDI was the existence of economies of scale and networking effects that occur across industries. The existence of these economies of scale and network competencies outweighed the theory of Comparative advantage of Ricardo.

Large scale economies in production, operations and marketing create barriers for new firms to enter markets, since they cannot compete with existing firms due to competitive advantages in technology, large scale production and supplier networks enjoyed by incumbent firms. (Markusen, 1984) and (Helpman, 1984) extended the 'New Trade theory' model to include FDI and multinational firms.

The theoretical construct says that foreign trade may not necessarily arise out of international differences in factor resources or technology but as a means of exploiting economies of scale and expanding the markets.

4.2.19. KNOWLEDGE CAPITAL MODEL

Markusen incorporated a third factor into his two previous models to postulate the FDI theory. (Markusen, 1996, 1997). While the first two earlier assumptions created a framework for vertical fragmentation of the production function the third assumption created economies of scale at individual firm level. Firms are motivated to integrate horizontally and undertake production of similar goods and services at multiple locations. The model framework included knowledge, as an asset that is available to geographically separate production units, requiring a skilled manpower and is highly mobile (Markusen & Maskus, 2002).

Though, an improvement over other FDI theories like 'transaction-cost approach' to multinational enterprises, it assumed a model both horizontally and vertically, hence difficult to work on. Another assumption that the national market for goods is segmented and transport costs use unskilled labour is also a weakness. (Geishecker, 2004), criticized the non-existence of institutional and risk determinants in the model, that affect the distribution of FDI. Subsequent theoretical research focused on horizontal models because they are more prevalent globally.

4.2.20. NEW ECONOMIC GEOGRAPHY

Krugman (1991) new theory was an improvisation over (Heckscher-Ohlin, Helpman & Krugman, 1985). Since certain geographical areas benefit from first mover advantages over others due to natural resource endowments, the concept of distance, space, transport costs etc. gained momentum.

(Dixit & Stiglitz, 1977) assumed monopolistically competitive markets where generality is sacrificed for tractability. The new model helped in better understanding of 'International Trade theory', thereby surpassing its most intelligent ancestor (Ohlin, 1933). Other scholars argue that the relationship between intermediary producers and consumers (upstream and downstream) is the focus of 'New Economic Geography' theory (Hildebrandt & Worz, 2004). The theory emphasized the importance of economic clusters as a region capable of attracting new enterprises and skilled labour by leveraging economies of scale (Antonescu, 2011).

(Kottaridi & Thomakos, 2007), examined the validity of the theory but couldn't discover any indication of the "core-periphery" pattern in FDI stocks per capita, thereby negating its universality.

4.2.21. ECLECTIC PARADIGM

In the year 1979, Dunning came up with the idea of ownership structures, location advantages and internalisation advantages. The views were borne out of dissatisfaction arising from the existing production theories of Hymer-Kindleberger approach, Product Life cycle theory and all the internalisation theories given by (Heckscher's, 1919) and (Ohlin's, 1933) Factor endowment theory, (Hymer's, 1960) Monopolistic advantage theory, (Coase's, 1937) Transaction cost theory, (Buckley and Casson's, 1976) Internalization theory.

The theory revealed host country economic policies, economic fundamentals, business strategy to undertake investment in foreign lands. In 1993 he added a fourth condition to the earlier three given in eclectic paradigm given in 1979 i.e. the belief by a business firm that its overseas production plan is consistent with long term management strategy.

Critics pointed out that the theory suffered from too many variables and its operationality was confusing. However, as of today, all over the world, Dunning's (OLI) Eclectic Paradigm is regarded as the basis of all classic theories to explain a multinational firm's internationalization activities.

4.2.22. RECENT MODELS/FRAMEWORKS

Newly developed models and frameworks that are being or could be used in future research on FDI inflows and outflows are:

4.2.22.1. LINKAGE, LEVERAGE, LEARNING (LLL) MODEL

The LLL framework, (Meier, 1984, Meyer, 2003) extended the Dunning's Ownership, Location, and Internalisation (OLI) framework to link it with strategic asset-seeking FDI. The LLL framework explained how emerging multinational enterprises develop globalization, leapfrogging internalizing patterns strategy in pursuit of new capabilities than FDI meant to exploit existing capabilities. (Narula, 2006) argued that the doctrines of the LLL model are more convincing when compared to Dunning's OLI paradigm.

4.2.22.2. SPRINGBOARD THEORY

(Luo & Tung, 2007) explained the reasons for acquiring critical resources and reducing vulnerability to institutions and markets at home, motivations, and processes behind outward FDI. The global expansion factors are assumed to act as 'Springboard' since they are critical to acquisition of resources for competition in their home markets with foreign MNEs from developed markets. 'Springboards' are a tool based on amalgamation, versatility, and adjustment advantages that distinguish springboard emerging enterprises from more established multinational ones from developed countries (Luo & Tung, 2010).

