

**International Journal of Arts and Humanities**  
**(IJAH)**

**Bahir Dar- Ethiopia**

Vol. 5(1), S/No 16, January, 2016:123-137

ISSN: 2225-8590 (Print) ISSN 2227-5452 (Online)

DOI: <http://dx.doi.org/10.4314/ijah.v5i1.10>

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**A Critique of the Meta-theoretical Explanations and Analyses  
of the Pre-conditions for the Stimulation and Attraction of  
Foreign Direct Investments**

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**Abstract**

Is it correct to assert that Foreign Direct Investments (FDI) stimulation and attraction are based on certain preconditions? To what extent should the preconditions be allowed to determine the content, character and method of studying and analysing FDI? Should research efforts be focused on these preconditions? Are the preconditions the necessary determinants of FDI stimulation and attraction? What are these preconditions, and to what extent are they fundamental and critical to the stimulation and attraction of FDI? Do the preconditions only exist in an economy? Do they exist in the polity as well? How can their existence and totality be explained, analysed and interpreted? To what extent have existing efforts been able to accurately explain, analyse and interpret these preconditions? What conclusions that can be drawn from these existing efforts and initiatives? Finally, what are the implications for theory construction and formulation? Approached from the angle of critique as a method of social inquiry, the article interrogates these efforts and initiatives to reveal their bogus intellectual claims and logical inconsistencies. The methodology of research is rooted in the very eclectic

sources in which these explanations and analyses are contained. The overall objective is to determine the extent to which these explanations and analyses are able to sufficiently account for, and capture the critical forces, processes and factors that tend to shape the movement of capital globally. The article concludes that the existing initiatives and efforts still remain inadequate in helping to concretely address how well the assumed preconditions are indeed the needed prerequisites for FDI attraction and stimulation.

**Key words:** Meta-theoretical explanations and analyses, Foreign Direct Investments, Foreign Direct Investments Preconditions.

### Introduction

Literature in international political economy (IPE) is replete with contending explanations and analyses of the very pre-conditions necessary for the stimulation and attraction of foreign direct investments (FDI). To be specific, IPE literature on the subject matter of global movement of capital is divided into two. The first set/category of works examines the affinity of FDI to either democracy or authoritarianism, and in the process develops the criteria and empirical indicators with which to measure the affinity. The second set looks at the extent to which efficient and functional physical infrastructure help to stimulate and attract FDI. It is important to emphasize further that each set/category has its sub-sets and sub-divisions. The conclusions however, remain contradictory and confusing, yet provocative and stimulating. The works of Jensen (2003), Barrell and Pain (1999), Mello (1999), Feder and Lily (1985), Gaubatz (1996), Henisz (2000), Lee (1993), Leeds (1999), North (1990), among others, confirm the affinity of FDI to democracy/political stability and emphasized the inseparability between economic performance and the stimulation of FDI. The work of Jensen (2003) stands out distinctly in the category of works that either support or confirm the affinity of FDI to democracy or democratic rule. The works of Li and Resnick (2003), Chan and Mason (1992), Crenshaw (1991), de Soysa and Oneal (1999), Feng (2001), Gastanaga, Nugent and Pashamova (1998), among others, support the affinity of FDI to authoritarianism or authoritarian rule. It is again important to note the work of Choi and Samy (2008) holds quite remarkable conclusions. According to them, "Empirical results reveal that democratic institutions are, at least, weakly associated with increase in FDI flows (measured by FDI/GDP ratios). While multiple veto players (and, counter intuitively, democratic hindrance) may be positively associated with increases in FDI, audience costs are not linked to FDI activities." (Ibid: 83). The uniqueness of the finding rests in its introduction of new concepts in the understanding of the research relationship between democracy and FDI stimulation and attraction. The concepts of *veto players*, *audience costs* and *democratic hindrance* no doubt add theoretical elegance to the FDI debate and research. The second set efforts and initiatives examines how the availability and functionality of physical infrastructure and other lubricating

forces and processes of any domestic economy provide the necessary preconditions for the attraction and stimulation of FDI without necessarily engaging themselves into polemics and debates. Standing out distinctly in this category are the works of Dunning (1977, 1981) and Obadan (2004).

