



ISSN: 1934-4244

**CORRUPTION, CULTURAL SIMILARITIES, AND
GEOGRAPHIC DISTANCE AND THEIR IMPACT ON
FOREIGN DIRECT INVESTMENT**

Krissa Nakos

University of Georgia

ABSTRACT

Foreign direct investment (FDI) plays an essential role in the growth of individual economies. Previous research has attempted to explain the wide variance in the amount of FDI that different countries receive by examining such factors as a nation's political stability, the long term economic prospects, ease of doing business, and regulatory environment. This paper examines the impact on inward FDI of three factors that have been largely ignored or only partially studied by previous literature: the level of a country's corruption, its geographic distance from countries that have traditionally been large sources of outward FDI, and a country's sharing of cultural similarities with countries that tend to be large investors abroad. This paper has analyzed data obtained from countries in all areas of the world and over a number of years in order to eliminate potential biases due to exceptionally large investments or divestments that may distort the flow of FDI when a short period of time is studied. Overall, this paper attempts to shed light on the reasons that certain countries receive large amounts of FDI while others do not. Our analysis shows that corruption is the most important variable that determines the flow of inward FDI. These results have important implications for managers and policy makers that want to improve the amount of inward FDI that a country receives.

Keywords: FDI; Developing Countries; Developed Countries; Corruption.

INTRODUCTION

Foreign direct investment (FDI) plays an essential role in the growth of individual economies, the rise in employment, the improvement of infrastructure, productivity growth, introduction of new technologies, increase in tax revenue for governments, and improvement in the overall living standards and economic growth of developed and developing nations (Anyanwu, 2012). FDI tends to act as a problem solver for countries wanting to develop their economies by bringing much needed capital and transferring technology and know-how that does not exist or is difficult to obtain through the open market (Gharaibeth, 2015). Considering the many well documented benefits of FDI for the development of national economies, the differences in investments in seemingly similar countries can often seem puzzling. Previous research has attempted to explain this wide variance in the amount of FDI that different countries receive by examining such factors as a nation's political stability (Kim, 2010; Asiedu, 2006), the long term economic prospects (Gharaibeth, 2015; Liu, BurrIDGE, and Sinclair, 2002; Dees, 1998), ease of doing business (Morris and Aziz, 2011), and regulatory environment (Daude and Stein, 2007; Bitzenis, Tsitouras and Vlachos, 2009). However, despite the progress that previous research has achieved in discovering the factors that contribute to high levels of FDI in certain countries, it appears that other undiscovered reasons remain that may contribute to the attractiveness of a country as a location of inward FDI (Ragozzino, 2009).

The purpose of this paper is to examine the impact on inward FDI of three factors that have been largely ignored or only partially studied by previous literature: the level of a country's corruption, its geographic distance from countries that have traditionally been large sources of outward FDI, and a country's sharing of cultural similarities with countries that tend to be large investors abroad. In addition, in contrast to past studies that tend to concentrate FDI flows in specific countries or regions of the world (Anyanwu, 2012), this paper has analyzed data obtained from countries in all areas of the world and over a number of years in order to eliminate potential biases due to exceptionally large investments or divestments that may distort the flow of FDI when a short period of time is studied. Overall, this paper is trying to shed light on the reasons that certain countries receive large amounts of FDI while others do not.

This paper is organized into the following five sections. The first section discusses the literature review and the hypotheses of the study. The next section explains in detail the methodology used in the paper. The third section presents the findings and the results while the fourth section discusses some of the interesting findings and the limitations of the study. Finally, the last section summarizes the conclusions of the study and offers suggestions for future research.

LITERATURE REVIEW & HYPOTHESES

While many countries are trying to attract inward FDI, very few have succeeded in receiving the large amounts that they need to transform their economies. Cases like Ireland, a country that, due to inward FDI, was able to transform itself in the last thirty years from one of the poorest countries in Europe to one of the most successful, tend to

be rare. As a result, government officials all over the world have tried to identify the conditions and factors that will make their nations attractive destinations for inward FDI. These conditions may be divided into two major categories: the ones over which a country has control (the so-called policy issues), and other ones which a government cannot influence because they originate in the natural conditions or the history of that particular country (the non-policy issues) (Mateev, 2009). For example, a nation can control certain factors like the educational system, the political environment, infrastructure, the regulatory environment, the legal system, ease of doing business, and the presence or absence of endemic corruption. However, other factors may be impossible for a country to control. Such factors may be the presence or absence of natural resources that may make a country attractive to companies; the geographic location of a country, specifically its proximity to wealthy developed nations that tend to be the largest sources of outward FDI; and cultural or linguistic similarities with other nations.