4.2.22.3. CAGE DISTANCE FRAMEWORK

Internalisation amongst emerging multinational enterprises is widely recognized in CAGE framework developed by (Ghemawat, 2001, 2003). CAGE represents (Cultural, Administrative, Geographic, Economic distance) framework for calculating FDI distance. Recently many authors have used the CAGE framework in their empirical research to analyse distance factors as determinants of FDI by multinational enterprises.

4.2.22.4. CPP MODEL

(Paul & Sanchez-Morcillo, 2019) presented the Conservative, Predictable and Pacemaker (CPP) model, for analyzing the internationalization of firms. The pattern and location of FDI in a single country context or cross-country context can be categorized as Conservative, Predictable and Pacemakers. An advantage of this model is that it can measure global competitiveness.

5. FINDINGS

Globalization has been a key driver for the emergence of the worldwide knowledge economy as an alternative to manufacturing that has steered this transition. (Teagarden & Schotter, 2013). The process of internationalization and globalization are the key to value addition to international firms. Foreign direct investment data shows that there has been a quantum leap in conceptual renewal and research publications in the last 20 years. This can be judged from the fact that out of a population of 85 in our sample, 20 empirical papers were published between 1950-1974, 30 were published between 1975- 1999, and 35 from 2000 to 2020.

Despite new frameworks and constructs (Dunning's, 1980) OLI paradigm continues to be a dominant theory. Ownership of assets such as technology, innovation, management skills etc. are intangible specifics to a firm. Similarly, the optimal decision for internalization of market transactions gives rise to transaction costs that may be inherently unobservable. Thus, empirical research irrefutably cannot confirm the internalization hypothesis.

Advances in empirical research techniques, new theoretical underpinnings, improved availability of accurate data and evolution in internalisation features; all have contributed to FDI study. The race to attract FDI is an existential struggle between developed and developing countries. A host country' policy framework, economic environment and 'ease of doing business' influence the outcome and flow of capital.

6. LIMITATIONS

This study suffers from the possible exclusion of some research on FDI as it is highly diverse. New theory development should incorporate changes and consider potential processes, patterns and problems associated with the MNEs and FDI. Emerging changes are driven by developments at the national level, international level and at MNE level. Over a period, (Dunning's, 1980) OLI paradigm has been recycled thereby restricting the emergence of new theories.

There exist gaps between country level outcomes and firm-level outcomes. Research on the outcomes of technology transfer for FDI intensity is missing to the extent to which the existing literature is arbitrary and fragmented. Researchers should switch over from current cross-sectional studies to longitudinal FDI patterns. Another area that needs attention is the existence of sub-contractual relationships linking business groups and modes of FDI entry.

Only a limited number of studies have investigated how entry modes influence the evolution of post FDI strategy. (Anderson, Forsgren & Holm, 2002). Another gap in the existing literature is lack of comparative analysis between developed countries and developing countries with similar and dissimilar characteristics. Most study models rest on the idea that FDI is guided towards markets having homogenous features. Today, the heterogenous emerging markets with similar or dissimilar features offer lots of opportunities.

There is also a need to develop a propensity score to measure outward FDI. (Hayakawa Matsura, Motohashi & Obashi, 2013). Multiple regression techniques with control should be replaced by structural equation modelling techniques. Continued pursuit of FDI research can provide better insights for decision makers.

7. CONCLUSION

It can be said that researchers have used a plethora of statistical methods, samples, and models in their empirical studies. Institutional factors versus socio-political factors both appear significant. Since the global economic environment is dynamic the range of independent variables that affect FDI has changed in the last five decades. Recent literature shows that emerging economies with better economic prospects, offer a greater potential to attract FDI, although, determinants are only firm-level considerations, but critical is host nation's influence.

Future scholarly work should cover corporate determinants of FDI like labour disputes, role of diaspora, labour mobility among expatriates in emerging economies. In conclusion, future evolution of economic theories such as capitalism and their correlation to FDI should also form part of future scholarly work.

REFERENCES

Agarwal, P. J. (1980). Determinants of foreign investment: a survey. *Weltwirtschaftliches Archive*, 116, 739-77.
https://doi.org/10.1007/BF02696547

Aliber, R. Z. (1970). A Theory of Direct Foreign Investment. In C. P. Kindelberger, The International Corporation (pp. 17-34). Cambridge MA: MIT Press.

Aliber, R. Z. (1993). The Multinational Paradigm. Cambridge, MA: MIT Press.