It must be emphasized that the two sets of literature have no doubt contributed immensely to the understanding of the movement of capital across borders and regions of the world. However, the understanding still remains sketchy, terrestrial, and stunted. The lacuna forms the focus and body of the present effort and initiative. It is apposite to ask: Of what importance are explanations and analyses to social science discourse, especially as the discourse relates to the preconditions necessary for the attraction and stimulation of FDI? Three things require immediate substantiation for the question to adequately serve its purpose and objective. They are: (1) explanations, (2) analyses and (3) social science discourse. Explanations and analyses, without argument, are what social science entails. This is the first premise. The second is that social science discourse by its very nature has explanations and analyses that are quite unique and specific to it. Finally, discourse in social science is shaped and affected by its method and philosophy. Explanations and analyses in social science discourse, it should be further noted, are of different levels of sophistication and elegance. In other words, while theories serve in social science discourse the roles of description, explanation and precondition, they are, it is generally recognized, at different levels of formulation and sophistication. The above singularly and technically define and justify the existence of meta-theoretical explanations and analyses as simply mental constructs that still fail to adequately describe, explain and predict social phenomena neatly and holistically.

With respect to the global movement of capital or FDI, what are the existing explanations and analyses that help to answer the fundamental question: What and what influence or shape investment decisions across the globe? In other words, what do foreign investors consider as fundamental to investment decisions? Fundamental and critical as the questions are, they are not all that totally new. This must be admitted. Ever since the birth of economics as a discipline/area of human inquiry and since ages past, economists of different methodological persuasions have not only tried to provide answer to the question(s), they have as well developed theories explaining investment decisions. There is however, a problem. And this relates to the assumptions of either perfect or imperfect markets in which such investment decisions were/are (being) taken. These assumptions, it must be pointed out, are at best heuristic and the claims that they develop from daily-life experiences can be easily faulted not only on the ground of daily-life diversity alone, but on the changing nature of life and the interpretation we give to it as well. The article is divided into four inter-related parts. Part one gives definitions and meanings to the concepts of meta- theoretical explanations and analyses, foreign direct investments, foreign direct investments

analyses, and foreign direct investments preconditions within a perspective that helps to give the required and appropriate understandings to their applications in the article. Part two explores the purposes and objectives of critique in social science discourse and further helps to situate the article within the intellectual contexts that informed its investigation and research. Part three examines critically some of the meta-theoretical explanations and analyses on FDI in literature and provides as well their appropriate critique. Part four serves as the conclusion.

### **Clarification of Concepts: Contextualizing the Definitional Indices and Parameters**

The concepts of meta-theoretical explanations and analyses (MTEA), foreign direct investments (FDI), foreign direct investments analysis (FDIA), and foreign direct investments preconditions (FDIP) need immediate amplifications and clarifications. First, what is meant by the preconditions for the stimulation and attraction of FDI? Preconditions, in the ordinary semantic parlance, are the basic requirements and fundamentals that are important for certain events to occur. In relation to the academic and intellectual discussion and analysis of the subject matter of FDI, preconditions are they basic infrastructure that help to promote the inflow of FDI into any domestic economy that desires it. In other words, preconditions are the totality of physical infrastructure (such as roads, telecommunications, electricity etc.) legal framework (such as enabling laws, due process of law, independent judiciary, etc.), administrative framework (transparency, established bureaucratic procedures and processes, etc.) and democratic/political framework (such as the legislature, existing policy on FDI attraction and stimulation, etc.). Preconditions do not only emphasize the existence of these frameworks operating side-by-side, but the fact that they operate excellently well. The idea of preconditions also means that there exists in any domestic economy a 'system' of FDI attraction and stimulation. Finally, preconditions refer to the totality of the processes and procedures in which foreign investments are guaranteed and protected either by domestic laws or commitment to certain international obligations and treaties.