Hypotheses

Although the FDI literature has studied many factors that may influence the location of FDI, the study of the role that geographic proximity to countries that traditionally have been the major sources of outward FDI has been largely ignored. Even the international business literature that has studied the entry mode strategies and acquisition strategies of multinational companies has not paid attention to the role of geographic proximity (Ragozzino, 2009). However, based on observation of the behavior of large multinationals, it appears that geographic proximity is a major determinant for the location of foreign investments. Mexico, for example, has received large amounts of FDI from the US, and Canadian companies mostly invest in the US. Even in other parts of the world we have seen FDI decisions originate mainly for geographic reasons. Despite past political enmities, Poland and the Czech Republic have been the main beneficiaries of investments by German companies, while other Eastern European countries located further away from Germany have not experienced the same levels of investment. Furthermore, the importance of geographic proximity has been shown to be important in many other business fields. Coval and Moskowitz (2001) showed the significance of geographic proximity in financial investment decisions, while Audretsch and Stephan (1996) explored its significance in the entrepreneurial behavior of firms. Ragozzino (2009) discovered in his cross-border mergers and acquisition study of US companies that US firms tended to acquire higher shares of companies in countries located in closer geographic proximity. Based on these findings, we are expecting that geographic proximity to countries that have traditionally been major sources of outward FDI will play a significant role in the amount of FDI that a nation receives. Thus our first hypothesis states:

Hypothesis 1: *Geographic distance will have a negative influence on the amount of FDI that a country receives.*

The cultural distance between two nations has been studied extensively in previous FDI research and international business research in order to investigate its impact on FDI flows and the entry mode choices that individual companies tend to make (Shenkar, 2001; Brouthers and Brouthers, 2001). While this stream of research has provided us with

worthwhile results, it tends to focus on the concept of cultural distance in a fairly isolated way (Lopez-Duarte and Vidal-Suarez, 2013). The vast majority of previous studies have looked at the managerial cultural differences identified by Hofstede, Hofstede, and Minkov (1991) and the Globe Project (Javidan and House, 2001). Hofstede, Hofstede, and Minkov (1991), for example, identified individual differences among managers in such areas as power distance, how the less powerful members of a society accept power to be distributed in an unequal way; uncertainty avoidance, how tolerant individuals in a society are of ambiguity; individualism versus collectivism, how group oriented members of a society are; and masculinity or femininity, a desire in a society for traditional masculine characteristics such as achievement, versus traditional feminine characteristics such as cooperation and caring for the weak members of society. However, other aspects that have traditionally been connected to culture in other social sciences have not been studied extensively to determine their impact on inward FDI. Some of these understudied cultural factors are such characteristics as linguistic ties between two countries, common or similar religion, a similar legal system, and whether or not the countries were connected in the past by colonial ties.

Casual observations from the direction of FDI show that these cultural ties play a very important role in the decision of companies to invest in specific nations. For example, the largest investor in the South American nation of Chile is Spain, while the largest investor in Mozambique is Brazil. The only plausible explanation for these FDI outflows are the cultural and linguistic ties that connect these nations. Even in the case of China, a nation that has received large amounts of FDI from abroad in recent years, the largest inflows of FDI have originated in the Chinese diaspora with investors from Hong Kong, Singapore, and Taiwan being major players in the FDI amounts that China receives (Unctad.org, 2016). Therefore, our second hypothesis tests the importance of these cultural ties and states:

Hypothesis 2: *The more cultural, linguistic, and historical connections that a country shares with nations that have traditionally been large investors abroad, the more FDI this country will receive.*