Almfraji M.A., Almsafri M.K. (2014). Foreign Direct Investment and Economic Growth Literature Review from 1994 to 2012, *Procedia – Social and Behavioral Sciences*, 129, 206 – 213.
https://doi.org/10.1016/j.sbspro.2014.03.668

Ambos T.C., Ambos B., Schlegelmilch B.B. (2006). Learning from foreign subsidiaries: An empirical investigation of headquarters' benefits from reverse knowledge transfers. *International Business Review*, 15(3), 294-312.
https://doi.org/10.1016/j.ibusrev.2006.01.002

Ambos T., Asakawa C.K., Ambos B. (2011). A dynamic perspective on Subsidiary Autonomy. *Global Strategy Journal,* 1(3–4), 301–306.
https://doi.org/10.1002/gsj.25

Andersson U., Forsgren M., Holm U. (2002). The strategic impact of external networks: Subsidiary performance and competence development in multinational corporations. *Strategic Management Journal*, 23(11), 979–996.
https://doi.org/10.1002/smj.267

Alserud, M. & Tykesson, D. (2011). The Uppsala Model's applicability on Internationalization processes of European SMEs, today - A case study of three small and medium sized enterprises. Lunds University.
https://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=2058238&fileOId=2436198

Altomonte, C. and E. Pennings (2003). Oligopolistic Reaction to Foreign Investment in Discrete Choice Panel Data Models. *IGIER Working Paper No.* 243, Innocenzo Gasparini Institute for Economic Research, Milan, Italy.
https://doi.org/10.1007/BF02707928

Anderson, G. (1983). The Internal Financing Decisions of the Industrial and Commercial Sector: A Reappraisal of the Lintner Model of Dividend Disbursements. *Economica, 50*, 235-248.
https://doi.org/10.2307/2553966

Anderson, E. and Gatignon, H. (1986). Modes of Foreign Entry: A transaction cost analysis and proposition. *Journal of International Business Studies*, 17 (3), 1-26.
https://doi.org/10.1057/palgrave.jibs.8490432

Asiedu, E. (2006). Foreign Direct Investment in Africa: The role of natural resources, market size government policy, institutions, and political stability. *World Economy*, 29(1), 63-77.
https://doi.org/10.1111/j.1467-9701.2006.00758

Assuncao, S., Forte, R., & Teixeira, A. (2011). Location Determinants of FDI: A Literature Review, FEP *Working Paper*, no. 433.
https://wps.fep.up.pt/wps/wp433.pdf

Bandera, V. N. & White, J. T. (1968). US Direct Investments and Domestic Markets in Europe. *Economia Internationale*, (21), 117-233.
https://www.jstor.org/stable/26616709

Barlow, E. R. & Wender, I. T. (1955). *Foreign Investment and Taxation.* Harvard University, Harvard Law School.

Benassy-Quere A., Coupet M., & Mayer T. (2007). Institutional Determinants of Foreign Direct Investment, *The World Economy*, 30(5), 764–782. https://doi.org/10.1111/j.1467-9701.2007.01022.x

Blankenburg Holm, D., Eriksson, K., & Johanson, J. (1999). Creating Value to Through Mutual Commitment to Business Network Relationships, *Strategic Management Journal,* (5), 467-468. https://doi.org/10.1002/(SICI)1097-0266(199905)20:5<467::AID-SMJ38>3.0.CO;2-J

Blomstermo, A., & Sharma, D. D. (2003). Learning in the Internationalization Process of Firms. Cheltenham: Elgar.

Blonigen, B.A. (2005). A review of the empirical determinants of FDI. *Atlantic Economic Journal,* 33(1), 383–403. https://doi.org/10.1007/s11293-005-2868-9

Borensztein E., De Gregorio J., Lee J. W. (1998). How does foreign direct investment affect economic growth? *Journal of International Economics,* 45 (1), 115 – 135. https://doi.org/10.1016/S0022-1996(97)00033-0

Buckley P.J. & Casson M.C. (1976). The Future of Multinational Enterprise. London. Macmillan.

Calvet A.L. (1981). A synthesis of FDI theories and theories of the multinational firm. *Journal of International Business Studies,* 12(1), 43–59. https://www.jstor.org/stable/154418

Canabal A. & White G.O., (2008). III Entry mode research: Past and future. *International Business Review,* 17(3), 267–284. http://doi.org/10.1016/j.ibusrev.2008.01.003

Carbaugh, R. J. (2004). International Economics. Thomson Southern Western Cengage Learning. Mason OH.

Caves, R.E. (1971). International Corporations: The Industrial Economics of Foreign Investment. *Economica*, 38(149), 1- 27 http://dx.doi.org/10.2307/2551748

Chacoliades, Miltiades. (1970). Increasing Returns and the Theory of Comparative Advantage, *Southern Economic Journal,* 37(2), 157-162. https://eprints.lancs.ac.uk/id/eprint/65332/1/External_Scale_Economies.pdf

Chen, H., and Hu M. Y. (2002). An analysis of determinants of entry mode and its impact on performance. *International Business Review*, 11(2), 193-210. https://doi.org/10.1016/S0969-5931(01)00055-5

Coase, Ronald. H. (1937). The Nature of the Firm. *Economica, New Series*, 4(16), 386-405. http://doi.org/10.1111/j.1468-0335.1937.tb00002.x

Cohen, B. (1975). Multinational Firms and Asian Exports. Yale University Press, New Haven, US. Collinson, S., & Rugman, A. (2008). The regional nature of Japanese multinational business. *Journal of International Business Studies*, 39, 215–230. https://doi.org/10.1057/palgrave.jibs.8400347

Cowling, K., & Sugden, R. (1987). Transnational Monopoly Capitalism. Brighton: Wheatsheaf.