Foreign direct investments analysis (FDIA) is the sum total of the modes, means, and mechanisms of presenting FDI facts and information. The modes, means and mechanisms are in turn the outcomes of researches of both qualitative and quantitative biases. Jointly, they are patterned along the use of logic and testable propositions in the standard fashion of discovering the relationships between and among the coexistence of variables. Beyond the discovery and determination of the empirical relationships between variables, the modes, means and mechanisms of presenting FDI can as well be rooted in the specific and broad historical processes of the integration of the domestic economy into global capitalism through the activities of the multi-national enterprises (MNEs). Finally, FDIA can appear in the form of existing

thoughts, ideas and theories that seek to offer cogent description, explanation and prediction of FDI in terms of volume, sectorial allocation and country of origin.

Foreign direct investments (FDI), as used in the article, refer to the volume, form/character, region of the world/country of origin, of all investments in private hands that are imported into a country. It excludes grants, aid, assistance (technical and financial), loans and donations made by one government to the other. Putting it clearly, it is the summation of portfolio and other investments which individuals in their private capacities make through the activities of MNEs over a period of time. Consequently, FDI exhibits patterns and trends that reflect on the interacting forces, factors, and processes (both domestic and international) shaping it at every point in time. As private investments, they are generally governed by the rule and logic of economic theory as profits are maximized and losses minimized in the standard fashion of the accounting system that is peculiar to it.

Meta-theoretical explanations and analyses are the whole body of ideas, thoughts and expressions which try to describe, explain and predict the movement and direction of FDI overtime and in space. Because of the fact that they await rigorous and established procedures and processes of scientific testing, the type of description, explanation, precondition, and analysis that they provide fall short of the standards of theories and the contained functions. They therefore can be best characterized as hypotheses in the standard fashion of social science research rules and procedures. Their methodologies are incomplete and also fall short of the confirmed procedures and processes of scientific testing. As ideas and thoughts, they remain internally inconsistent in their abilities to offer description and explanation of social phenomena.

### **The Role of Critique in Social Science Discourse and in the Understanding of the FDI Debate**

Undertaking a critique of the meta-theoretical explanations and analyses of the series of the factors, forces and processes shaping FDI without first engaging ourselves with the role which critique serves in social science discourse, it is here reasoned, might deride the article its important place in the body of growing literature on IPE. It has become imperative to not only critically examine the role of critique in contemporary social science discourse, but to as well shed light on the link between the role and the advancement of the understanding of the FDI debate i.e. how the role can aid our understanding of the debate surrounding the affinity of FDI to either democracy or authoritarianism.

The role of critique in the advancement and growth of knowledge in social science discourse is best exemplified in the works of Popper (1959), Lakatos (1968), Lakatos and Musgrave (1970), and Khun (1970). However, the work of Popper (1959), stands out distinctly. According to Adekanye (1993, p. 43): “Propper’s discovery, that

knowledge is advanced by a critical discussion of alternative views, is one that is generally shared by even Popper's own critics...." He continues: "Discussion of alternatives means that the critic is not just engaged in mere refutation's sake, but also interested in constructive criticism. Discussion of alternatives also gets the critic necessarily involved in comparative (empirical) appraisal of a given theory vis-à-vis its rivals. Such comparative appraisals... are not a once-and-for-all task, but a series of continuous and never-ending processes" (Ibid, p. 43). Critique, as a method of social inquiry, practically involves the rigorous identification of the strengths and weakness of ideas and theories in relation to the subject of explanation, discussion and analysis. It is capped up by bringing out how the critic's own ideas can help in overcoming the observed lacunae. Therefore, according to Meehan (1988: 133), "...developing some capacity for systematic criticism of theories and applications is an essential part of the intellectual training".