The majority of previous studies looking at the relationship of economic conditions and prospects for future economic growth with FDI have investigated the impact of FDI on growth (Nair-Reichert and Weinhold, 2001; Borensztein, De Gregorio, and Lee, 1998). In this line of inquiry, studies have typically found a positive relationship between FDI and future economic growth (Dees, 1998). However, while inward FDI can obviously spark future economic growth, the existence of positive economic fundamentals and the prospect of future economic growth may result in the increase of inward FDI (Liu, Burrige, and Sinclair, 2002). A major reason for companies to invest abroad is because of the need to find new markets. The prospect of a growing market can be very attractive to companies hoping to expand their reach. Many western companies established themselves in China in the 1980s anticipating that Chinese consumers were eventually going to become sufficiently affluent to afford their products. The companies that acted proactively were richly rewarded when China became a middle income country. Thus it is expected that economic fundamentals will have a positive impact on future inward FDI:

Hypothesis 3: *The economic fundamentals of a country will positively influence the amount of FDI that this country receives.*

A country's institutional environment has been found in previous research to play a strong role in the attraction of inward FDI (Daude and Stein, 2007). Functioning institutions, a simple and predictable regulatory environment, and a general ease of doing business tend to attract foreign companies, and countries with these characteristics tend to have high levels of inward FDI (Anyanwu, 2012). Gharaibeh (2015) in his study of the determinants of FDI in the Persian Gulf state of Bahrain, found that trade openness and regulatory environment were very important factors in attracting foreign businesses. A complicated bureaucratic environment with unclear regulations may have a strong negative impact on a country's ability to attract FDI. Bitzenis, Tsitouras, and Vlachos (2009) discovered the high costs that Greece pays due to inefficient bureaucracy and excessive regulations. Other studies have found that if a country creates an environment in which it is easy to register property and to trade across borders, it will have a positive impact on its ability to attract inward FDI (Morris and Aziz, 2011). In general, businesses prefer to operate in countries with predictable business environments. Therefore, it makes sense that they will want to establish operations mainly in nations with predictable regulations and avoid countries where the political environment makes it very difficult to operate. Therefore, our fourth and fifth hypotheses state:

Hypothesis 4: *If a country has a welcoming and easy business environment, the amount of FDI that this country receives will be high.*

Hypothesis 5: *If a country has few regulatory barriers, the amount of FDI that this country receives will be high.*

The existence of corruption in a country has attracted wide attention from researchers in recent years (Al-Sadig, 2009). Corruption has become an important factor as researchers have tried to compare the success of countries perceived as highly corrupt and countries perceived as fairly less corrupt in attracting inward FDI (Habib and Zurawicki, 2002). Surprisingly, the answer does not seem to be straightforward, as countries such as China, Thailand, and Belgium all have fairly high levels of perceived corruption but have been very successful in attracting FDI, while other nations with "cleaner" political systems have been laggards in attracting foreign investors. The study of corruption is important because corruption tends to raise the cost of doing business and increases the uncertainty that companies will face in a foreign market.

Previous research has discovered a negative relationship between corruption and foreign direct investment (Al-Sadig, 2009). The same study noted that the presence or absence of corruption tended to be more important for developing countries. FDI inflows tended to go to developing countries where corruption was not widespread. However, not everyone agrees that corruption is bad in all situations. Corruption has been found to have positive effects on a country's economic performance where there is a weak rule of law (Houston, 2007). It appears that in nations where laws are not enforced, corruption

may make local officials more eager to enforce binding contracts. Despite these findings, most previous studies have suggested that foreign investors tend to shy away from countries with high perceived corruption because it can generate operational inefficiencies and long term public image problems for their companies (Habib and Zurawicki, 2002). Based on the previous discussion our sixth hypothesis states:

Hypothesis 6: *The perception of existence of corruption in a country will negatively influence the amount of FDI that this country receives.*

METHODOLOGY

We used secondary data from various reputable sources in order to test the hypotheses of our study. We decided to obtain our data from four different sources in order to avoid potential biases inherent in relying on just one organization. The data of this study were obtained from the United Nations Conference on Trade and Development (Unctad.org Bilateral statistics, 2016); the Milken Institute (Savard and Wickramarachi, 2013); Berry, Guillen, and Zhou (2010); and Transparency International (Transparency International.org).

