The Characteristics of Foreign Direct Investment Intensification Policy

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***Abstract* - The article analyses the determinants of foreign direct investments, addresses the problem of attracting targeted FDI and highlights the incentives, which constitute the FDI policy. However, it can be observed that the governments in a number of countries seek to attract FDI at any price. The article seeks to define the aspects of successfully implemented FDI policy.**

Ireland, Canada and China have been chosen as the countries of good example of FDI policy. Ireland is the first country to implement FDI policy successfully. It employs a purely liberal FDI policy, which covers all business sectors; Canada implements a strictly regulated FDI policy while China adopts a liberal and aggressive FDI policy.

The empirical analysis reveals that there is a strong positive relationship between inward FDI and investments in attracting foreign capital. In China's case a strong positive relationship between FDI and other determinants gives evidence that the growth of economy is highly dependent on foreign capital. Meanwhile, Canada, which attracts tremendous FDI flows, stays least dependent on MNCs. A lower than average relationship between FDI flows and the openness of the country shows that Ireland attracts horizontal FDI. The analysis of three cases proves that the success to attract FDI is dependent on the government's ability to employ FDI policy.

***Keywords:* foreign direct investment, FDI policy, incentives, China, Canada, Ireland**

I. INTRODUCTION

Due to the growing scale of globalization, the attraction of foreign direct investment (hereinafter – FDI), the demand for FDI and FDI impact on the country's economy became one of the most important scientific, economic and political issues. In the international arena, countries attracting higher FDI flows are considered to be more competitive than others in the same geographical area or at a similar stage of economic development level. FDI is especially important for the emerging countries and countries in transition as it is one of the external funding sources, which promotes the adoption of innovations, decreases the unemployment level and stimulates the growth of economic development. Besides, considering the business sector, privatisation process, licenses and agreements, FDI encourages the modernisation pace of manufacturing technology [1]. However, the attraction of FDI raises integration of companies into the market and targeted spending problems. International capital operating in the particular country influences its independence in a direct and/or indirect way. On the other hand, foreign companies are directly affected by the government.

In any case, the government, which is willing to increase the quantity and the quality of FDI flows, should acquire the country's economic governance skills. The intensification policy of FDI can be successfully implemented by following good practices of highly developed economies. The article analyses the determinants of foreign direct investments, addresses the problem of attracting targeted FDI and highlights the incentives, which constitute the FDI policy. However, it is noticed that the governments in a number of countries seek to attract FDI at any price without analysing the particular characteristics of the host country. The article aims to define the aspects of successfully implemented FDI policy.

The article is divided into three parts. The first part explores the theoretical aspects of employing FDI policy. The second part analyses the cases of good practice. In order to determine the significance of bilateral FDI flows to the development of the host country, the gravity model is used. The third part discusses the empirical results.

II. FOREIGN DIRECT INVESTMENT DRIVING FORCES

The influence of FDI on the economic development is widely analysed in scientific literature. However, the positive features of FDI are treated controversially. Historically, it can be noticed that in the early stage of FDI growth on a global scale, researchers and practitioners emphasize only the positive effects of FDI. The expansion of MNCs worldwide brings negative features of FDI to the fore. Contemporary literature on FDI discusses the problem of targeted FDI attraction. Researchers [2], [3], [4], [5] question, which factors determine FDI flows. Scientific literature presents various answers to this question. Hymer [6] stated that MNCs move their activities to other countries because of market imperfections, where the host market offers advantages over local companies. Foreign capital, attraction of FDI and their governance are affected by external and internal factors, such as geographical position [2], cheap and qualified labour force[2], natural resources, market size [7],[8],[9], access to the local and global markets [10], [8],FDI policy [11], [12], the protection of intellectual property rights [13], infrastructure, political stability, tax rates [14], [15]. Modern literature highlights three main groups of factors that determine the intensity of FDI flows: trading costs (including transaction costs), market size and production cost of differentiation. Some researchers [15], [16], [8] underline the national policy as another factor attracting FDI. The predictable political environment ensures macroeconomic stability, provides legal regulations and contractual obligations, maintains competition in the market, and promotes the development of private sector. MNCs choose a particular country because of more favourable taxes, incentives for starting a business, and market openness. Foreign investors may be discouraged by corruption, bureaucracy, and difficulties in establishing business. However, the inward FDI flows are not determined by the economic development of the host country only; they highly depend on the decisions of the host government.