What relationship then exists between critique as a method of social inquiry and the understanding of the meta-theoretical explanations and analyses of the FDI debate? In other words, how does the idea of critique as a method of social inquiry help in the understanding of arguments and postulations in which the FDI debates are anchored? The answers to the questions can be located in the very basis of socio-scientific inquiries. Socio-scientific inquiries are generally directed at developing the theoretical bases in which knowledge advancements are anchored for the purpose of being able to accurately and suitably describe, explain and predict social phenomena. The emphasis on the discussion of alternatives is to help enhance the scientific cogency of the choice of method in such a way that its preferred supremacy over other methods is guaranteed at regular intervals. Therefore, the answer to the question: which of the explanations and analyses of the affinity of FDI to either democracy or authoritarianism best capture the critical forces, factors and processes of capital movement across international borders and boundaries should be approached carefully and by the regular testing of the contained logic and hypotheses in such a way that whatever is arrived at in turn provides basis for further testing now and in the future to come.

### **III. Meta-theoretical Explanations and Analyses of the Preconditions for FDI Stimulation and Attraction: A Critique**

The immediate question is: What are the natures of the explanations of these "theoretical determinants" of FDI? Before then, it is here observed that the varied intellectual explanations are embedded (depending of course on the type of explanation) in certain assumptions which are in most cases very clear and straight forward to understand. However, as they are yet to be tested, they are best referred to as hypotheses and hence they remain as "hypothetical explanations or meta-theories". Beyond the considered need to ensure clarity in the presentation and analysis of the contained thesis, there is also the need to stimulate further researches and build on the

avalanche of materials on FDI attraction and stimulation. To begin with, what are the core assumptions that underlie these hypotheses? To what extent have the explanations and analyses been able to comprehensively capture the socio-economic and socio-political forces shaping and influencing the inflow of EDI? And finally, of what relevance are they to the analysis of the developing countries' experience? These are indeed inescapable critical questions significant for knowledge advancement, especially as the advancement relate to the understanding of the global movement of capital. Obadan (2004) classified these explanations/determinants into seven. They include: (1) differential returns hypothesis, (2) size-of-market hypothesis, (3) growth hypothesis, (4) protectionist policies, (5) need-for-raw materials hypothesis, (6) investment climate and (7) other factors.

**The Differential Returns Hypothesis:** According to this hypothesis, the flow of FDI is affected where differential returns exist between investing abroad and at home. As the basis for investment is determined largely by the concern for profit or profit motivation desire, FDI inflow will respond to where the rates of differential returns are higher. According to Obadan (2004: 406) "Differential profit rates, which indicate differences in marginal production of capital, will create an inducement for foreign capital". The assumption here is that the success of investible capital is measured largely by the amount of returns it has generated. Therefore, areas that tend to support further growth of capital in terms of large profit rates are usually sought for by the owners of capital all over the world. It is further assumed that capital has different areas of potential growth, and that areas of high growth potentials are areas of capital attraction. Quite appropriate: To what extent does the hypothesis capture the flow of FDI? First, is it always true that capital chases favourable and attractive areas? Some scholars will no doubt argue in favour of the logic. The logic is however, faulty. It is implicitly held, which is wrong, that equal factors exist in the invisible world, and that they jointly determine the returns on capital. The premise of the assumption is anti-reality. A factor or group of factors working in isolation cannot likely determine the rate of returns on capital. It is also unlikely that all the factors have equal weight and that the socio-economic and socio-political environment is also the same thing. Second, implicit in the assumption is also that investible capital enjoys equal access to market opportunities. This is also fallacious. The reality is the existence of unequal opportunities. The realities of some countries of the world puncture the central assumption of the hypothesis. For example, all the assumed factors that are held to have accounted for high returns on marginal productivity of capital exist in some countries, but without necessarily leading to inflow of FDI. What this experience has suggested is perhaps a reconstruction of some of the assumptions of the hypothesis. Accepted that the assumptions are not in themselves problematic, what value-free instruments best measure the rates of returns on capital. Related to this problem, are the differences in the values of national currencies. The value of money differs all over the world; these