Dependent Variable

The dependent variable of this study was the total inward FDI investment that a country received over a six-year period. The six-year period that we studied was from 2007-2012. We decided to study an interval of six years because it was large enough to eliminate potential biases originating from abnormally large investments or divestments that sometimes occur in one or two year periods. By studying six years, we also did not have to worry about the drastic drop in FDI that occurred during the beginning of the financial crisis in 2008-2009. Although FDI did drop in this two-year period, it recovered to pre-crisis levels in subsequent years. In order to calculate our dependent variable, we divided the total amount of inward FDI that a country received in the six-year period by that country's population. While some studies tend to disregard the population of a country and study total FDI inflows, it seems more appropriate to examine FDI inflows per capita. This way makes it easier to directly compare the success of countries in attracting FDI, regardless of their size. The numbers for the FDI inflows for the years 2007-2012 were taken from the United Nations Conference on Trade and Development (UNCTAD) publications (Unctad.org Bilateral statistics, 2016). The UNCTAD was established in 1964 by the United Nations General Assembly to be the responsible party dealing with trade, investment, and development issues (Unctad.org, 2016). The populations of each country for 2010, the year that was selected, were also taken from UNCTAD (Unctad.org, 2016). The year 2010 was selected because it was in the middle of the period that we were investigating, 2007-2012.

Independent Variables

Three of the independent variables, measuring economic fundamentals, regulatory barriers, and ease of doing business, were taken from the Global Opportunity index, published by the Milken Institute (Savard and Wickramarachi, 2013). The Milken Institute publishes reports that provide much information on various factors impacting FDI. Its goal

is to help governments change their policies in order to attract vital FDI that will help them develop. They provide information on more than 100 countries. The excluded countries which are not part of this list tend to be very small and are not receiving any significant amounts of FDI. Subsequently, by looking at the list of 100 countries produced by the Milken Institute, a researcher can gain a complete picture of FDI activity in the world.

The economic fundamentals variable used in this study and produced by the Milken Institute measures whether a nation's macroeconomic factors are friendly to FDI. Like all the other measures produced by the Institute, it is calculated from 0 to 10, with 10 indicating a country possessing very strong economic fundamentals and 0 indicating very weak ones. The subcomponents that comprise this variable are macro-performance of the country's economy, trade and FDI openness, quality and structure of labor force, financial infrastructure, and physical infrastructure.

The regulatory barriers variable of the Milken Institute measures the potential of a nation's laws and regulations to inhibit the flow of trade and investment. In this case, a value of 10 denotes minimal regulatory interference to trade and investment flows. A value of 0 denotes a highly regulated environment. The subcomponents of this variable are restrictions on free flow of capital, restrictions on international trade, and restrictions on ownership of banks.

The ease of doing business variable of the Milken Institute measures all types of costs connected with business operations in a specific country. For this variable, a value of 10 denotes very low cost, while a value of 0 shows very high costs. The subcomponents of this variable are costs of starting a business, costs of enforcing contracts, costs of resolving insolvency, accounting and disclosure requirements, costs of terrorism and crime, and tax burden.

In order to measure the next two independent variables, geographic distance and cultural/administrative distance, the measurements developed by Berry, Guillen, and Zhou (2010) were used. In their study Berry, Guillen, and Zhou (2010) utilized a set of multidimensional measures to calculate the distance between two nations. They calculated the geographic distance variable by a "great circle distance between two countries according to the coordinates of the geographic center of the two countries" (Berry, Guillen, and Zhou, 2010: 1465). Similar measurements have been used by other researchers in the past (Anderson, 1979; Deardorff, 1988). The cultural/administrative distance was measured by four distinctive subcomponents. The first subcomponent looked at past colonial ties between two nations, the second whether a common language is shared by a large proportion of the population of the two countries, the third looked at the existence of a common religion among large portions of the two populations, and the fourth examined whether the two countries share a common legal system. While Berry, Guillen, and Zhou (2010), have named this variable "administrative distance," we are calling it cultural/administrative because most of its components—for example, language and culture—are usually classified as cultural characteristics (Hill, 2009).