Cullen, J. B. (2002). Multinational Management: A Strategic Approach, USA. South- Western College Publishing.

Dean, J. (1950). Pricing Policies for New Products. *Harvard Business Review*, 28(6), 45-53. https://doi.org/ 10.4236/epe.2013.51010

De Mello, L.R. (1997). Foreign direct investment in developed countries and growth: A selective survey. *The Journal of Development Studies*, 134(1). https://doi.org/10.1080/00220389708422501

Dikova D. & Van Witteloostuijn A. (2007). Foreign direct investment mode choice: Entry and establishment modes in transition economies. *Journal of International Business Studies,* 38(6), 1013–1033. https://doi.org/10.1057/palgrave.jibs.8400297

Dikova D., Sahib P.R. (2013). Is cultural distance a bane or a boon for cross-border acquisition performance? *Journal of World Business,* 48(1), 77-86. https://doi.org/10.1016/j.jwb.2012.06.009

Dikova D. (2009). Performance of foreign subsidiaries: Does psychic distance matter? *International Business Review,* 18(1), 38–49. https://doi.org/10.1016/j.ibusrev.2008.11.001

Dima, S. C. (2010). From International trade to Firm internationalization, *European Journal of Interdisciplinary Studies*, 2(2), 59-66. https://ejist.ro/files/pdf/352.pdf

Dixit, A. K. & Stiglitz, J. E. (1977). Monopolistic competition and Optimum product diversity. *The American Economic Review*, 67, 297 - 308. https://www.jstor.org/stable/1813666

Dunning, J. H. (1974). The Distinctive Nature of Multinational Enterprise. London: George Allen and Unwin.

Dunning, John H. (1977). Trade, Location of Economic Activity, and the MNE: A Search for an Eclectic Approach, in Ohlin, B., et al. (eds), *The International Allocation of Economic Activity*, London: Palgrave Macmillan, 395-418. https:doi.org/10.1007/978-1-349-03196-2_38

Dunning, J. H. (1979). Explaining changing patterns of international production: in defense of eclectic theory. *Oxford Bulletin of Economics and Statistics,* (41), 269-96. http://dx.doi.org/10.1111/j.1468-0084.1979.mp41004003.x

Dunning, J. H. (1980). Toward an Eclectic Theory of International Production: Some Empirical Tests. *Journal of International Business Studies*, 11(1), 9-31. http://dx.doi.org/10.1002/tie.5060220301

Dunning, J. H. (1981). International production and multinational enterprise. London: George Allen and Unwin.

Dunning, John H. (1988). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions, *Journal of International Business Studies*. Palgrave Macmillan; Academy of International Business, 9(1), 1-31. http://dx.doi.org/10.1057/palgrave.jibs.8490372

Dunning, John H. (1993). Multinational Enterprises and the Global Economy. New York: Addison-Wesley, 71.

Dunning John H. (1998). Location and the multinational enterprise: A neglected factor? *Journal of International Business Studies,* 29(1), 45–66. https://doi.org/10.1057/palgrave.jibs.8490024

Dunning, J. H., and Lundan, S.M. (2008). Institutions and the OLI paradigm of the multinational enterprise. *Asia Pacific Journal of Management,* 25, 573 – 593. https://doi.org/10.1007/s10490-007-9074-z

Filatotchev I., Strange R., Piesse J. & Lien Y. (2007). FDI by firms from newly industrialized economies in emerging markets: Corporate governance, entry mode, and location. *Journal of International Business Studies,* 38(1), 556–572. http://doi.org/10.1057/palgrave.jibs.8400279

Frankel, M. (1965). Home versus foreign investment: A case against capital exports. *Kyklos, International review for Social Sciences*, 18(3). https://onlinelibrary.wiley.com/doi/10.1111/j.1467-6435.1965.tb00982.x

Froot, K. A. & J. C. Stein (1991). Exchange rates and foreign direct investment: an imperfect capital markets approach. *The Quarterly Journal of Economics,* 106, 1191-1217. https://doi.org/10.2307/2937961

Gamal, N. (2008). How to attract Foreign Direct Investment to invest in housing in Libya, University of Salford, Manchester UK.