differences are in themselves hindrances to the evolution of a common standard of assessment or measurement. That the rate of returns on capital is higher in country A than B might not have provided sufficient and adequate information because country B might turn out to have a highly valued national currency in the international market. This type of a situation is least accommodated in the hypothesis. The mechanics for the calculation of marginal productivity of capital lend themselves to multiple means of calculation which are bound to provide all kinds of results. Countries of the world differ in accounting procedures and practices. For example, interest rates are charged differently and perhaps according to national laws. A capital that is secured through borrowing and has not any interest is most likely to yield higher profits than that which attracts rates, especially very high interest rates. Such comparison is important if the differential return hypothesis is to serve a meaningful explanation of the flow of FDI. Third, the hypothesis tends to reduce the value of corporate social responsibility which is now being increasingly recognized outside the bourgeois logic of capital investment. The interconnections which the problems of the environment pose for global peace, security and development require that initiatives at resolving them should go beyond governmental interventions, either regional or continental. As we now speak of growing inter-linkages and interconnections, emerging theoretical and hypothetical formulations should be such that advance and reflect the new thinking and mentality.

**The Size-of-market Hypothesis:** According to Obadan (2004:406) “.... this hypothesis states that foreign investment will take place as soon as the market size is large enough to permit the reaping of economies of scale.” The assumption here is that the existence of a market stimulates the inflow of FDI. A market is no doubt an essential precondition for economic activity to be so described. Capital can only multiply and grow where it is assured that products from an investment undertaking are regularly purchased so as to be able to stimulate the rate of turn-over, which is in turn facilitated by the economics of scale of production. How cogent is the hypothesis? First, for the purpose of stimulating FDI, the hypothesis is silent on the appropriate market size. Second, market size, whether appropriate or not, is difficult to determine. The question can be asked: what constitutes or makes a market size? More seriously, what is a market size? What seems to be important in real life is not the market size per se but the purchasing power of the market. Market, in the real sense, can be taken to be in existence only in relation to the preparedness of economic actors to always wanting to purchase goods and services. This, again, is a function of standard of living of the people. The size-of-market is therefore a relative term. This relativity makes the testing of the hypothesis difficult thereby compounding the epistemological utility of the idea. The essence of hypothesis and by extension hypothesis-testing is to enable the building of a generalization. However, where the properties and assumptions of a hypothesis are inimical to scientific advancement and attainment, its essence for the purpose of advancing knowledge becomes questionable.



Furthermore, the expression "...as soon as the market is large enough to permit the reaping of economies of scale" is vague (ibid: 406). One condition or requirement of a good hypothesis is the fact that it should not be vaguely formulated or expressed. When do we for instance, know that the market size is large enough? Or course, this requires some econometrics. But the good question remains: What are those things that should and should not be calculated? And what are the problems involved in the selection of choices of items for the purpose of the exercise? What do we lose by the inclusion or non-inclusion of some items? All these are important to any statistical calculation. Market size, it is important to also emphasize, is as well determined by factors internal and external to an economy. Related to this is also the issue of the value of currencies. These two points play significant roles in how for instance a market size is determined. The quoted expression suggests crudely that there is a minimum market size situation or condition, and that it can be linearly expressed. However, the properties of the linear equation are not implied or explicitly stated. When do we for instance know that the minimum market size is already in place and for how long should we wait to be able to know that the market size can "permit the reaping of economies of scale". All the issues raised tend to compound the utility of the hypothesis as a possible explanation of the flow of FDI. Lastly, "market size" either as econometric expression for the purpose of building or generating reliable statistical bases, or as value preferences, cannot be determined alone unless in relation to some other factor and processes, which interestingly, might exist beyond the geographical coverage of an area. It is practically wrong for instance to restrict the market size indices of Nigeria to its geographical area. The entire West African region plays a significant role in Nigeria's market size. The point here is that regional integrative efforts have helped to increase market size and therefore tend to extend the definition of market size beyond a political boundary or country.