In order to calculate the values of the two aforementioned variables, the largest three investing nations in each of the specific countries were identified based on the UNCTAD data for the years 2007-2012. Then, the proportion of each investor nation was multiplied by the geographic or administrative distance to calculate the total value of the distance of that particular nation. The reason behind this calculation was that most countries receive a large proportion of their inward FDI from a small number of countries. If they are geographically or administratively close to these countries, they would be more likely to receive large investments. In the vast majority of the cases, the top three investor countries were the ones shown on Table 1. This table shows the top 16 nations, where close to 80 percent of the total outward FDI originates.

Table 1
Largest International Investing Countries

Country	Investment Outflow 2007-2012 (in millions)	World Proportion
World	9,162,317	100%
United States	1,975,410	21.6%
United Kingdom	712,309	7.8%
Germany	578,838	6.3%
Japan	562,678	6.1%
France	446,000	4.9%
Hong Kong, China	437,219	4.8%
China	370,219	4.0%
Canada	324,314	3.5%
Spain	299,865	3.3%
Switzerland	299,314	3.3%
Italy	278,770	3.0%
Netherlands	258,751	2.8%
Belgium	203,699	2.2%
Sweden	174,565	1.9%
Korea	147,759	1.6%
Singapore	143,000	1.6%
Total of 16 largest countries	7,213,824	78.7%

The last variable, corruption, was calculated based on the measurements of Transparency International (Transparency International.org). Transparency International is a widely respected international not-for-profit organization based in Berlin, Germany, dedicated to stopping bribes and the abuse of power by governments worldwide. Its annual reports receive a lot of publicity and have influenced the behavior of governments around the world (Galtung and Pope, 1999).

RESULTS

In order to test our hypotheses, we decided to use a stepwise multiple regression. Table 2 shows the correlations of all of our variables. Although we tried to calculate our variables from different sources in order to avoid multicollinearity issues, some large correlations were observed. This is to be expected because some of our independent variables measure similar factors. For example, corruption and ease of doing business are highly correlated. It makes sense that a country that has a business-friendly economic environment would also be fairly clean. However, the variance inflation factors (VIFs) of our multiple regression were all below 2.5, a score showing that multicollinearity is not a major problem (Neter, Wasserman and Kutner, 1983).

Table 2
Correlation Table

Variable	1	2	3	4	5	6
Mean	5647	22.7	4.8	7.8	6.1	4.7
S.D.	7040	20.3	1.5	5.3	1.4	2.2
1. Geographic Distance	1					
2. Culture/Administrative Dist.	.10	1				
3. Economic Fundamentals	-.41*	-.46*	1			
4. Regulatory Barriers	-.10	-.09	.08	1		
5. Ease of Doing Business	-.33*	-.36*	.75*	.09	1	
6. Corruption Perception	-.23	-.27*	.69*	.06	.79*	1

*p.<.01

Table 3
Hierarchical Regression Test of Foreign Direct Investment per Capita

Variables	Model 1	Model 2	Model 3	Model 4
Geographic Distance	-1.8* (-.18)	-46 (-.05)	-.32 (-.03)	-.74 (-.07)
Administrative Distance	-2.9*** (-.30)	-1.1 (-.13)	-.95 (-.11)	-1.2 (-.13)
Economic Fundamentals		2.9*** (.36)	1.1 (.16)	.07 (.01)
Regulatory Barriers			-.05 (-.01)	-.06 (-.01)
Ease of Doing Business			2.2** (.30)	.09 (.02)
Perception of Corruption				3.3*** (.48)
Constant	6.1***	-.81	-1.9**	-.59
Model R Square	.134	.212	.254	.343
Model Adjusted R Square	.114	.184	.209	.294
Model F		6.57***	7.53***	5.60***
				7.03***

*p<.10; **p<.05; ***p<.01
T values and standardized regression coefficients shown in parentheses

Table 3 shows the results of our multiple regression. Model 1 of our regression has two independent variables, geographic proximity and administrative distance. This model shows that both variables significantly influence the amount of inward FDI that a country will receive. Model 2 has these two variables and also includes the economic fundamentals variable. In this model the economic fundamentals variable is significant while the geographic proximity and administrative distance variables become insignificant. The third model adds two more variables, the regulatory barriers and ease of doing business. The only significant variable in this model is the ease of doing business variable, while the other four variables become insignificant. Finally, the last model has all of the previous variables as well as the impact of corruption. In this model the only significant variable is corruption. Based on the findings of our multiple regression, the only hypothesis that can be supported by our data is the sixth hypothesis. It appears that corruption is the only significant variable that influences the amount of FDI that a country receives.