Geishecker, I. (2004). Foreign Direct Investment in the new Central and East European Member Countries in Economic Restructuring and Labour Markets in the Accession Countries, Research Project commissioned by EU DG Employment, Social Affairs and Equal Opportunities. https://wiiw.ac.at/employment-effects-of-foreign-direct-investment-in-central-and-eastern-europe-dlp-348.pdf

Geroski, P. A. (1979). Book Review of Direct Foreign Investment by Kiyoshi Kojima. *The Economic Journal*, 89(353), 162-164. https://www.jstor.org/stable/i339042

Ghemawat P. (2001). Distance still matters: the hard reality of global expansion. *Harvard Business Review,*79(8),137–147. https://hbr.org/2001/09/distance-still-matters-the-hard-reality-of-global-expansion

Graham, E.M. and P. Krugman (1989). Foreign Direct Investment in USA. *Institute for International Economics,* Washington D.C. available at https://econpapers.repec.org/bookchap/iieppress/52.htm

Graham, E.M. (1996). Global Corporations and National Governments. Peterson Institute for International Economics. 54 (July) Washington D.C.

Hakansson, H. (1982). International Marketing and Purchasing of Industrial Goods: An Interaction Approach. Chichester: Wiley.

Hakansson, H., & Snehota, I. (1995). Developing Relationships in Business Networks. London: Routledge.

Hayakawa K., Matsuura T., Motohashi K. & Obashi A. (2013). Two-dimensional analysis of the impact of outward FDI on performance at home: Evidence from Japanese manufacturing firms. *Japan and the World Economy*. 27, 25–33. https://doi.org/10.1016/j.japwor.2013.03.006

Head, K. and Ries, J. (2008). FDI as an Outcome of the Market for Corporate Control: Theory and Evidence. *Journal of International Economics*, 74(1), 2-20. https://doi.org/10.1016/j.jinteco.2007.04.004

Hecksher, E. F (1919). The effects of foreign trade on the distribution of Income. Ekonomisk Tidskrift, 21, 497-512.

Helpman, E. (1984). A Simple Theory of International Trade with multinational Corporations, *Journal of Political Economy,* 92(3), 451-71. https://doi.org/10.1086/261236

Helpman, E., Melitz, M. and Yeaple, S. R. (2003). Export versus FDI. *NBER Working Paper* Series No. 9439. National Bureau of Economic Research, Cambridge, MA, United States. available at https://www.nber.org/system/files/working_papers/w9439/w9439.pdf

Helpman, E., Marc Melitz, & Yeaple, S. (2004). Exports versus FDI with Heterogeneous Firms. *American Economic Review*, 94(1), 300-16. https://www.aeaweb.org/articles?id=10.1257/000282804322970814

Hennart Jean-Francois and Larimo J. (1998). The impact of culture on the strategy of multinational enterprises: Does national origin affect ownership decisions? *Journal of International Business Studies,* 29(3), 515-538. https://doi.org/10.1057/palgrave.jibs.8490005

Hertenstein P., Sutherland D. & Anderson J. (2017). Internationalization within networks: Exploring the relationship between inward and outward FDI in China's auto components industry. *Asia Pacific Journal of Management,* 34(1), 69–96. https://dro.dur.ac.uk/15751/

Hildebrandt A., & Worz, J. (2004). Determinants of Geographical Concentrate Patterns in Central and Eastern European Countries. Financial Stability Report, Austrian Central Bank, 1. 70-95.

Hirsch, S. (1976). An International trade and Investment theory of the firm. *Oxford Economic Papers*, New Series, 28(2), 258-270.
https://doi.org/10.1093/oxfordjournals.oep.a041344

Hollensen, S. (2001). Global Marketing – A Market Responsive Approach. Prentice Hall Europe, Second Edition.

Howard S. Ellish and Lloyd A Metzler (eds.), *Readings in the theory of International Trade,* Philadelphia: The Blakiston Company, 1949.
https://doi.org/10.2307/3439414

Hymer, S. A. (1960). The International Operations of National Firms: A Study of Foreign Direct Investment. (Doctoral dissertation) Department of Economics, Massachusetts Institute of Technology, 1960, published in 1976. MIT Press, Cambridge, MA.
http://hdl.handle.net/1721.1/27375

Hymer, S. A. (1976). Hymer, S.H. (1976). The International Operation of National Firms: A Study of Direct Foreign Investment. MIT Press, Cambridge, MA, US.

Johanson, J & Wiedersheim Paul, F. (1975). The internationalization of the firm—four Swedish cases. *Journal of Management Studies*, 12(3), 305-322.
https://doi.org/10.1111/j.1467-6486.1975.tb00514.x

Johanson, J., Vahlne, J.E. (1977). The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), 23- 32.
https://doi.org/10.1057/palgrave.jibs.8490676

Kemp, Murray, C. (1964). The Pure theory of International Trade. Prentice-Hall. Englewood Cliffs.

Kim, S.H.; Kim, S.H. & Kim, K.A. (2002). Global Corporate Finance. Blackwell Publishers Inc., Fifth Edition.