**The growth Hypotheses:** According to Obadan (2004:406): "These are closely related to the market's rate of growth. These hypotheses emanate from the relation between the level of aggregate demand and the stock of capital requires to satisfy it". He continues: "As aggregate demand increases, a higher level of FDI will be stimulated to support a higher level of output" (Ibid: 406). The assumption of the hypothesis is that as aggregate demand increases, there will be corresponding increase in capital to be able to meet the required output for the purpose of satisfying the increase in aggregate demand. The logic is however, doubtful. Increase in capital is most likely to depend on the establishment of correlation between the factors and forces that brought about the increased demand in the first instance. In other words, increased in capital is most likely where the factors and forces that brought it about correlate with those that brought about the increase in aggregate demand. Where no relationship or correlation exists, the probability is either way. In real life situation remarkable distinctions can be made in the composition of aggregate demand i.e. aggregate demand

for civilian goods and aggregate demand for capital goods. A much more sustainable FDI inflow is most likely that which is brought about as a result of increase in aggregate demand for civilian goods. This is because increase in aggregate demand for capital goods heightens insecurity, and security, we know, is an important determinant of the flow of FDI.

There is also the problem of determining statistically the composition of the aggregate demand. Countries differ in the process and procedures of estimating their gross domestic and gross national products (GDP and GNP). Not only that, they also differ in sophistication, especially with respect to the gathering and generation of data. Data dependability is another problem. What the above suggests is that data on increase in aggregate demand might be overestimated or underestimated, and either result produced might be sending information which might prove to be undependable. Finally, the utility of the growth hypothesis is further compounded by the very fact that increased in aggregate demand as basis for capital response is in itself misleading. More study needs be done on the identification of the causes of the increase in aggregate demand, and determine whether or not they can be sustained. A focus on the likely hypothesis that should be able to identify what these factors are and how they correlate, should rather serve as the likely explanation of FDI inflow. In its present form, the growth hypothesis is poorly focused.

**Protectionist policies:** The assumption here is that a protected market naturally attracts FDI. Foreign investors, it is generally believed, respond favourably to protected markets. Market protections take different focus and are sustained by different policies. According to Obadan (2004:406), “These policies, which take the form of a variety of tariff and non-tariff barriers, are expected to encourage foreign investors to undertake direct investments in the protected market to which they earlier exported their products”. He concludes “increasing custom duties thus constitute a major factor in FDI flows” (Ibid: 406). This form of explanation seems to be at variance with what operates in reality. It is hard to find protected markets for the purpose of attracting FDI only. What exists is usually a protected market against foreign imports. It is both practiced by developed and developing economies irrespective of economic ideologies for the purpose of achieving different and competing political and economic objectives. The developing economies usually protect their economies so as to keep in business the home-grown, infant industries and bring about employment. The developed economies usually protect their markets largely as a retaliatory measure, to prosecute political goals in foreign policy actions or for health reasons, among others. The argument of this form of explanation might also not have a place in this era of globalization. Protectionist policies, save on health grounds and other emergency measures, are fast becoming outmoded and archaic. Efficiency is the watchword and is to be encouraged through openness and competitive (not protectionist) politics. As hindrances induced boundaries are discouraged, and as restrictions are discouraged too,

globalization seeks to integrate every aspect of the world together and create a “global village”. Protectionist policies will hinder electronic-mail (e-mail) trading, stir up retaliatory actions and reactions, inject insecurity, panic and confusion into the global economy with attendant negative implications on the stimulation of FDI.

**The Need-for-Raw-Materials Hypothesis:** This hypothesis explains the vertical direct investments into the raw materials producing sector (extractive sector), especially of the developing economies. The argument here is that foreign investors seek to invest in areas of the world that have the needed raw materials for the home industries. Stern (1973) reported that the emphasis of United States direct investment had been in extractive industries –mining, smelting and petroleum. The hypothesis is historically supported. The “Scrambled for Africa” was associated with the growth and development of FDI in the extractive industries. Foreign investment then was facilitated by the need for raw-materials to help sustain the tempo of the industrial revolution in Europe. This hypothesis is however, not without its problems. The first problem has to do with the fact that the conceptualization that has informed its formulation suggests some elements of obsolescence. The fact that it tends to reinforce the division of the world into two, the development and the developing, limits its contemporary utility given the ongoing globalization and its associated implications. Globalization, from an epistemological view point, seeks to develop an all-encompassing, integrated framework for the purpose of describing, explaining and predicting social phenomena of which the flow of FDI is a part. Finally, the hypothesis conceals the genuine intention and real motive of FDI. Foreign Investment exists for the purpose of profit.

