FOREIGN DIRECT INVESTMENT

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Reference this article

Abstract / Definition
Foreign Direct Investment (FDI) implies a lasting interest by an enterprise resident in one country in another enterprise in another country. The estimated global flow of FDI for 2012 is 1.4 US$ trillion. In the first two quarters of 2012, transition and developing countries attracted over 50% of global FDI for the first time. China was the largest recipient country in the same period, followed by the United States. Direct investment is viewed as a method of securing determining influence on the overseas operation. Investors tend to provide other resources such as knowledge, management techniques, technology and marketing strategy.

Foreign Direct Investment (FDI) is a strategic option for firms that undertake it and for the states that seek to attract and regulate it. Managerial players are free to make and implement strategic choices, albeit within the limits of the structural circumstances they find themselves in. The practice of FDI in the last quarter of the twentieth century has been growing rapidly. Three ground breaking intellectual perspectives spurred by Coase, Hymer and Penrose provided the initial tremors causing the paradigm to begin to shift. Until a theory of the transnational enterprise and FDI emerges that is capable of bridging the epistemological gap that separates its territory from that of International Strategic Management, Dunning’s OLI framework will be taken to be the extant theory of transnational enterprise.

Keywords
Foreign direct investment, transnational enterprise, international strategic management, Dunning’s OLI frameworks

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