Kindleberger, C. P. (1969). The Case for Fixed Exchange Rates, in The International Adjustment Mechanism. MIT Press, 93-108.

Kindleberger, C. P. (1984). American Business Abroad: Six Essays on Direct Investment. Yale University Press, New Haven, CT, 1-36.

Knickerbocker, F.T. (1973). Oligopolistic reaction and Multinational enterprise. *The International Executive,* 15(2), 7-9.
https://doi.org/10.1002/tie.5060150205

Knoll J., Matthes J. (2017). The effectiveness of celebrity endorsements: A meta-analysis. *Journal of the Academy of Marketing Science,* 45(1), 55-75.
https://doi.org/10.1007/s11747-016-0503-8

Kottaridi, C., & Thomakos, D. D. (2007). Global FDI Convergence Patterns?: Evidence from International Comparisons. *Journal of Economic Integration*, *22*(1), 1–25.
https://doi.org/10.2139/ssrn.797184

Krugman P. (1979). Increasing returns, Monopolistic competition, and International Trade. *Journal of International Economics,* 9, 469-479. North-Holland Publishing Company.
https://doi.org/10.1016/0022-1996(79)90017-5

Kumar V, Subramainam V. (1997). A contingency framework for the mode of entry decision. *Journal of World Business,* 32(1), 53-72.
https://doi.org/10.1016/S1090-9516(97)90025-0

Kurtishi-Kastrati S. (2013). Impact of FDI on Economic growth: an overview of the main theories of FDI and empirical research, *European Scientific Journal*, 9(7).
https://doi.org/10.19044/esj.2013.v9n7p%25p

Lall, S. (1978). Transnationals, Domestic Enterprises, and Industrial Structure in Host LDCs: A Survey. *Oxford Economic Papers,* 30(2), 217-248.
https://ideas.repec.org/a/oup/oxecpp/v30y1978i2p217-48.html

Latorre, M.C. (2008). Multinationals and Foreign Direct Investment: Main theoretical strands and empirical effects. *Cuaderno De Trabajo,* No. 06.
https://estudiosestadisticos.ucm.es/data/cont/docs/12-2013-02-06-CT06_2008.pdf

Lemfalussy, A. (1961). Investment and Growth in Mature Economies: The case of Belgium. MacMillan.

Lien Y.C., Piesse J., Strange R., and Filatotchev I. (2005). The role of corporate governance in FDI decisions: Evidence from Taiwan, *International Business Review,* 14(6), 739–763.
https://doi.org/10.1016/j.ibusrev.2005.08.002

Lindsey, Charles W. (1984). Book Review of Third World Multinationals: The Rise of Foreign Investment from Developing Countries by Louis T. Wells. *Journal of Pacific Affairs*, 57(1), 190-192.
https://www.jstor.org/stable/i328459

Luo Y. & Tung R. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481–498.
https://doi.org/10.1057/palgrave.jibs.8400275

Mac Dougall, G.D.A. (1958). The benefits and cost of Private Foreign Investment from abroad: A theoretical approach, *Economic Record*, 36 (73), 13-35.
https://www.10.1111/J.1475-4932.1960.TB00491.X

Magee, S. P. (1977). Information and the Multinational Corporation: an Appropriability theory of Direct Foreign Investment, in J.N. Bhagwati (ed.) *The New International Economic Order,* (Cambridge, MA: MIT Press) 317–340.
https://cir.nii.ac.jp/crid/1571698599419882880

Maksimovic, V. and Phillips, G. (2001) The Market for Corporate Assets: Who Engages in Mergers and Asset Sales and Are There Efficiency Gains? *The Journal of Finance*, 56, 2019-2065.
https://doi.org/10.1111/0022-1082.00398

Mankiw, N.G. (2009). Principles of Economics. South-Western Cengage Learning.

Markusen, James R. (1984). Multinationals, Multi-plant economies, and the gains from Trade. *Journal of International Economics,* 16, 205-26.
https://doi.org/10.1016/S0022-1996(84)80001-X

Markusen, James R. & Venables, Anthony J., Konan, Denise and Zhang, Kevin Honglin. (1996). A unified treatment of Horizontal Direct Investment, Vertical Direct Investment, and the Pattern of Trade in goods and services. NBER (Cambridge, MA) *Working Paper* no.5696.
https://econpapers.repec.org/paper/nbrnberwo/5696.htm

Markusen, James R. & Venables, Anthony J. (1997). The role of Multinational firms in the Wage-Gap debate. *Review of International Economics*, 5(4), 435-51.
http://www.doi.org/10.1111/1467-9396.00068

Markusen, James R. & Maskus, Keith E. (2002). Discriminating among alternative theories of the multinational enterprise, *Review of International Economics,* 10, 694-707.
https://doi.org/10.1111/1467-9396.00359

Marshall, C. (2003). Mastering International Trade. Palgrave Macmillan.

Masum, M & Fernandez, A. (2008). Internationalization process of SMEs: Strategies and methods (Unpublished Master's Thesis). Malardalen University, Vasteras, Sweden. Corpus ID: 168064120
https://www.semanticscholar.org/paper/

Meier G.M. (1984). Leading issues in economic development. 4th ed. Oxford. Oxford University Press.

Meyer K. (2003) FDI spillovers in emerging markets: A literature review and new perspectives. *DRC Working Papers*, 15.
http://klausmeyer.co.uk/publications/2003_meyer_CNEM-DP_FDI-spillovers.pdf

Morgan, R. & Katsikeas, C. (1997). Theories of international trade, foreign direct investment, and firm internationalization: A critique. *Management Decision*, 35(1), 68-78.
https://doi.org/10.1108/00251749710160214

Mughal, M. M. & Akram, M. (2011). Does market size affect FDI? The Case of Pakistan. Interdisciplinary *Journal of Contemporary Research in Business*, 2(9), 237-47.
www.189-Article Text-413-1-10-20211220 (1).pdf

Narula, R. & Verbeke, A. (2015). Making Internalization theory good for practice: The essence of Alan Rugman's contributions to International Business. *Journal of World Business*, 50(4), 612-622.
https://doi.org/10.1016/j.jwb.2015.08.007

Nocke, V. & Yeaple, S. (2004). An Assignment Theory of Foreign Direct Investment, *NBER Working Paper Series*, No. 11003. National Bureau of Economic Research. Cambridge, MA, US.
https://ssrn.com/abstract=637500

Parry, T. G. (1977) Book Review of The International Operations of National Firms: A Study of Direct Foreign Investment by Stephen Herbert Hymer. *The Journal of Political Economy*, 85(5),1096-1098.
http://www.jstor.org/stable/1830352

Paul J. (2015). Does WTO increase Trade and cause convergence? *The International Trade Journal*, 29(4), 291–308.
https://doi.org/10.1080/08853908.2015.1053632

Paul J. & Sánchez-Morcilio R. (2019). Toward a new model for firm internationalization: Conservative, predictable, and pacemaker companies and markets. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences del 'Administratio,* 36(3), 336–349.
https://doi.org/10.1002/cjas.1512

Paul J. & Mas E. (2019). Toward a 7-P framework for International Marketing. *Journal of Strategic Marketing*, 28(8), 1–21
https://doi.org/10.1080/0965254X.2019.1569111

Pearce, I., and D.C. Rowen (1966). A framework for research into the real effects of international capital movements, in T. Bagiott (ed.), *Essays in Honour of Marco Fanno* (2 vols.). Cedam, Padova, Italy.
https://www.ejournals.eu/IBage/2019/Tom-38/art/15931/

Pitelis, C. N. (1991). *The Transnational Corporation: demand-side issues and synthesis*. In C. N. Pitelis, & R. Sugden, *The Nature of the Transnational Firm.* (pp. 194-212). London: Routledge.

Polli, R., & Cook, V. (1969). Validity of the product Life Cycle. *Journal of Business*, 42(4), 385-400.
https://www.ejournals.eu/IBage/2019/Tom-38/art/15931/

Popovici, O. C., & Calin, A. C. (2012). Competitiveness as Determinant of Foreign Direct Investments in Central and Eastern European Countries, *Revista Economica, Journal of Economic-Financial Theory and Practice*, Supplement, 1, 658-666.
https://www.researchgate.net/publication

Popovici, O. C., & Calin, A. C. (2013). Ways of Attracting FDI in Western and Eastern European Countries: Upgrading Institutions' Quality, *The Young Economists Journal*, 20, 200-207
https://www.researchgate.net/publication/277669784

Popovici, O.C. & Calin, A.C. (2014) FDI Theories: A Location based approach. *Romanian Economic Journal*, 17(53), 3-24.
https://ideas.repec.org/a/rej/journl/v17y2014i53p3-24.html

Randhawa K. & Wilden R., Hohberger J. (2016). A bibliometric review of open innovation: Setting a research agenda. *Journal of Product Innovation Management,* 33(6), 750–772. https://doi.org/10.1111/jpim.12312

Ricardo, D. (1817). On the Principles of Political Economy and Taxation. John Murraym, London.

Robock, S. H. and K. S. (1983). International Business and Multinational Enterprises. Richard D. Irwin, Illinois, United States.

Rugman, A.M. (1981). Inside the Multinationals: The economics of Internal Markets. New York: Columbia University Press.

Rebić, M., Bojat, M., Šarenac, N. (2018). Competitiveness and development of local communities in the republic of Skpska. ECONOMICS- Innovative and Economics Research Journal, 6(1), 103-111.
https://doi.org/10.2478/eoik-2018-0010

Rugman, A. M., Lecraw, D. J., & Booth, L. D. (1985). International Business. Firm & environment. New York: McGraw-Hill.