**The Investment Climate Hypothesis:** As a term, investment climate, according to the World Bank (2002:59), “... refers to the numerous ways in which government policies affect the productivity of investment by fostering openness to trade and FDI, macro-economic stability, fair and efficient public sector administration, low corruption and effective law enforcement, strong financial institutions, the provision of effective infrastructure, sound regulation, and measures to ensure the health and education of the work force.” In the opinion of Obadan (2004:407): “In empirical studies, the elements of the investment climate covered include macro-economic policy, the legal framework, political instability, infrastructure and health and education services”. He asserts that: “Poor macro-economic policies resulting in, for example, inflation, uncertainty, real exchange rate volatility etc., have a negative impact on the level of investment while an appropriate legal framework and its fair enforcement have an important positive impact (Ibid: 407). He concludes thus: “Political instability has a significant negative effect on investment. Inadequate infrastructure constitutes one of the major obstacles to doing business”. (Ibid: 407). As a factor accounting for the explanation of the inflow of FDI, the “investment climate” argument is premised on the logic that the inflow of FDI is basically determined,

positively or negatively, by the presence or absence of certain requirements. These requirements are considered vital to the movement of international capital across borders and continents. These basic requirements are further considered important not only for the attraction of FDI, but also in the maximization of the benefits that are usually associated with FDI. Pools of empirical evidence have either confirmed or refuted the logic of the argument. Under high dictatorship and authoritarianism, countries of the world have successfully attracted FDI, while less authoritarian and dictatorial ones have not been able to attract meaningful FDI in spite of the fact that the necessary socio-economic infrastructure are also in place. What this evidence suggests is that all the basic requirements and ingredients are at different levels of importance. The question then becomes: How can they be so rated in such a way as to be accorded necessary policy priorities? In other words, what percentage of policy priority attention should a requirement enjoy in the implementation of the entire policy package? All these tend to weaken the strength of the “investment climate” argument. Apart from the above, there is also the problem of being able to establish the necessary theoretical and pragmatic linkages among the requirements. What theory, for instance, should connect political stability with the existence of either sound legal framework or sound financial institutions regulations? This question has become important in view of the fact that what the factors seek to analyze and hope to achieve are the development of an holistic and integrated approach to the attraction of FDI. Knowing the point of theoretical connection will no doubt help in the formulation of appropriate policies and other policy stimulating mechanisms for the achievement of the overall policy objectives. Because the above is difficult, the argument of “investment climate” is again weakened. Finally, because these requirements enjoy different levels of importance, and because the theoretical and pragmatic linkages among them might be difficult to determine, there is the problem of determining how best they can be sustained either singularly or in a relationship. This is a major policy problem.

**Other factors:** Some of these other factors according to Obadan (2004,p. 407), “...are international product differential domestic investment, low labour and production costs abroad, need to maintain supplier relationships with customers and adequacy of information about opportunities in foreign markets”. The argument here is that beyond protectionist policies, the “investment climate”, and the various hypotheses explained above, FDI inflow can also be stimulated by some of the other factors mentioned above. These “other factors”, are critical and crucial to the analysis and investigation of the forces and factors that do propel FDI. To try to belittle them or present them as if they do not matter or that they acquire only very insignificant percentage contribution, is to run the risk of scientific reductionism. What the study of the factors and forces that determine FDI inflow has revealed, either in the present hypotheses or as an explanatory point of reference is that they will only be useful if their claimed validity can be tested empirically over a period of time in different

economies. This will no doubt form the basis for generalization and theory development.

### Conclusion

How have the meta-theoretical explanations and analyses accounted for the flow of FDI across regions and international borders of the world? Pre-occupying itself with concepts that are important to the understanding of the growing literature on FDI component of IPE, the article goes further to situate the understanding of the concepts in social science discourse and in the understanding of FDI debate as well. Useful as these meta-theoretical explanations and analyses are in terms of helping to develop in the future testable propositions and ideas on the movement of international capital, they still remain inadequate in helping to concretely address how well the assumed preconditions are indeed the needed prerequisites for FDI attraction and stimulation

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