DISCUSSION & LIMITATIONS

FDI helps developed and developing countries to import much needed technology, capital, and know-how, and it assists their overall economic growth. Yet very few countries have been successful in attracting high levels of FDI. For every Ireland and Singapore, countries that have succeeded in attracting large amounts of FDI and have transformed their economies, one can name other nations that for various reasons have failed to attract substantial FDI. In this paper, we tried to identify and test certain variables that previous research had found to be significant drivers of FDI (Gharaibeh, 2015; Liu, Burrige, and Sinclair, 2002; Dees, 1998; Morris and Aziz, 2011; Daude and Stein, 2007; Bitzenis, Tsitouras and Vlachos, 2009). In addition, we tried to test the concepts of administrative and geographic proximity to see if they are important determinants of FDI. While some of these variables are significant when they are tested on their own, surprisingly, they become insignificant when they are tested with all the other variables. The only variable that we found to influence inward FDI was the level of corruption. This is important because this may be a factor that governments and policy makers have control over. A government cannot, of course, change the geographic location of a nation or its historic cultural linkages to other countries, but it can change its internal environment. Offering higher salaries to civil servants and bringing transparency to government practices are steps that every government needs to make if it wants to reduce corruption and increase the amount of inward FDI.

Limitations

This study suffers from a number of limitations. As is typical of studies investigating FDI data, it had to rely on published sources that may not be accurate. Some countries, as the data show, tend to receive large amounts of FDI from tax havens like Luxembourg or Liechtenstein. It is impossible to tell the true origin of these investments. It is possible that some of these investments have been made by residents of a specific country that have illegally exported their money to a tax haven and then have re-imported it in order to legitimize it. This becomes obvious in the case of the large amounts that Cyprus appears to invest in Russia and Ukraine. It is not economically rational for the small nation of Cyprus to have these large investments. The only likely explanation is that Russian and Ukrainian citizens use Cyprus so that they can re-invest back in their homelands.

The second limitation of this study is that it did not include some variables that other studies have shown to be significant. For example, other studies have looked at the impact of such variables as public population, country welfare, inflation rate, exchange rate, and infrastructure development (Gharaibeh, 2015). Due to time constraints, it was not possible to collect the data for such a large number of countries for all of these variables. Future studies may want to examine them to see whether they impact the level of FDI investment.

CONCLUSION

This paper makes important contributions to the literature of FDI. In contrast to previous studies that tend to study one country (Bitzenis, Tsitouras, and Vlachos, 2009) or a region (Asiedu, 2006), we investigated approximately 100 countries. These countries are the

largest ones in the world and receive the vast majority of inward FDI. In addition, we examined the impact of geographic proximity and administrative distance, variables that have not been investigated in the context of FDI flows. Our findings are noteworthy because they highlight the importance of corruption on the flow of FDI. Although investors care about cultural differences, ease of doing business, and economic fundamentals, the main issue that they care about is the existence of corruption in a country.

The main recommendation that this paper is making to policy makers is for countries to eliminate corrupt practices. Nations that want to attract FDI need to develop efficient civil administrations and transparent practices. Academic researchers need to look more closely at corruption and its impact on FDI.

