CHAPTER 1
INTRODUCTION TO THE STUDY

1.0. INTRODUCTION

Globalisation can be summarised as opening-up of markets, leading to transfer of capital, technology and people. However, another important dimension of globalisation is multilateralism. It would be obvious that the former cannot be effective without later. One of the major objectives is of international economic reforms was to encourage multilateralism. The economic basis of multilateralism lies in allocative efficiency. This implies that economies are able to import from most efficient sources and are able to export to the best destinations. In an analogous manner, it can be said about Foreign Direct Investment (FDI) that multilateralism implies importing capital from a variety of sources as may be most efficient. Rather than restricting to a bilateral basis. Similarly, the obverse of this phenomenon would be to export capital where it can be most efficiently utilised, by combining capital with other resources optimally.

Second, these capital transfers should work as two way relationship, which implies that the process of globalisation should have gains for both the home country and the host country.

Therefore, we propose to study FDI flows both from the point of view of inward FDI where the host country is the recipient as well as outward FDI where the home country is the source country. If globalisation is a progression in the international economic relation, it implies that capital flows are substituting trade flows. The assumption behind such a progression is that there is a decision to switch from relative inefficient trade to more efficient alternative of international relocation of production or FDI.

Given this framework, any study which examines international capital flows must be based on both inflows as well as outflows on the one hand and the gains to both the host and the home on the other hand. In this scenario, both inflows as well as outflows have to be efficient. If FDI flows are replacing trade flows, then the gains from FDI must
parallel gains from trade. The extant studies do not distinguish between the factors that
determine capital outflows and the factors that determine capital inflows. The former is
a home country perspective and while the later is host country perspective. The host
country characteristics determine motivation for investment in the host country by the
home country since outward flows are made available by the home country.

Dunnings (1998) OLI theory explains FDI in an integrated form which relates to both
home and host country. In an empirical sense, it is difficult to explain FDI flows
through a single equation that uses Organisation (O), Location (L) and Integration (I) as
explanatory variables. We shall be exploring the idea that the implications of OLI can
be partition into two set of equations:

1. That explains outward FDI
2. That explains inwards FDI

Therefore, in the final analysis, “Pattern of Foreign Direct Investment Flows and
Economic Development-A Cross Country Analysis” would be related to economic
development in the home country which determines outward FDI and economic
development in the host country which determines inward FDI.

The problem that we encounter is that the comparative cost advantage theory is a
generalised theory that deals with trade flows although it is based on countries as
trading partners rather than firms. FDI theory is about capital flows rather than
international exchange of goods and services but it is not generalised\(^1\) and is not
formalised as an established theory\(^2\). The problematic caused by FDI theory is about
explaining international capital flows in a generalised framework. It ought to be
generalised in three senses:

1. It should be independent of location (inward or outward);
2. It should be inclusive (developed, developing and transitional economies);
3. It should be based on countries rather than firms (not firm-centric).

---

\(^1\) Hymer (1976) explained international capital flows in terms of characteristics of American,
Japanese and European firms. It is therefore, not a generalized explanation.

\(^2\) Dunning (1980) as an eclectic theory. It is still evolving because LLL theory on outward FDI
challenges OLI theory.
Table 1.1: Selected indicators of FDI and international production, 1990-2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inflow</td>
<td>207</td>
<td>1472</td>
<td>1744</td>
<td>1185</td>
<td>1244</td>
<td>22.5</td>
<td>40.1</td>
<td>5.3</td>
<td>-32.1</td>
<td>4.9</td>
</tr>
<tr>
<td>FDI Outflow</td>
<td>241</td>
<td>1487</td>
<td>1911</td>
<td>1171</td>
<td>1323</td>
<td>16.9</td>
<td>36.3</td>
<td>9.1</td>
<td>-38.7</td>
<td>13.1</td>
</tr>
<tr>
<td>FDI Inward Stock</td>
<td>2081</td>
<td>14407</td>
<td>15295</td>
<td>17950</td>
<td>19141</td>
<td>9.4</td>
<td>18.8</td>
<td>13.4</td>
<td>17.4</td>
<td>6.6</td>
</tr>
<tr>
<td>FDI Outward Stock</td>
<td>2094</td>
<td>15705</td>
<td>15988</td>
<td>19197</td>
<td>20408</td>
<td>11.9</td>
<td>18.3</td>
<td>14.7</td>
<td>20.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Income on inward FDI</td>
<td>75</td>
<td>990</td>
<td>1066</td>
<td>945</td>
<td>1137</td>
<td>35.1</td>
<td>13.1</td>
<td>32</td>
<td>-11.3</td>
<td>20.3</td>
</tr>
<tr>
<td>Rate of return on inward FDI</td>
<td>6.6</td>
<td>5.9</td>
<td>7.3</td>
<td>7</td>
<td>7.3</td>
<td>-0.5</td>
<td>-</td>
<td>0.1</td>
<td>-0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Income on outward FDI</td>
<td>122</td>
<td>1083</td>
<td>1113</td>
<td>1037</td>
<td>1251</td>
<td>19.9</td>
<td>10.1</td>
<td>31.3</td>
<td>-6.8</td>
<td>20.6</td>
</tr>
<tr>
<td>Rate of return on outward FDI</td>
<td>7.3</td>
<td>6.2</td>
<td>7</td>
<td>6.9</td>
<td>7.2</td>
<td>-0.4</td>
<td>-</td>
<td>-</td>
<td>-0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Cross-border M&amp;As</td>
<td>99</td>
<td>703</td>
<td>707</td>
<td>250</td>
<td>339</td>
<td>49.1</td>
<td>64</td>
<td>0.6</td>
<td>-64.7</td>
<td>35.7</td>
</tr>
<tr>
<td>Sales of foreign affiliates</td>
<td>5105</td>
<td>21293</td>
<td>33300</td>
<td>30213</td>
<td>32960</td>
<td>8.2</td>
<td>7.1</td>
<td>14.9</td>
<td>-9.3</td>
<td>9.1</td>
</tr>
<tr>
<td>Value added (product) of foreign affiliates</td>
<td>1019</td>
<td>3570</td>
<td>6216</td>
<td>6129</td>
<td>6636</td>
<td>3.6</td>
<td>7.9</td>
<td>10.9</td>
<td>-1.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Total assets of foreign affiliates</td>
<td>4602</td>
<td>43324</td>
<td>64423</td>
<td>53601</td>
<td>56998</td>
<td>13.1</td>
<td>19.6</td>
<td>15.5</td>
<td>-16.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Export of foreign affiliates</td>
<td>1498</td>
<td>5003</td>
<td>6599</td>
<td>5262</td>
<td>6239</td>
<td>8.6</td>
<td>3.6</td>
<td>14.7</td>
<td>-20.3</td>
<td>18.6</td>
</tr>
<tr>
<td>Employment of foreign affiliates (thousands)</td>
<td>21470</td>
<td>55001</td>
<td>64484</td>
<td>66688</td>
<td>68218</td>
<td>2.9</td>
<td>11.8</td>
<td>4.1</td>
<td>3.4</td>
<td>2.3</td>
</tr>
<tr>
<td>GDP</td>
<td>22206</td>
<td>50338</td>
<td>61147</td>
<td>57920</td>
<td>62909</td>
<td>6</td>
<td>1.4</td>
<td>9.9</td>
<td>-5.3</td>
<td>8.6</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>5109</td>
<td>11208</td>
<td>13999</td>
<td>12735</td>
<td>13940</td>
<td>5.1</td>
<td>1.3</td>
<td>10.7</td>
<td>-9</td>
<td>9.5</td>
</tr>
<tr>
<td>Royalties &amp; licence fee receipts</td>
<td>29</td>
<td>155</td>
<td>191</td>
<td>187</td>
<td>191</td>
<td>14.6</td>
<td>10</td>
<td>13.6</td>
<td>-1.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Exports of goods &amp; non-factor service</td>
<td>4382</td>
<td>15008</td>
<td>19794</td>
<td>15783</td>
<td>18713</td>
<td>8.1</td>
<td>3.7</td>
<td>14.7</td>
<td>-20.3</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Source: UNCTAD
With globalisation of world economy, international FDI flows grew strongly in the 1990s at a rate above those of world economic growth and trade. International production is expanding, with sales, employment and assets of foreign affiliates all increasing. UNCTAD estimates that multinational enterprises (MNEs) worldwide, in their operations both at home and abroad, generated value added of approximately $16 trillion in 2010, accounting for more than a quarter of global GDP. In 2010, foreign affiliates accounted for more than one-tenth of global GDP and one-third of world exports. International production by MNEs (i.e. value added by foreign affiliates) accounts for around 40 per cent of MNEs’ total value added, up from around 35 per cent in 2005. International production networks thus continue to expand, although the rate of growth was slower during the crisis, due to the drop in FDI flows. This continuing expansion reflects the consistently high rates of return obtained by MNEs on FDI – back up to 7.3 per cent in 2010, after a one-year dip during the crisis.