FDI intensification policy and its measures enable international companies to integrate into the local market, to develop manufacturing facilities in the host country by using local labour force, land and capital. However, host governments frequently fail to evaluate the economic situation of the country and the demand for FDI.

A. The Theoretical View on the Employment of FDI Policy

Governmental support is one of the main measures in the FDI policy framework. An attractive FDI incentive framework facilitates the development of a positive image of the country in the international arena. Governments tend to provide plenty of incentives for international investors (financial and fiscal incentives). However, the attracted MNCs quickly justify such measures by developing new technologies and creating new jobs.

The government adopts various policies towards FDI, including fiscal, financial, market regulation or no financial incentives. In this way, the government remains the main driving force in attracting inward FDI. The adoption of FDI initiatives is especially important because before making the investment decision MNCs compare countries at a similar development level or at the same geographical area. Researchers [11], [12], [17] especially highlight the importance of fiscal initiatives, which allow for the increase of MNCs profit by reducing corporate tax rates. As a result, companies having additional resources reinvest in business.

Thus, the government stimulates FDI by adopting both external and internal incentives. In the government's policy, FDI stimulation is considered an absolutely positive phenomenon, which is addressed to promote the development of economy. Therefore, the priority of each government is to intensify FDI. It is supposed to ensure the fair competition in the country. For this reason, researchers and experts treat FDI promotion controversially. For example, Rugraff [18] criticizes FDI promotion. He states that the employment of fiscal and financial initiatives causes the cross-border competition and may do more harm than good to the country. In this case, the government ignores the costs and future consequences of the adopted FDI policy on the economic development since the attraction of FDI becomes "the sign of victory" against other countries. It is especially harmful for small emerging countries, which do not have a large market or natural resources. In general, the purpose of financial incentives is to attract FDI in various business sectors. Meanwhile, fiscal incentives are used for a narrower range of policy objectives: (1) to promote regional development, (2) to attract FDI in the R&D sectors, (3) to maintain investment in the country and (4) to develop the problematic business sectors. However, scientists [19], [16] highlight that tax reduction is the most effective measure to attract FDI. In contrast to some researchers [20], Rosenboim [12] believes that the key to the successful attraction of FDI is the provision of incentives, which have a long-term effect on MNCs decisions. However, tax and financial measures can only lead to a short-term positive impact on attracting foreign direct investment as MNCs tend to move their activity to a more attractive business environment.

Anyway, the researchers maintain that FDI has a positive effect on the host country. For example, the slipovers on local companies increase the productivity of labour force and accelerate the innovation process. However, MNCs cause higher competition in the local market and expand exports, especially to the home country [15]. In order to prevent the expansion of monopolies and widespread market distortions, the government introduces market regulation laws.

Scientific literature emphasises indirect MNCs' influence on some of the social groups, which have a direct impact on the government of the host country. For this reason, the movement of the international capital has become one of the government's regulation objects [21]. Local or international regulation of the international capital allows attracting the targeted FDI. Hence, the regulation of trade policy towards FDI should be different. Rugraff [18] recommends regulating the development of export-oriented investment. However, the effect of regulatory trade policy towards vertical and horizontal FDI is different. The employment of trade barriers assures a higher level of horizontal FDI flows, which seeks to establish and to expand business in the host market. In the case of a conglomerate, the trade policy serves as the motivating factor, which depends on the dominant type of FDI in the host country [15], [21]. Meanwhile, Bartles [4] believes that the government's intervention into the market leads to a negative attitude in the international arena. In that way, inward FDI reduces. Other scientists [22] support the regulation based on the activities of monopoly only. Foreign investors always take into account the political and economic stability degree in the host country. However, in the case of turmoil, political instability and a high level of corruption, the investment incentive measures applied in the period of stability may negatively affect inward FDI flows.