REFERENCES

- Al-Sadig, A. 2009. The effects of corruption on FDI inflows. *Cato Journal*, 29: 267-294.
- Anderson, J. E. 1979. A theoretical foundation for the gravity equation. *American Economic Review*, 69(1): 106-116.
- Anyanwu, John. 2012. Why does foreign direct investment go where it goes?: New evidence from African countries. *Annals of Economics and Finance*, 12(2): 425-462.
- Asiedu, E. 2006. Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability. *The World Economy*, 29(1): 63-77.
- Audretsch, D., & Stephan, P. E. 1996. Company-scientist locational links: The case of biotechnology. *American Economic Review*, 86(3): 630-640.
- Berry, H., Guillén, M. F., & Zhou, N. 2010. An institutional approach to cross-national distance. *Journal of International Business Studies*, 41(9): 1460-1480.
- Bitzenis, A., Tsitouras, A., & Vlachos, V. A. 2009. Decisive FDI obstacles as an explanatory reason for limited FDI inflows in an EMU member state: The case of Greece. *The Journal of Socio-Economics*, 38(4): 691-704.
- 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.
- Brouthers, K. D., & Brouthers, L. E. 2001. Explaining the national cultural distance paradox. *Journal of International Business Studies*, 32(1): 177-189.
- Coval, J. D., & Moskowitz, T. J. The geography of investment: Informed trading and asset prices. *Journal of Political Economy*, 109(4): 811-841.
- Daude, C., & Stein, E. 2007. The quality of institutions and foreign direct investment. *Economies and Politics*, 19(3): 317-344.
- Deardorff, A. 1988. Determinants of bilateral trade: Does gravity work in a neoclassical world. In J. A. Frankel (Ed.), *The regionalization of the world economy*: 7-31. Chicago: The University of Chicago Press.
- Dees, S. 1998. Foreign direct investment in China: Determinants and effects. *Economics of Planning*, 31: 175-194.
- Galtung, F., & Pope, J. 1999. The global coalition against corruption: Evaluating Transparency International. *The Self-Restraining State. Power and Accountability in New Democracies*. Boulder: Lynne Rienner Publishers, 257-282.

- Gharaibeh, Ahmad Mohammad Obeid. 2015. The determinants of foreign direct investment-Empirical evidence from bahrain. *International Journal of Business and Social Science*, 6(8): 94-106.
- Habib, M., & Zurawicki, L. 2002. Corruption and foreign direct investment. *Journal of International Business Studies*, 33(2): 291-307.
- Hill, C. W. 2009. *Global Business Today*. McGraw-Hill Irwin.
- Hofstede, G., Hofstede, G. J., & Minkov, M. 1991. *Cultures and organizations: Software of the mind* (Vol. 2). London: McGraw-Hill.
- Houston, D. 2007. Can corruption ever improve an economy?. *Cato Journal*, 27(3): 325-342.
- Javidan, M., & House, R. J. 2001. Cultural acumen for the global manager: Lessons from project GLOBE. *Organizational dynamics*, 29(4): 289-305.
- Kim, H. 2010. Political stability and foreign direct investment. *International Journal of Economics and Finance*, 2(3): 59-71.
- Liu, X., Burridge, P., & Sinclair, P. J. 2002. Relationships between economic growth, foreign direct investment and trade: Evidence from China. *Applied economics*, 34(11): 1433-1440.
- López-Duarte, C., & Vidal-Suárez, M. M. 2013. Cultural distance and the choice between wholly owned subsidiaries and joint ventures. *Journal of Business Research*, 66(11): 2252-2261.
- Mateev, M. 2009. Determinants of foreign direct investment in Central and Southeastern Europe: New empirical tests. *Oxford Journal*, 8(1): 133-149.
- Morris, R., & Aziz, A. 2011. Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries. *Cross Cultural Management: An International Journal*, 18(4): 400-411.
- Nair-Reichert, U., & Weinhold, D. 2001. Causality tests for cross-country panels: A new look at FDI and economic growth in developing countries. *Oxford Bulletin of Economics and Statistics*, 63(2): 153-171.
- Neter, J., Wasserman, W., & Kutner, M. 1983. *Applied Linear Regression Models*. Homewood, IL: Richard D. Irwin.
- Ragozzino, R. 2009. The effects of geographic distance on the foreign acquisition activity of U.S. firms. *Management International Review*, 49: 509-535.

Savard, K., & Wickramarachi, H. 2013. *Global Opportunity Index: Attracting Foreign Investment*. Santa Monica, CA: Milken Institute.

Shenkar, O. 2001. Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of International Business Studies*, 519-535.

Transparency International - The Global Anti-Corruption Coalition. (n.d.). Retrieved May 26, 2016, from <http://www.transparency.org/about>

Unctad.org | Home. (n.d.). Retrieved May 26, 2016, from <http://unctad.org/>

Unctad.org | Bilateral FDI Statistics. (n.d.). Retrieved May 26, 2016, from [http://unctad.org/en/Pages/DIAE/FDI Statistics/FDI-Statistics-Bilateral.aspx](http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx)