

**THE DETERMINANTS OF FOREIGN DIRECT INVESTMENT AND THEIR  
IMPACTS ON NIGERIAN ECONOMY (1975 – 2010)**

**NDEM, SAMUEL ETIM  
LECTURER, DEPARTMENT OF MARKETING  
FACULTY OF MANAGEMENT SCIENCES,  
UNIVERSITY OF CALABAR, CALABAR.**

**OKORONKWO ONYEBUCHI  
Ph.D. STUDENT,  
DEPARTMENT OF ECONOMICS  
UNIVERSITY OF CALABAR  
CALABAR, NIGERIA**

**NWAMUO CHIMELA UDO  
DEPARTMENT OF MARKETING  
UNIVERSITY OF CALABAR,  
CALABAR, NIGERIA**

**ABSTRACT**

In this study, we examined the determinants of foreign direct investment and their impact in Nigeria from 1975 – 2010. Specifically, we determined how exchange rate, market size (GDP), investment in infrastructure, openness and political risks have impacted on the flow of FDI in Nigeria from 1975 – 2010. The fluctuating and sluggish nature of the nation's economic growth and development coupled with increase in corruption rate makes it necessary to investigate the effectiveness of the role played by foreign resources inflow in Nigerian development process, and the factors that have influenced its inflow. In analyzing the data using Ordinary Least Square (OLS), and co-integration Error Correction Method (ECM) we found out that Market Size (GDP), openness, and exchange rate impact much on FDI inflow while political risk was unfavorable to it. Investment in infrastructure was discovered to be favorable but its level is inadequate to improve FDI required for sustainable growth and development. We therefore recommend improvement in infrastructural development and technological development through knowledge spillover, maintaining a conducive political and social environment for development.

**Introduction**

Since the early 1980s, world foreign direct investment flows has grown rapidly. Developing countries received two-thirds of the increase in foreign direct investment world-wide between the late 1980s and 1990s, a sharp change from the previous decade, when flows to industrial countries dominate, World Bank (2001). Generally, the composition of capital inflows to developing countries has shifted away from bank loans towards foreign direct investment, and portfolio investment. Nigeria like most developing nations was skeptical about the virtues of free trade and investment. In the 1970s and 1980s, bank loans were the primary form of private capital flows to Nigeria economy. Within this period, the country imposed trade restrictions and capital controls as part of the policy of import substitution industrialization strategy aimed at protecting domestic industries and conserving scarce

foreign exchange reserves. It was soon discovered based on substantial evidence that this inward-looking development strategy discouraged trade as well as Foreign Direct Investment (FDI) and had negative implications on economic growth and living condition in the country, Rodrik (1998). The disappointing economic performance of Nigerian economy coupled with the globalization of activities in the world economy; force her to look outward for development strategies. All was required to enable Nigeria meet the minimum growth rate required to meet the United Nations Millennium development goals. Globalization of developing countries is seen by many as the key economic trend of recent time. In a globalizing world economy, a growing number of countries have received significant capital flows, mainly in form of foreign direct investment. A distinctive feature of the world economy in recent times has been the growth of foreign direct investment, or investment by multinational firms in foreign countries in order to control asset and manage production activities in those countries. Nigeria is not an exception. As a result, the cross-border mergers and acquisition, particularly majority-ownership transactions surged worldwide during 1990s. Thus, mergers and acquisitions through privatization, which increased significantly in Nigeria has helped Nigeria economy to grow tremendously. A recent study by Gastanga, Nugent, and Pashamova (2007) supported the notion that countries with relatively liberalized capital accounts that is open economies attract more foreign direct investment flows from countries that are more closed.

In spite of these enormous benefit, host countries stand to gain from FDI the flow of foreign capital in form of foreign private capital to developing countries and Nigeria especially over the years have been marginalized. According to UNCTAD (2001) Nigeria share in FDI flow has steadily declined in recent times. Factors contributing to this lag in FDI flows to Nigeria relative to other countries of the world according to UNCTAD include; high level of corruption, poor governance, inadequate infrastructure among others. Morisset (2001) also submit that since 1980, the flow of investment have increased dramatically the world over. Total world outflows of capital in that year grew at an average rate of almost 30%, more than three times the rate of world exports at that time, with further growth experienced in the 1990s. Despite all these, Nigeria and other developing countries still lag behind in attracting benefits of foreign direct investment. The volume of FDI attracted by Nigeria has not reflected in her development strategy. Based on this, UN and World Bank initiated a pro-SSA awareness to correct old impression which holds that Nigeria and SSA – Sub-Saharan African countries are risky investment location. This also covers important issues like transparency of macroeconomic policies, macroeconomic stability policy on exchange rate and price stability, robust institutions and political stability.

The Nigerian government and leaders are not relenting. The following are being implemented to attract more FDI into the country. These include; constitutional amendment to bring sound and stable political system. Privatization of public enterprises, deregularization of down stream oil sector, introducing a more relax tax system, creation of the Nigerian Investment Promotion Commission (NIPC), granting of license to Global System for Mobil Communication (GSM), and recent constitution of Economic Summit. All these and others have helped in giving FDI a human face.

Though the country has witness a tremendous improvement in economic growth for the past 3 years, we are yet to relate it to increase in FDI inflows. Also we are not convinced that the strategies embarked upon by government have attracted more FDI to the country than before. This is what has warranted this study: The determinant of foreign direct investment and their impacts on Nigerian economy. The next section deals with the review of

literature, followed by research methodology. We then round up our study with conclusion, summary and recommendation.

### **Literature Review**

The contribution of FDI to economic growth has been debated quite extensively in the literature. The traditional argument is that an inflow of FDI improves economic growth by increasing the capital stock, whereas recent literature point to the role of FDI as a channel of international technology transfer. There is growing evidence that FDI enhance technological change through technological diffusion, for example, because multinational firms are concentrated in industries with a high ratio of R & D relative to sales and large share of technical and professional workers (Morisset 2000). Multinational corporations are probably among the most technologically advanced firms in the world. Moreover, FDI not only contributes to imports of more efficient foreign technologies, but also generate technological spill-overs for local firms. In this approach, technological change plays a pivotal role in economic growth and FDI by multinational corporations is one of the major channels in providing developing countries LDC's with access to advanced technologies. The knowledge spillovers may take place via imitation, competition, linkages and or training, Kinoshita (1998) and Sjöholm (1999). Although, in practice it is rather difficult to distinguish between these four channels.

In the 1970s, however, attention was focused on the “why” question; why firm chose to get up production facilities in foreign location rather than exporting, Caves (1982; 1996). But recently there has been a reviewed interest on the locational aspect of FDI, which complements the competitive ownership factors of firm and their modes of market entry, Dunning (1998). This approach take into consideration “the relationship between trade and FDI and the economic structure and dynamic comparative advantage of regions and countries”, Dunning (2002). Moreover, foreign direct investment can boast domestic investment. For instance, a recent empirical work indicates a strong link between the volume of foreign direct investment and domestic investment, Bosworth and Collins (1999), and Mody and Murshid (2001) find out that a dollar of foreign direct investment results in an almost one-dollar increase in investment. According to Cleeve (2005), the choice of location of FDI should depend on the motivation for undertaking the investment activity. To attract FDI and Multi-national Enterprise (MNE) activities, different types of incentives are needed to attract the different modes of FDI which are; Natural resources seeking, market-seeking, efficiency seeking and strategic asset seeking FDI (see Dunning 1998, Caves 1982 and 1996). Athakorala and Menon (1995) show that foreign direct investment to Malaysia facilitated technology transfer and improved the skills of the labour force. For example, for a country with a high level of human capital, such as Korea, increasing the openness measure by the average gap between closed and open economies can raise growth by as much as a quarter of a present a year, World Bank (2002). Furthermore, FDI can help boast host country exports. Multinational enterprises may help developing host countries process and export locally produced raw materials, using their marketing skills, superior technology, and general know-how. They facilitate the export of local production through their distribution network and they often account for a significant share of host country export (Fontagne, 1997).

In the early 1970s, Africa attracted a higher share of world FDI than Asia and Latin America, but by 2000, it was attracting nine times and almost six times less FDI respectively. This is summarized in United Nations Conference on Trade and Development, UNCTAD (2001). Showing that FDI inflows to Africa slumped in 2000, bringing down the continents

already low share of world FDI inflow to below 1%. In previous years, this figure had hardly exceeded 2%, and although in 2001, Africa's share rose again to 2.3%, UNCTAD (2001). The share of Africa's FDI inflows in total inflows remains very low. Between 2000 and 2004, the continent received a little over an annual average of 2% as compared to 4.4% in the 1970s. Knowledge of a country or region is crucial in the location decision of multi-national enterprises. Inadequate knowledge of a location, however, can cause investors to underestimate opportunities and overestimate risks, pushing such location to the periphery of the location decision making process. This could easily characterize many SSA countries.

UNCTAD in various publications have shown that market size and access to natural resources have been crucial determinant of FDI in sub-Saharan Africa. This is not surprising, given that the SSA countries that have been able to attract any meaningful FDI have been those with large domestic markets and those that possess large amounts of natural and mineral resources (see UNCTAD, 2001). The relationship between market sizes, measured by GDP, and FDI inflow shows that in 1996 - 97, South Africa, followed by Nigeria and Cote d'Voire have the largest inflows FDI. At the other extreme, Niger and Burundi, with the lowest GDP attract the lowest FDI flow, World Bank (2002). Furthermore, for a sample of 29 SSA countries, the correlation coefficient between FDI flows and market size is almost perfect at 0.99 in the case of natural resources, FDI inflow into SSA countries by sector show that 54% of FDI went to primary sector (natural resources) in the period 1996 - 2000. Traditionally, about 60% of FDI in Africa is allocated to oil and natural resources. According to Morisset (2001), sub-Saharan Africa has large reserves of gold, diamonds and oil, half of the world's manganese and cobalt, one third of bauxite and more than 80% of Chromium and Platinum. SSA countries are among the main exporters of sugar, cocoa, and coffee. In 1996-1997, correlation coefficient of the value of natural resources and FDI inflows stood at 0.94 for a sample of 29 SSA countries (World Bank, 2001, UNCTAD, 2002). Apart from natural resources and market size, Morisset (2001), using FDI climate as the dependent variable, showed empirically that GDP growth rate and trade openness are, significant and positively related to the investment climate in SSA. Trade openness being significant confirms and supports the policy of trade liberalization now being pursued by the majority of SSA countries.

How have Nigeria and sub-Saharan African countries gone about creating this investment environment? Many have attempted to use incentives as a means of attracting FDI. There are two main perspectives on fiscal incentives. First, supporters e.g. Bora (2002), Blomstrom and Kokko, (2003) argue that under certain condition, they increase investment, create jobs and other socioeconomic benefits. Second, opponents e.g., Halvorsen (1995); Wilson, (1996); Osman (2008); Wells et al, (2005), believe that fiscal incentives may not be the first-best mechanism for attracting FDI and the cost of incentives to attract FDI outweigh the benefits. They believe that incentives may aggravate problems like governance and corruption and it would be better to improve the local infrastructure and stabilize the macro-economy. It should be pointed out that in Nigeria context, much focus has been put on instruments that are connected to corporation income tax, such as tax holidays and tax allowances instruments that are only helpful to profitable companies. Custom duties and local indirect tax exemptions also exist in many countries. Grants are used mainly in advance industrial countries because they are too expensive for and hence rarely used by Less Developed Countries (LDCs), (UNCTAD, 2000).

The most significant question is whether fiscal incentives have ever proved attractive for FDI location? Bora (2002), in a study of 71 developing countries, concludes that fiscal incentives are the most popular form of incentives, accounting for 19 out of 29

most frequently used incentives. To Bora, most fiscal incentives are based on tax holidays and other instrument designed to reduce the effective rate of corporation tax. But such tax incentives increase investment flows only if, projects are sensitive to differential taxation and it is very difficult in practice to correctly select such project. Furthermore, in many cases, it is the most profitable tax insensitive investments that are most likely to receive incentives, even though these projects could have been undertaken in the absence of incentives, Halvorsen (1995). For many LDCs like Nigeria, the bulk of FDI originates from the UK, USA, Germany and France. But presently, attention has been shifted to China and Japan that provide their firms investing abroad with foreign tax credits. Therefore a lower tax rate in SSA will be directly offset by a higher rate in the investing country, Tanzi and Zee (2000). As a result, fiscal incentives lose their attractiveness for foreign firms to increase investments since lower SSA taxes may offset one-to-one in these countries. Tax incentives of this type do not increase investment. In fact this type of incentive only results in the transfer of revenue from SSA to the richer home countries, Halvorsen (1995); Fletcher (2002). For SSA countries in the period 1996-2000, 78% of all FDI inflows to Africa comes from these four countries, with the USA alone accounting for 37% of the total, UNCTAD (2001).

There is now a need for SSA especially Nigerian governments to reassess the value of fiscal incentives, especially following the UNCTAD (2005) report on “Economic development in Africa” which shows that profit remittances in many SSA countries have in recent years significantly exceeds total FDI inflows. Apart from remittances, tax incentives come with an immediate opportunity cost in last government revenue. The UNCTAD study shows that gold exports in Ghana for the period 1990-2003 rose threefold to about \$893.6million, of which Ghana earned only 5% in revenue. In Tanzania, gold exports rose from less than 1% of export revenue in the late 1990s to over 40% in 2003. Between 1997 and 2002, gold export earning stood at around \$890million, with only about 10% going to government revenues in the form of taxes and royalties. Thus, the anticipated benefits in terms of development that many SSA countries seek will not materialize. Fiscal incentives cannot be seen as a “free lunch” to attract FDI as the provision of these incentives is turning out to be very costly in terms of foregone revenues.

We can infer from the foregoing that the significance of fiscal incentives on FDI location depends on;

- i) the source of FDI (which country is the investment coming from),
- ii) the type of project (short-term foot loose investments, such as banking, insurance, internet, etc., benefit most from the fiscal incentives especially tax holidays),
- iii) the motivation for the investment ( if investment is natural resource or market seeking, fiscal incentives could only be relatively minor determinant of FDI inflow).

Most determinant apart from market size and growth are the cost of domestic labour and state of local infrastructure. With the growing pressures of international competition for FDI induced by globalization, locational advantages based on only traditional factors may be insufficient to attract FDI. Depending on these facts, as Nigeria does, may marginalize her as one of the major goals of FDI in international production is the improvement of efficiency. Recent studies have highlighted the need of improving and sustaining locational advantages through government policies, to complement traditional factors, (Dunning, 2002).

To explicitly capture the role of government policies, infrastructure development, exchange rate, market size, openness and political stability in determining the inflow of FDI in Nigeria we present our method of carrying out this study in the following section.

**Methodology**

The study applies time series data on foreign direct investment, exchange rate investment in infrastructure, openness, gross domestic and political stability in Nigeria. The gross domestic product was used to capture the market size, our study as stated earlier cover a period of 1975-2010. The data were source from Federal office of statistics, Central Bank of Nigeria statistical bulletin of various issues, etc. The full data table is presented in appendix I of the study proceeding with analyses of data we have thus.

**Model Specification And Estimation**

Before we specify our model, it will be nice to point out here that our endogenous or dependent variable is Foreign Direct Investment (FDI). It will be regressed on the following exogenous variables thus; Infrastructural Development (IFD), exchange rate (EXR), Openness (OPN), Political Stability (POS), and Gross Domestic Product (GDP).

From econometricians point, the linear combination of nonstationary variables makes it to stationary. This can be done through unit root test, differencing and application of Error Correction Model (ECM). Based on the aforementioned our model is stated thus;

$$\Delta FD_{14} = a_0 + \Delta IFD_t + \Delta EXR_t + \Delta OPN + \Delta GDP + POS + \mu_{t-1}$$

Where;

- $\Delta$  = Differencing sign
- FDI = Foreign direct investment
- IFD = Infrastructural development
- EXR = Exchange rate
- OPN = Openness
- GDP = Gross domestic product
- POS = Political stability
- t = Time

As earlier stated, many econometric and statistical test such as unit root test, and co-integration tests were carried out to determine the stationarity of the model. This helped us to avoid spurious regression results. In our test for stationarity of variables, Augmented Dicky-Fuller (ADF) test was applied to determine the degree of integration of variables. That is how many times a variable should be differenced to attain stationarity, Gujarati (2006).

**Table 1: Unit Root Test; Variables at ordinary**

Level variables	ADF stat	1% Critical Level	5% Critical Level	10% Critical Level
FDI	-0.406477	-3.6752	-2.9665	-2.6220
Log GDP	-0.202990	-3.6752	-2.9665	-2.6220
EXR	-1.96881	-3.6752	-2.9665	-2.6220
Log IFA	-0.257623	-3.6752	-2.995	-2.6220
OPN	-1.204661	-3.6752	-2.9665	-2.6220
POS	-1.766275	-3.6752	-2.9665	-2.6220

Sources: Compiled (E view 4.1)

From the above unit root test results, we can conclude that all the variables for the model were non-stationary at 1%, and 10% critical level. In other words, they are non stationary at ordinary level. Calculated values of the variables were less than their tabulated values at all critical levels.

**Table 2: Unit root test results; variables at first difference**

Variables	ADF statistics	Order of integration	5% critical level	10% critical level
Δ(FDI)	-2.7902	1	-2.9705	-2.6242
Δ(EXR)	-3.5172	1	-2.9705	-2.6242
Δ(GDP)	-4.3237	1	-2.9705	-2.6242
Δ(IFA)	-3.5049	1	-2.9705	-2.6242
Δ(OPN)	-4.0352	1	-2.9705	-2.6242
POS	-3.6004	1	-2.9705	-2.6242

Source: Computed (E-view 4.1)

From the above result we can conclude that all the variable for the model become stationary after first differencing. In other words, they were all integrated at first order 1(1) at both 5% and 10% critical levels. The ADF statistics of the variables were higher than their tabulated values at 5% and 10% critical levels respectively.

In furtherance, we test the long-run relationship of the variables using Johanssen co-integration framework. The results were tabulated thus;

**Table 3: Johanssen Co-integration test results**

Eigen value	Likelihood ratio	5% critical level	1 % critical value	Hypothesis of cells
0.8839	162.424	94.2	103.2	Non e **
0.7245	104.285	68.2	76.1	At mos t l **
0.6671	69.452	47.2	54	At mos

			.5	t 2 **
0.52271	39.752	29.7	3.57	At mos t 3 **
0.3728	19.782	15.4	2.0	At mos t 4**
0.2337	7.188	3.8	6.7	At mos t 5 **

Source: Computed result (E-view 4.1)

Based on the results above and using likelihood ratio, there is a long run relationship between the variables which proved that they are co-integrated at 5% significant level. The double asterix (\*\*) signifies the rejection of the null hypothesis at both 1% and 5% significant levels respectively.

**Table 4: Regression results of FDI determination**

Variables	Coefficients	t-statistics
C	-0.165714	-1.379104
Δ(EXR)(-2)	-0.3894	-2.56904
Δ(GDP)(-2)	0.16537	3.92234
Δ(IFA)(-2)	0.2368	4.23279
Δ(OPN)(-1)	0.29520	2.53085
POS	-0.3742	-2.53105
ECM(-1)	-0.61786	-3.924501

$R^2 = 0.88$   $R^2$  (-adjusted) = 0.81, f-statistic = 6.57 Din = 1.69 F-table = 2.53 T-table = 2.14

N/B: Test of parameter estimates are carried out at 5% level of significance.

**RESULT, INTERPRETATION AND FINDINGS**

From our findings above, all others variables except exchange rate (EXR) and POS are positively related to foreign direct investment (FDI) inflow. This implies that a decline in exchange rate will lead to decline in FDI. But all other determinants have a positive relationship with FDI. That is to say 10% increase in IFA, GDP, and OPN will lead to 4%, 3% and 2% increase in FDI respectively. The explainability power of  $R^2$  and  $R^2$  shows that 88% and 81% of the determinants really have serious effect of inflow of FDI.

In the test for significant of the parameter estimates GDP, OPN, and IFA were statistically significant at 5% level. This means that our t-calculated are greater than our t-tabulated of 2.14. EXR and POS were insignificant at 5% level of significant. Furthermore, our f-statistics of 6.57 shows that the overall model for FDI are statistically significant. Our DW of 1.69 indicates absence of autocorrelation.

Exchange rate conforms to our economic apriori expectations though it is insignificant at 5% confidence level. Form our results; we can say that the depreciation of naira has a negative impact on the rate of FDI inflow. Suffice it to say that a fall in exchange rate of a country we are trading with is a major boast for foreign direct investment inflow. This is because it takes less amount of foreign exchange from parent country to invest in a

host country. Though the naira has depreciated over the years, Nigeria has not been able to attract a significant growth in FDI because of instability and youth restiveness in the polity. Despite the bridge however, continued thirst for the green back remained at the interbank market resulting in unmet demand on several occasions.

Market size represented by GDP is in complying with the economic apriori expectation with a positive sign. On statistical confirmation, it is significant at 5% level. This shows that a rise in national income (GDP) leads to increase in FDI. Nigeria has a large market size in term of population strength though income distribution have been unevenly skewed in favour of the very rich and politicians. From our result, a million increases in GDP will lead to 16 per cent increase in FDI all things being equal. It should also be pointed out here that, our population and consumption pattern is a very good factor in favour of FDI.

Investment Infrastructure Development (IFA) is consistence with our economic expectation with a positive sign. It has a significant parameter at 5 per cent level of significant. This signifies that though infrastructure development stimulates foreign resources inflows, Nigeria's inflows needed to curb unemployment and stimulate economic growth. Nigeria has witness infrastructural growth over the years especially power supply and road network. These have increase the cost of doing business in the country. This is an agreement with the work of Asiedu (2002). He argued that despite the role that infrastructure could play as incentive to attract FDI, evidence points to the fact that delay in infrastructure in Nigeria social, economic and finance are on the verge of collapse. Recently many industries in Nigeria, like Unilever, Nestle food, etc., relocated their main factories to Ghana because of regular power supply in Ghana. Even from our result, 1million naira increase in IFA will only lead to 2 per cent increase in FDI. This is absolutely low. The Nigerian major roads are largely not motorable and electricity generation problem has remained a recurring decimal.

Openness has a positive sign and it is significant at 5 percent level of significant. This conforms to both economic and statistical apriori expectation. This means that the relaxation of trade barriers and liberalization of trade can enhance FDI. This also led to the attraction of Multinational Corporation who derives confidence with liberal trade policies. This concurs with the work of Kokko (2003) where he discovered that open economies encourage more foreign direct investment. It should be pointed out here that Nigeria has strived to achieve these objectives by granting concessions to Multinational Corporation and private foreign companies willing to invest in the country.

Political stability has a negative sign. Hence, it did not conform to our apriori expectation, but it is significant at 5% level of significant. This shows that Nigeria political and social environment have been unstable; hence is not favourable to attract FDI as expected. Apart from the long years of military rule which was characterized with high rate of corruptions, hostile political and social environment; religious crisis in the Northern part and youth restiveness and kidnapping of oil worker and some prominent Nigerians in the South. This has made FDI difficult if not impossible to grow because no reasonable businessman will be prepared to invest in an environment where threat to life is the order of the day. With the exception of democracy, Nigeria needs a crime and restiveness free environment in order to attract foreign investment.

The existence of appropriate sign for the Error Correction Model (ECM) confirms the long run relationship between foreign direct investment and the independent variables. The negativity of the ECM (-0.61786) mean that there is a gradual return to equilibrium in FDI.

### **Conclusion**

This work determines the impact of foreign direct investment on Nigeria economy from 1975 - 2010. We discovered from our research work that Nigeria has the potentials to attract FDI. This reflects in the results of the variables included in our regression analysis. However, the insignificant contribution of some of the determinants like, IFA and POS shows that more needs to be done in these sectors to improve the needed environment for development.

There is urgent need to address the escalating and death threat level of poverty and unemployment in the country. To me, the beginning of development of any country is the fear of unemployment. Recently, there has been improvement in FDI on agriculture and manufacturing. There is need to improve energy supply in these areas for more efficiency.

The present civilian administration in Nigeria since inception from 1999 has evolved policies and campaign to attract foreign investment into the country, much result is yet to be achieved. This study therefore recommend an improvement in state infrastructure especially energy (power), ensuring sound, and stable macroeconomic environment, enthroning a stable social political environment among others. Furthermore, technological changes through knowledge spillover should be encouraged. This can take place through imitation, competition, linkage and training, Kinoshita (1998), Sjöholm (1999). If it can work in Asian Tiger countries, it can work well in Nigeria. We need to encourage and improve in it.

### **REFERENCES**

- Asiedu, E. (2002). "On the Determinants of Foreign Direct Investment to Developing Countries: Is Africa Different?" *World Development*, 30(1), pp. 107-19).
- Athukorala, P. and Menin, J. (1995). "Developing Countries with Foreign Investment: Malaysia". *Australian Economic Review*, 1:9-22.
- Blomstrom, M. and Kokko, H. (2003). "The Economics of Foreign Direct Investment Incentives" NBER Working Paper, No. 9489.
- Bora, B. (2002). "Investment Distortions and the International Policy Architecture". World Trade Organization, Working Paper, Geneva.
- Bosworth, and Collins, S. (1999). *Capital Flows to Developing Economies; Implications for Saving and Investment*. Brookings Papers on Economic Activity.
- Caves, R. (1982, 1996). *Multinational Firms and Economic Analysis*. (1<sup>st</sup> and 2<sup>nd</sup> editions) Cambridge, Cambridge University Press.
- Caves, R. (1982;1996). *Multinational Firms and Economic Analysis* (1<sup>st</sup> and 2<sup>nd</sup> Editions) Cambridge, Cambridge University Press.
- Cleeves, E. (2005). "How Effective are Fiscal Incentives to attract FDI to Sub-Saharan Africa? ECA Working Papers.
- Dunning, J.H. (1998). "Location and Multinational Enterprise: A Neglected Factor", *Journal of International Business Studies*, Vol. 29, No. 1, pp. 46-66.
- Dunning, J.H. (2002). *Determinants of Foreign Direct Investment: Globalization Induced Changes and the Role of FDI Policies*". Background Paper for the Annual Bank Conference on Development Economic held on Oslo, World Bank, Washington D.C.
- Fontagne, L. (1997). *How Foreign Direct Investment affect International Trade and Competitiveness. An Empirical Assessment*; Centre d'études prospective et d'informations Internationals, Working Paper, 97/17; 9-38.

- Gastanag, V.M., Nugent, J.B. and Pashamova, B. (1998). “Host Country Reforms and FDI inflow. How Much Difference – Do They Make?” *World Development*, 26/7:299-314.
- Gujarati, D.N. (2006). *Basic Econometrics*: Tata McGraw-Hill Publishing Company Limited.
- Halvorsen, R (1995). “Fiscal Incentives for Investment in Thailand”, in Shah, A (Ed) *Fiscal Incentives for Investment and Innovation*, New York, Oxford University Press.
- Kokko, A. (2003). “Globalization and FDI Policies”. In UNCTAD, *the Development Dimension of FDI: Policy and Policy Making Perspectives*. United Nations, Geneva.
- Mody, A. and Murshid, A.P. (2001). *Growing Up with Capital Flow: IMF Working Paper*, No. 02/75.
- Morisset, J. (2000). “Foreign Direct Investment in Africa: Policies also Matter”. *Transactional Corporation*, 9, 107-25.
- Morisset, J. (2001). “Foreign Direct Investment in Africa: Policies also Matter” *GEED Global Forum on International Investment – DECD*.
- Osman, C. (2000). *Policy Competition for Foreign Direct Investment: A Study of Competition among Government to attract FDI in OECP*, Paris.
- Rodrick, D. (1998). “Trade Policy and Economic Performance in Sub-Saharan Africa”. *National Bureau of Economic Research Working Paper 6562*.
- Tanzi, V. and Zee, H. (2000). “Tax Policy Emerging Markets: Developing Countries”, *IMF Working Paper*, 35.
- UNCTAD (2000). *Foreign Direct Investment in Least Developed Countries at a glance*, Geneva.
- UNCTAD (2001). *Foreign Direct Investment in Least Developed Countries at a Glance – Geneva*.
- UNCTAD (2005). *World Investment Report Geneva*.
- Well, et al (2001). “Using Tax Incentive to Compete for Foreign Investment: Are they Worth the Cost?” *Foreign investment Advisory Service*, World Bank.
- Wilson, J. (1996). “The Tax Treatment of Imperfectly Mobile Firms; Rent Seeking, Rent Protection and Rent Destruction”. In Feenstr, R., Grossman, G., and Irwin, D. (Eds). *The Political Economy of Trade Policy: Papers in Honour of Jaydish Bhagwati* MIT Press.
- World Bank (2001). *Global Development*, Washington, DC: World Bank.
- World Bank (2002). *Global Development Finance*. Washington, DC: World Bank.