1.1. RECENT TRENDS IN INTERNATIONAL FDI

Returns are thus back to pre-crisis levels, despite a steady decrease in leverage, as proxied by outward FDI stock over foreign assets. Leverage peaked during the FDI boom years from 2005 to 2007, with the stock (equity) over assets ratio declining from nearly 40 per cent to 25 per cent, but it has since decreased, with the equity/asset ratio climbing up to 36 per cent in 2009 and 2010.

Other indicators of international production also showed positive gains in 2010. Sales of foreign affiliates rose 9.1 per cent, reflecting strong revenues in developing and transition economies. Employment continued to expand, as efficiency-seeking investments expanded during the crisis.

Underlying this improvement in international production has been an acceleration of the internationalization of MNEs – and, indeed, of the initial internationalization of previously non-MNE firms. Three of the major factors driving this “new” burst of internationalization are: first, the crisis caused firms to rationalize their corporate structure and increase efficiencies wherever possible (including the options to close down or to sell to others), often by relocating business functions to cost-advantageous locations; second, the rapid recovery in emerging market economies, compared to the relatively weak
response in developed economies, forced many MNEs to embrace these markets, in an effort to protect profits and generate growth; and the rise of emerging market MNEs including State-owned MNEs.

During the economic and financial crisis, many companies embarked on significant layoffs and organizational restructuring in order to remain profitable. For MNEs in developed economies, which make up nearly 80 per cent of the MNEs in the world, and account for some 70 per cent of international FDI outflows, this often meant making cuts in their home economy operations, while moving or opening new facilities abroad to take advantage of specific comparative advantages in those locations. In 2010, foreign activity of the largest non-financial MNEs’ rebounded, and its share in total activity remained high. However, not all of the largest MNEs increased their internationalization. Financial MNEs, for example, experienced significant difficulties in 2010.

These trends are plainly manifest in the findings of UNCTAD’s annual survey of the largest MNEs in the world. These firms, predominantly from developed economies, expanded their footprint outside their home countries, registering a continued increase in their foreign assets in 2010. Rising cross-border M&A activity by the largest MNEs, especially targeting strategic firms, has given further momentum to the expansion of foreign assets. Employment and sales also rose both at home and abroad.

The largest MNEs from developing and transition economies experienced subtly differing pressures. Given the tremendous growth registered in many of their home economies, in some cases stoked by significant public stimulus packages, these MNEs struggled to balance responding to growth at home with long-term internationalization goals and the desire to acquire international brands, technologies, and access to natural resources. Therefore, the share of foreign operations in total activity (i.e. sales and employment) continued to rise. These firms continued to expand their balance sheets abroad at a rapid pace, with foreign assets rising 11 per cent in 2009 (the latest year for which data are available) to almost $1 trillion.

The crisis drew attention to the importance of developing and transition countries, especially the emerging markets of Brazil, India, China and the Russian Federation.
(BRIC), as key destinations for both efficiency-seeking and market-seeking investors. Not only are these countries attractive for their lower labour costs, they are also seen increasingly as important markets in their own right. This trend is apparent in both the share of operating profits generated in these economies, and the number of investments targeting them.

Corporate profits, which were slashed by the crisis, have rebounded sharply for many of the largest MNEs in the world. The swift economic recovery of the largest developing countries played an important role in restoring these firms to income growth. In some cases, income from developing and transition countries has grown to account for a significant share of MNEs’ operating income. This trend spans industries, with MNEs as varied as Coca-Cola (United States), Holcim (Switzerland), and Toyota Motors (Japan) deriving more than one-third of their operating income from developing economies.

1.2. THEORETICAL FRAMEWORK

Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest in and control by a resident entity in one economy (foreign direct investor or parent enterprise) of an enterprise resident in a different economy (FDI enterprise or affiliate enterprise or foreign affiliate). Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates.