Rugman, Alan M. (1986). New Theories of the Multinational Enterprise: An Assessment of Internalization Theory. *Bulletin of Economic Research*, 38(2), 101-118.
https://ideas.repec.org/a/bla/buecrs/v38y1986i2p101-18.html

Rugman, A. M. (1988). Multinational enterprises and strategies for international competitiveness. In Richard Farmer, & Elton McGoun (Eds.), Advances in International Comparative Management, (3),Greenwich, CT: JAI Press.

Rugman, Alan & Verbeke, Alain. (1990). Global Corporate Strategy and Trade Policy. Routeledge Library edition.

Rugman, Alan M. & Verbeke, A. (1992). A Note on the Transnational Solution and the Transaction Cost Theory of Multinational Strategic Management. *Journal of International Business Studies*, 23(4), 761-772
https://doi.org/10.1057/palgrave.jibs.8490287

Rugman, A. M., (2007). Multinational Enterprises from Emerging Markets, Berlin Roundtable meeting on the Role of the G8 in an Endangered Global Economic and Political Climate, Berlin, June 1-2, 2007.
http://www.g7.utoronto.ca/conferences/2007/rugman2007.pdf

Rugman, Alan M. & Verbeke, Alain. (2008). A regional solution to the strategy and structure of multinationals. *European Management Journal*, 26(5), 305-313.
https://doi.org/10.1016/j.emj.2008.04.004

Rugman, A. M. (2010) Reconciling Internalization Theory and the Eclectic Paradigm, *Multinational Business Review*, 18(1), 1-12.
https://doi.org/10.1108/1525383X201000007

Sage, H. J. (2010). History I: United States History 1607-1865 Text for History 121, Third edn, Academic American History Lorton, Virginia.

Simpson, P.B. (1962). Foreign Investment and the National Economic advantages: A theoretical analysis, in, R. Mikesell (ed.), US Government and Private Investment Abroad. University of Oregon Books, Eugene, United States.

Susic, M. (2018). Importance and impact of foreign investment on the economic development of B&H. *ECONOMICS- Innovative and Economics Research Journal*, 6(1), 63-80.
https://doi.org/10.2478/eoik-2018-0007

Slobodan, S. Z. E. et al (2018) Innovative approach to measuring the impact of FDI on some macroeconomic indicators in B&H. *ECONOMICS-Innovative and Economics Research Journal*, 6(1), 7-15.
https://doi.org/10.2478/eoik-2018-0008

Smith, Adam. (1776). An Inquiry into the nature and causes of the Wealth of Nations. London: George Routledge and Sons.

Sodersten, B. and G. Reed (1994). International Economics. Macmillan Press, London.

Sodersten, B. (1970). International Economics. Harper and Row, New York.

Teagarden, M.B., & Schotter, A. (2013). Leveraging Intellectual Capital in Innovation Networks: Growing, Sharing and Exploiting Mindshare. *Organizational Dynamics*, 42(4), 281-289. http://doi.org/10.1016/j.orgdyn.2013.07.006

Trifu, A., Eduard S., O. Daniel, Bulboach E. & H., Vergilică. (2022). Applying the PRISMA method for obtaining systematic reviews of occupational safety issues in literature search. MATEC Web of Conferences. http://doi.org/10.1051/matecconf/202235400052/ available at https://www.matec-conferences.org/articles/matecconf/pdf/2022/01/matecconf_sesam202200052.pdf

Vaitsos, C.V. (1974). Intercountry Income Distribution and Transnational Enterprises. Oxford. Clarendon Press.

Vasyechko, O. (2012). A Review of FDI Theories: An Application for Transition Economies. *International Research Journal of Finance and Economics*, 89, 118-137. https://www.researchgate.net/publication/285934575_A_review_of_FDI_theories_Anapplication_for_transition_economies

Vernon, R. (1979). The product cycle hypothesis in a new international environment. *Oxford Bulletin of Economics and Statistics,* (41), 255-67. https://doi.org/10.1111/j.1468-0084.1979.mp41004002.x

Vernon, R. (1966). International Investment and International Trade in the Product Cycle. *The Quarterly Journal of Economics*, 80(2), 190-207. https://doi.org/10.2307/1880689

Werner S. (2002). Recent developments in international management research: A review of 20 top management journals. *Journal of Management*, 28(3), 277–305. https://doi.org/10.1177/014920630202800303

Wilhelms, K. & Witter, D. (1998). Foreign Direct Investment and its determinants in emerging markets. *African Economic Policy Paper,* Discussion Paper No. 9. https://pdf.usaid.gov/pdf_docs/pnacf325.pdf

Wilhelms, K. (1998). Institutional FDI Fitness: determinants of foreign direct investment to emerging economies. (Doctoral Thesis). Fletcher School of Law and Diplomacy, Medford. https://books.google.com.om/books?id=LtdFNwAACAAJ