- FDI inflows and outflows comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to a FDI enterprise, or capital received by a foreign direct investor from a FDI enterprise. FDI includes the three following components: equity capital, reinvested earnings and intra-company loans. Data on FDI flows are presented on net bases (capital transactions’ credits less debits between direct investors and their foreign affiliates). Net decreases in assets or net increases in liabilities are recorded as credits, while net increases in assets or net decreases in liabilities are recorded as debits. Hence, FDI flows with a negative sign indicate that at least one of the three components of FDI is negative and not offset by positive amounts of the remaining components. These are called reverse investment or disinvestment.
• FDI stock is the value of the share of their capital and reserves (including retained profits) attributable to the parent enterprise, plus the net indebtedness of affiliates to the parent enterprises. FDI stock represents the direct investment position on a historical-cost basis, that is, the amount of investment already in the host country as opposed to the flow of capital into the host country in a given year. Inward stocks are all direct investments held by non-residents in the reporting economy; outward stocks are the investments of the reporting economy held abroad.

**Resource-seeking FDI**, most FDI in developing and transitional economies is resource seeking. This type of investment aims to exploit a host country’s comparative advantage. For instance, countries rich in primary materials, such as oil or minerals, will attract companies seeking to develop these resources. Low-cost or specialized labours are two other factors that attract resource-seeking FDI. Resource-seeking FDI is generally used to produce goods for export.

**Market-seeking FDI** is aimed at reaching local or regional markets, often including neighboring countries. Companies making this type of investment typically manufacture a wide variety of household consumer products or other types of industrial goods in response to actual or future demand for their products. In some cases, market-seeking FDI occurs as supplier companies follow their customers overseas. For example, an auto components manufacturer may follow a car producer. Market-seeking investment is often defensive and is used by companies to try to circumvent real or threatened import barriers. A liberal trade regime is essential if the investor wishes to serve neighboring or overseas markets.

**Efficiency-seeking FDI** frequently occurs as a follow-on form of investment. A MNE may make a number of resource- or market-seeking investments, and over time, it may decide to consolidate these operations on a product or process basis. Companies are able to do this, however, only if cross-border markets are open and well developed. As a result, this form of FDI is most common in regionally integrated markets, most notably in Europe and Asia. MNEs also may undertake smaller-scale product rationalization among a few neighboring countries. This type of investment is illustrated by Nestlé’s North African and Middle Eastern affiliates. Each affiliate produces a specialized product for
the regional market. Each affiliate also imports other products from sister affiliates in neighboring countries. Taken together, the region has access to a full spectrum of products, but each affiliate is responsible for the production of only a small segment.

**Theory of Multinational Enterprises**

The theories of MNE may be classified under the following headings:

1. Theories assuming perfect markets:
   a. The differential rate of return
   b. The market size hypotheses
2. Theories assuming imperfect markets
   a. The industrial organisation hypotheses
   b. Internalisation hypotheses
   c. The locational hypotheses
   d. The eclectic theory
   e. The product life cycle hypotheses
3. The other theories:
   a. The internal financing hypotheses
   b. The currency area hypotheses and the effect of exchange rate
   c. The hypotheses of diversification with barriers to international capital flows
4. Theories based on other factors:
   a. Political risk and country risk
   b. Tax policies
   c. Trade barriers
   d. Government regulations

**Hymer’s Theory**

It explains why national firms go abroad even though they have advantage in their home country. The enterprises operating in a country are likely to a national firm and they are likely to have advantages over foreign enterprises. National firms have the general advantage of better information about their country, economy, language, laws and policies. To a foreign firm, the cost of auguring this information may be

---

3 It is beyond the scope of this study to go into a detailed study of all the above theories. We shall briefly consider only two main theories.
considerable. But it is a fixed cost, once incurred by established a foreign operation, it need not be incurring again. In spite of these disadvantages to a foreign firm in the host country, it has some advantage, arising from the ownership of tangible and intangible assets, which outweigh these disadvantages (Hymer, 1976).

**Dunning’s OLI Theory**

This theory specifies that a company will invest in overseas production facilities if it has the following three kinds of advantages:

- Ownership specific advantage (O) – this is the extent to which a company has tangible and intangible asset unavailable to other firms.
- Location specific advantage (L) – the host country must possess locational advantage. The company will profit by locating part of its production facilities overseas.
- Internalization advantage (I) – it is in the firm’s best interest to use its ownership specific advantage rather than license them to foreign owners.

Within the trinity (i.e. OLI) of conditions of FDI to occur, locational determinants are the only ones that the host governments can influence directly.

While there are other theories discussed in the review of literature. In our introduction we have restricted the discussion to the main theories (Dunning, 1977, 1981, 1998).

**1.3. RATIONALE**

With globalisation, development has become a global issue. Expectation out of globalisation is that it will promote international investment flows, so that there is global development universally. For this purpose, world organisations like WTO and IMF have also liberalised international investment policies for all round FDI flows in the world. In the era of globalisation, with increase in international FDI flows, there is international relocation of production. This also increases, in turn, global GDP and world economic growth. Hence, our study will focus on international FDI flows. However economic development is something more than economic growth. Most of the existing literatures show positive relationship between FDI flows and economic growth. But the relationship between economic development and FDI is not sufficiently emphasized.
Initially, international production was carried on by only multinational enterprises (MNEs) from developed countries, which had abundant capital and technology. Therefore, “home country”, in MNE literature meant only developed countries. Consequently, MNEs theory was developed, at that time, by keeping in mind the characteristics of the home country. For example, Hymer’s (1976) theory, explains why national firms go abroad even though they have advantage in the home country.

With globalisation and liberalisation, the world economy has been opened for foreign investment and has created competition amongst the host countries for attraction of FDI as a means of acquiring long-term capital, technology, skills and access to international markets. Due to intensive competition among host countries for attraction of FDI, investors are focusing on countries with strong capabilities, lower labour cost and strong complementary factors for international productions, such as infrastructure. Therefore central consideration of FDI flows has shifted from ‘home country’ to ‘host country’ as well. For example, as per the international product cycle theory- investors will start foreign production only if cost of production in a host country is less than cost of production in home country plus cost of transportation. Recent literatures of MNEs lay more emphasis on the characteristics of host country. Our understanding is that now the time has come to give equal importance to both host and home country, in this competitive environment.

In past, countries that made FDI outflows were only developed country. Recently developing countries have been also started international production ventures both in developed country and developing country. With the entry of MNEs of developing country in international productions, the dominance patterns of developed countries in FDI outflows may have changed. However, it is likely that a few countries still dominate the outflow of international FDI. Also FDI inflows in a country depend upon level of economic development. Least developed countries (LDCs), developing countries and developed countries would attract resource-seeking FDI, market-seeking FDI and efficiency-seeking FDI respectively. However, major part of total international FDI inflows is still concentrated in a few countries. Effect of dominance of international FDI outflows in a few countries is that, if the economy of those countries is adversely affected,
then international FDI flows would also be adversely affected\textsuperscript{4}. The effect of concentration of FDI inflows would result in uneven world development. Recent decline in international FDI flows are possibly caused due to a combination of these effects. Therefore, our study will focus on pattern of FDI outflows from source countries and inflows into host countries in terms of levels of economic development. Hence, the emphasis is on concentration and dominance of international FDI flows, whether they are from developing or developed countries. Secondly, literature does not emphasize the effect of socio-economic conditions on international FDI flows. Thus the rationale for studying of international FDI patterns arises from two stand points:

1. With globalisation (WTO) and liberalisation international long-term capital flows in the form of FDI are promoted. Capital is the complementary input to labour, natural resources, infrastructure etc. This leads to international relocation of production. If such flows follow rational allocation, it will lead to global optimum allocation of resources and global economic welfare.

2. If the above happens there must be a visible relationship between socio-economic variables (economic development) such as labour, human resource, infrastructure, openness, market, resources etc and the patterns of FDI flows internationally.

We, therefore, arrive at a set of objectives.

\textbf{1.4. OBJECTIVES}

On the basis of rationale of the study, we develop a set of objectives:

1. To study international trends in FDI flows and Stock
2. To analyse pattern of concentration and dominance in FDI flows and stock globally.
3. To study the impact of developmental variables on international FDI flows and stock.

\textbf{1.5. HYPOTHESES}

In view of the above objectives, primary hypotheses and secondary hypotheses have been stated as below:

\textsuperscript{4} We have seen this happen during global financial crisis.
Primary Hypotheses
1. Concentration pattern of inward FDI has not changed.
2. Dominance pattern of outward FDI has not changed.
3. There has been a decline in international FDI flows.
4. FDI flow is not increasing towards developing countries.
5. Economic development does not affect international FDI patterns.
6. Determinants of FDI do not differ across developed and developing countries.
7. Determinants of FDI do not differ across top ten and rest of the countries.

Secondary Hypotheses
1. Concentration pattern of inward FDI has not changed in developing countries.
2. Concentration pattern of inward FDI has not changed in developed countries.
3. Dominance pattern of outward FDI has not changed in developing countries.
4. Dominance pattern of outward FDI has not changed in developed countries.
5. Human resource does not affect FDI.
6. Infrastructure does not affect FDI.
7. Labour does not affect FDI.
8. Market does not affect FDI.
9. Trade openness does not affect FDI.
10. Resource does not affect FDI.

1.6. RESEARCH METHODOLOGY
This study will attempt to identify and study the relationship of international FDI with global economic development. The international FDI will be divided into developed countries and developing countries and we shall analyse the relevant data with the help of some standard and new tools of statistics and econometrics. We will use semi-log equation to find out growth rate of FDI over periods. We will develop a set of formalized and stylized indices at different point of time for FDI flows and economic indicators across the countries. The indices will be developed separately for developed and developed countries, respectively. Three levels of indices:
1. First level of indices: there are two sets of indices at the first level, one for FDI flows and another for economic development indicators. These are based on the ratio of FDI flows or development indicators in a particular country with respect to international average of FDI or development indicators respectively.

2. Second level of indices: it is a temporal ratio of first ratio at two point of time for both FDI flows and development indicators.

3. Third level of indices: it is a ratio between the temporal indices of FDI and corresponding temporal indices of development indicators.

These indices will expose relative position of each country with respect to international average of FDI flows and level of economic development and will also expose the change in relative position over time with the help of temporal indices. Overall changes will be measured by international average.

To analyse pattern of concentration of FDI inflows and inward stock, we will apply Herfindahl-Hirschman Index (HHI) of Concentration. For measuring dominance pattern of FDI outflows and outwards stock, we will develop Index of Rank Dominance (IRD) and apply Bodenhorn’s measure of mobility and turnover. We will apply Principal Component Analysis (PCA) for the purpose of determining principal variables and construction of a composite index. Then we will also make a comprehensive study to analyse the impact of developmental variables on FDI across countries for twenty years by using panel regression methods.

Panel regression is a pooling of time-series and cross-sectional data for ‘t’ years and ‘n’ countries. Panel regression can be done by two techniques:

1. Fixed Effect Model: This model will capture the individual effects of variables.
2. Random Effect Model: This model will capture the generalized effects.

1.7. PLAN OF THE STUDY

The whole study has been divided into eight chapters. First chapter introduces the theoretical framework of the study along with the rationale, objectives, and hypotheses. Second chapter is devoted to the literature review of the studies on the relationship between FDI and economic development. The third chapter makes study of international
FDI policies. Fourth chapter explains general pattern of FDI through three levels of indices. Fifth chapter deals with concentration pattern of FDI inflows and inward stock. Dominance pattern of FDI outflows and outward stock has been explained through index of rank dominance (IRD) and relative index of ranks dominance (RIRD) in the chapter six. Seventh chapter analyses relationship between FDI and economic development by using panel regression. Eighth chapter contains summary and conclusion along with the further scope for research.

1.8. CHAPTERS SCHEME

1. Introduction to the Study
2. Review of Literature
3. International Foreign Direct Investment Policy
4. International Patterns of Foreign Direct Investment
5. Concentration Pattern of Inward Foreign Direct Investment
6. Patterns of Dominance and Competition of Outward Foreign Direct Investment
7. Relationship between Foreign Direct Investment and Economic Development
8. Summary and Conclusion

1.9. CONCLUSION

This chapter concludes that with globalisation, development has become a global issue. Expectation out of globalisation is that it will promote international investment flows, so that there is global development universally. Hence, our study will focus on international FDI flows. Impact of globalisation on concentration and dominance of FDI would have to be seen. Economic development is something more than economic growth. So the effect of developmental variables on FDI patterns has to be seen. The next chapter reviews the literature of foreign direct investment and economic growth to enrich the present study and find the gap in existing literature.