Thus, an inappropriate adoption of incentive measures reduces the intensity of foreign investment and highlights the market imperfections. The transparent system of investment incentives ensures the expectations of investors, which enable the host country to compete for FDI successfully.

However, the intensification of foreign investment should be the key component rather than the only part of the foreign investment policy. The framework of FDI policy should be adapted to the key industries and regions.

B. The Review of FDI Regulation and Promotion Policy in Various Countries

Representatives of international organizations and FDI exporting countries welcome and encourage FDI liberalization. However, some emerging countries or countries in transition treat liberalization of FDI negatively. This tendency is especially apparent in those countries, which recently liberalised their markets.

However, in some cases FDI exporting countries suffer the negative consequences of outward FDI, such as the increase of unemployment level or the loss of industrial competitiveness.

This view was gradually challenged by empirical studies [23]. According to them, outward FDI stabilizes business and export flows, creates niches for small business, and increases the number of jobs in other sectors. Notwithstanding the FDI advantages, many developed countries tend to regulate or restrict inward FDI flows in the high-tech or defence-related sectors. For example, France, Japan, the UK and the United States apply a number of restrictions on foreign direct investment in the strategic industries (aerospace, automotive, computer, nuclear energy, banking, insurance, air transport).

TABLE I

REGULATION AND BARRIERS ON FDI BY SECTOR IN VARIOUS COUNTRIES

(source: [24])

Business sectors in which FDI restrictions are applied	Country
Media	Argentina, Brazil, Chile, France, Greece, Israel, Korea, Mexico, Peru, Poland, Spain, Switzerland, the United Kingdom, and the United States
Telecommunications	Australia, Brazil, Canada, Israel, Japan, Korea, Mexico, New Zealand, and the United States
Cross-sectoral restrictions	Australia, Canada, Iceland, Mexico, New Zealand
Real estate/Land	Australia, Egypt, Estonia, Greece, Iceland, Israel, Japan, Latvia, Lithuania, Poland, Mexico, Peru, Turkey, and the United States
Air transport	Australia, Austria, Brazil, Canada, Chile, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Peru, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States
Maritime transport	Australia, Austria, Belgium, Canada, Egypt, Estonia, Finland, France, Germany, Greece, Israel, Italy, Korea, Lithuania, Mexico, the Netherlands, Romania, Norway, Peru, Slovenia, Sweden, Switzerland, Turkey, the United Kingdom, and the United States
Inland waters	Belgium, France, Germany, Lithuania, the Netherlands, Switzerland, and the United Kingdom
Road transport	Argentina, Brazil, Chile, Luxembourg, and Norway
Rail transport	Germany
Fishery	Austria, Brazil, Canada, Chile, Greece, Iceland, Ireland, Italy, Japan, Korea, Lithuania, Mexico, New Zealand, Norway, Turkey, and the United States
Financial services / Banking	Austria, Belgium, Brazil, Denmark, Greece, Korea, Mexico, Portugal, Switzerland, Norway, Sweden, Spain, the United Kingdom, and the United States
Legal services	Austria, Belgium, France, Mexico, Norway, Spain, and Sweden
Health services	Brazil
Security services	Brazil, Latvia
Construction	Egypt
Mining (minerals)	Canada (uranium extraction), Chile, Japan, Turkey, and the United States
Book publishing	Canada
Gambling	The Czech Republic, Latvia, and Poland
Agriculture	Brazil, Ireland, Japan, Korea, New Zealand, and the United States
Oil production and processing	Japan, Mexico, and the United States
Leather and leather products	Japan
Electricity generation and supply	Israel, Korea
Nuclear energy generation and supply	Switzerland and the United States
Oil pipeline	Switzerland
Education services	Israel, Mexico, and Turkey

Meanwhile, two largest emerging economies – China and India – apply the FDI policy similar to other developing countries. In addition, China and India tend to limit FDI flows into food and consumer good sectors, in which the host country has an internal advantage [24]. Diverging approaches towards FDI also prevail in industrialized and developed countries. For example, India employs a more liberal FDI policy in some states compared to the national level.

A national approach towards FDI is often determined by the level of development of the host country. Rich and stable economies are less likely to regulate and to restrict FDI and are more open to foreign investors. It should be noted that Japan and South Korea achieved a high standard of living without stimulating inward FDI. The negative attitude towards FDI and international trade is sometimes caused by political, historical and cultural factors. Such tendencies are noticed in Cuba, Laos, Iran, Iraq, North Korea, etc.

The most common decisions taken by governments to stimulate FDI flows are led by a number of reasons. It is difficult to distinguish the main factor in the region, which results in the promotion of FDI policy.

A higher motivation of FDI promotion is determined by different factors in various countries, such as [25] the creation of jobs and social stability (Central and Eastern Europe, Russia), the restructuring of industry and raw materials (the Czech Republic, Brazil, Chile, Russia), the development of export and the transfer of knowledge (Central and Eastern Europe, Russia, the CIS, China), the development of agricultural and mining sectors (Argentina, Australia), the pressure of international donors (Central and Eastern Europe, (IMF, EU) ECB) when the injection of capital is necessary (for example, Greece, Ireland, Spain, Latvia during the global crisis).

In order to accelerate the development of national economy, progressive countries usually support a liberal FDI policy and incentives for MNCs. However, most of them do not establish clear rules for FDI administration.

Despite the aforesaid, the countries stimulate inward FDI and present themselves as the countries open to FDI; in fact, they are not that much open as a result of their commitment to cultural, national, historical and religious principles. From this point of view, in the Baltic States, especially Lithuania, reticence is related to the cultural heritage and national identity. Furthermore, foreign direct investment is linked to the degradation of national heritage and the economic decline due to the hostile attitude against foreigners. The emerging economies – Brazil, Indonesia, Malaysia and Thailand – introduced a liberal FDI policy and benefited from the advantages of foreign capital by absorbing management skills and know-how. Hence, almost all emerging countries compete for MNCs. However, the countries, which employ liberal FDI policy in respect to the high level of competition, do not take into account the potential negative effects, such as the foreclosure of small and medium enterprises (hereinafter – SMEs). SMEs stimulate economic growth as much as FDI or even more.

TABLE II

INVESTMENT MEASURES IN G-20 COUNTRIES

(source: [25])

			Country
Measures	**Specific investment incentives**	"Start-up"	Australia, India, USA, Canada, China, South Korea, Mexico, and Germany
		Exemptions	Australia, India, Indonesia, Canada, and China
		Management	Argentina, Brazil, India, Indonesia, China, Mexico, and South Africa
		Specific fiscal measures	Japan, China, and Poland
	Investment related measures	Legal regulation	Ireland, Canada, China, the Netherlands, Poland, Portugal, Romania, Russia, Saudi Arabia, Hungary, Germany, Turkey
		Support/ State aid	Argentina, Australia, Austria, Belgium, Bulgaria, Brazil, the Czech Republic, Denmark, Estonia, Greece, Ireland, Italy, Spain, Japan, the United States, the United Kingdom, Canada, China, Cyprus, South Korea, Latvia, Lithuania, Poland, Luxembourg, Malta, Mexico, the Netherlands, Russia, France, Portugal, Slovenia, Slovakia, Finland, Sweden, Hungary, and Germany
		General tax measures	Argentina, Greece, Indonesia, Ireland, Italy, Japan, Canada, China, Russia
		IIAs (*international institution agreements*)	Argentina, Australia, Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Greece, India, Indonesia, Ireland, Italy, Spain, Japan, the United States, the United Kingdom, Canada, China, Cyprus, South Korea, Latvia, Lithuania, Poland, Luxembourg, Malta, the Netherlands, South Africa, France, Portugal, Romania, Russia, Saudi Arabia, Slovenia, Slovakia, Finland, Sweden, Hungary, Germany, and Turkey

Nearly all countries tend to regulate or promote the inflows of foreign direct investment by implementing the requirements of international agreements. However, in most of the cases one or even two investment-related measures are adopted. Specific investment measures are provided by a limited number of countries. Meanwhile, the specific fiscal measures are only adopted in Japan, China and Poland (Table II).

Thus, the government's policy in respect of FDI should not overshadow SMEs, but encourage their development. However, there is no such investment policy, which would include both foreign and local investors in the process of sustainable economic growth.

C. *Case Study: Ireland, China, and Canada*

It is not by accident that Ireland, Canada and China were chosen for investigation in this study. The afore-mentioned three countries successfully implemented FDI policy by providing different measures and adopting different types of FDI policies. Ireland, Canada and China stand out from other countries, which implement or undertake to implement the policies promoting FDI (Table I).

In the last forty years, Ireland made a transition from a middle-income country to a high-income country. Ireland is the first country, which initiated the policy towards FDI. Besides, the Irish model of FDI policy is unique as it covers all industry sectors. Moreover, Ireland's model seeks to attract new MNCs and encourages the reinvestment of the existing ones by providing additional incentives.

Despite the fact that various investment-related measures are adopted in different countries, few of those countries introduced the mechanism of legal FDI regulation.

Table III provides the evolution of FDI policy in Ireland, China and Canada.

China employs an aggressive and liberal FDI policy. It does not apply any restriction in any sector. Moreover, it adopts all specific measures and all measures related to investment. However, compared to Ireland and Canada, China has liberalised its FDI policy only recently.

In China, the first liberalization stage started in 1979 only, while Ireland liberalised its FDI policy in 1920 and Canada in 1967. China's FDI policy is focused on regions. For example, in Hong Kong the liberalisation towards FDI started in 1970. Furthermore, having implemented a strictly regulated FDI policy during the period of 1970–1974 (Figure 1), Canada attracted 9.5 times more FDI than Ireland during the same period. Meanwhile, China's inward FDI was 3.8 times smaller than Canada's during the same period. The liberalisation of FDI policy was gradual in each of the three countries. However, the dynamics of FDI inflows shows that the growth of foreign capital is faster in China.

Ireland and Canada lag far behind China. China's FDI inflows surpassed those of Canada more than two times and six times compared to Ireland as far back as 1980–1984.

To sum up, it can be noted that China liberalised its FDI policy implemented by means of aggressive strategy.

Nevertheless, Ireland adopted FDI policy towards all sectors; it does not attract as much foreign capital as China does. Ireland applies the general legal framework and international agreements to promote or to regulate FDI flows.

TABLE III
THE EVOLUTION OF FOREIGN DIRECT INVESTMENT POLICY IN IRELAND, CANADA AND CHINA (source: [26], [27], [28], [29],[30])

Country	Period and adopted incentives
Ireland	Stage1. Ireland turned from a strictly regulated regime, which was oriented towards the local market until the 1920s to an open market country. Stage 2. FDI oriented towards targeted business sectors (mostly towards electronics and pharmacy) Stage 3. Industrial development. IDA was established (*Irish Development Agency*). Stage 4. The employment of FDI incentives framework.
China	*1. First (trial) period* (1979–1999). *The country started a transition towards an open economic regime*. Four FEZ were established. *2. The stable growth period* (1987–1991): the fifth FEZ was opened. By means of liberalization of its policies, China moved to an open economic regime. *3. The rapid growth period* (1992–1994). FDI flows increased to their complete utilization and intensive dissemination across individual regions of China. *4. The matured growth period* (1994–1999). FDI policy was directed towards the achievement of the WTO aims. *5. The second wave of rapid growth* (2000–2012). The Chinese economy was extensively liberalized and completely integrated into the global market.
Canada	1. In 1967Canada partly liberalized foreign trade and investments in the automotive sector. 2. FDI policy was liberalized in many aspects. However, the restrictions were applied to the banking sector. The Banking Act was adopted. 3. In 1974 the FIRA was adopted. The acquisitions and mergers are possible only through long-term commitments. 4. In 1980 Canada liberalized the restrictions on the establishment of branches in the banking sector. However, ownership restrictions remained. 5. In 1985 Canada liberalized its investment process by applying "the net benefit" test. 6. In 1987 the trade in stock exchanges was liberalised for foreigners. 7. In 1989 the FTA-NAFTA agreement was implemented. The restrictions towards U.S. and Mexico were eliminated. 8. Canada reduced restriction on mergers and acquisition in the energy sector.

The analysis of the evolution of Ireland's FDI policy shows that Ireland implements a liberal and passive FDI policy.

Despite the fact that Canada applies a strictly regulated FDI policy, it successfully attracts foreign capital.

The analysis of Canadian investment measures indicates that Canada adopts a strictly regulated FDI policy, but it is oriented towards targeted business sectors.

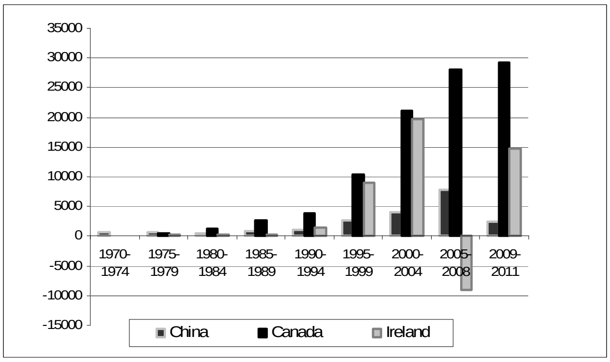

Fig. 1. Dynamics of inward foreign investment in U.S. dollars per capita (source: [31])

Although Ireland, China and Canada successfully implement their investment policy, it is important to highlight that the inflows of international capital are lower and the growth of the FDI flows is slower when universal liberal, passive or strictly regulated and targeted FDI policy is employed. Thus, it can be assumed that the rapid growth of FDI flows is only possible if FDI policy directed towards the targeted regions is liberalized in full.

III. Empirical Research

The good examples of FDI policy show that the adoption of FDI policy does not guarantee a long-term positive effect on the host country. The influence of FDI is measured as GDP growth. Hence, FDI does not serve as an external financial source exclusively, but it also creates new jobs. In addition, the transfer of new technologies increases the productivity of the SMEs and their contribution to GDP. However, the attraction of FDI requires the government's investments, especially if the country implements FDI policy. For example, the government, through fiscal incentives, such as tax exemptions, concessions by paying taxes, loses part of its income to the budget. Thus, it can be assumed that the loss of revenue is part of investment in FDI attraction. In addition, the costs incurred as a result of reduced loans or the commitment to create a favourable infrastructure can be considered the share of investments in attracting FDI.

The empirical investigation is carried out in respect of three countries: China, Ireland and Canada. Figure 1 shows that Canada and Ireland remarkably increased inward FDI flows in 1995. This leads to assumption that these two countries succeeded in adopting FDI policy. Both of them gained profit from FDI policy in 1995. Thus, the analysis covers the period of 1995–2011.

The study is based on the data of the UNCTAD [31],[32],[33], and World bank [34]. The FDI inflows and GDP [31] are calculated per capita in U.S. dollars. The IN is defined as government's investments for the attraction of FDI. This variable is calculated as the amount of uncollected taxes per capita in U.S. dollars [34]. The investigation takes into account the number of created jobs as well. MS stands for the market size, which is measured as population [32]; OP means the openness of the country expressed as the ratio of export and import [33]. The relationship between FDI inflows and its determinants is expressed in the correlation–regression equation (1, 2), where t stands for research time, and i – a host country.

$$y(FDI) = f(GDP; IN; MS; OP) \quad (1)$$

$$y(FDI_{it}) = \alpha + \beta_1 GDP_{it} + \beta_2 IN_{it} + \beta_3 MS_{it} + \\ + \beta_4 OP_{it} + \varepsilon_{it} \quad (2)$$

The result of correlation – regression shows that FDI flows are strongly related to all determinants in the case of China only (Table IV).

TABLE IV
THE RESULTS OF CORRELATION
(Source: compiled by the author)

Country	GDP	IN	MS	OP	R	R^2
Ireland	0.928	0.967*	0.418	0.589	0.999	0.998
Canada	0.456	0.999*	0.339	0.750	0.999	0.999
China	0.833*	0.967*	0.833	0.866	0.999	0.998

*$p > 0.05$

It is clear that China's economy has a high degree of dependence on foreign investment. Furthermore, China's case shows a strong positive relationship between the inward FDI and the investment in attracting FDI. This fact demonstrates that China applies FDI policy successfully. Besides, in China FDI inflows are highly related to the market size, which is the largest in the world. It can be seen from the strong relationship between FDI inflows and China's population. It proves that even if China does not apply FDI policy, it will attract huge amounts of FDI anyway. There is no doubt that FDI flows are dependent on the openness of the recipient country.

However, the results of Ireland and Canada are different compared to China's case. Firstly, GDP and the openness of the country have a weak relationship with FDI. It means that the Canadian economy is not highly dependent on the foreign capital and local business creates a huge share of GDP. This conclusion may be prompted by the average strong relationship between FDI and the openness of the country, which is expressed as the ratio of import and export. In Canada's case, the size of market does not affect the inward FDI. Meanwhile, the investments in the attraction of FDI and FDI flows are strongly interrelated. This fact confirms that the increased investment in attracting FDI will increase the inward FDI. In addition, it appears that this country successfully implements its FDI promotion policy.

Ireland, like China, heavily depends on FDI flows, which can be noticed from the strong relationship between GDP and FDI. However, a lower than average relationship between FDI and the openness of the country testifies that MNCs prefer horizontal FDI in Ireland.

A strong positive relationship between FDI and investments in attracting FDI and a weak relationship between FDI and market size show that Ireland, even as a small market country, successfully implements FDI policy.

In conclusion, the investigation confirmed the theoretical and practical aspects of the successful FDI policy. Thus, by following the examples of good practice, the emerging countries and countries in transition could benefit from the experience of other countries.

IV. Conclusion

The growth of FDI inflows on a global scale results in the increasing number of studies on the FDI impact on the development of the host country. However, the influence of FDI on the host country in scientific literature is controversial. Thus, the problem of targeted FDI attraction comes to the fore. In other words, there is a need to design the framework of FDI policy, which allows the attraction of the foreign capital having a long-term positive impact on the host country. However, the attraction of FDI is determined by other factors (market size, geographical location, openness of the country, etc.). Thus, these "natural" determinants play the major role in forming the FDI policy.

The article studies three good examples of the FDI policy implementation. Ireland, China and Canada were chosen for the case study. Ireland is the first country, which designed the framework of FDI policy and successfully implements it. The Irish model covering all business sectors is liberal. However, compared to China, Ireland increases its FDI flows gradually.

China stands out among others for its continuous rapid growth, which does not slow down even in the midst of the economic crisis. Furthermore, China, being a politically closed country, employs all kinds of incentives towards FDI.

The study indicates that Canada adopts a conservative and strictly regulated FDI policy.

The results of correlation–regression highlight the differences between Ireland, China and Canada. In China's case, a strong positive relationship between FDI and other determinants gives evidence that the growth of economy is highly dependent on foreign capital. Meanwhile, Canada, attracting tremendous amounts of FDI flows, stays least dependent on MNCs. A lower than average relationship between FDI flows and the openness of the country shows that Ireland attracts horizontal FDI. A strong positive relationship between investments in FDI and FDI flows and a weak positive relationship between FDI flows and market size indicate that Ireland, being a small market country, successfully implemented FDI policy.

To conclude, it can be highlighted that the analysis of three cases proves that the success to attract FDI is dependent on the government's ability to employ FDI policy. Thus, the emerging countries and countries in transition should benefit from the Chinese, Irish and Canadian experience in implementing FDI policy.

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Agne Šimelitė. Ārvalstu tiešo investīciju politikas stiprināšanas īpatnības

Rakstā analizēti ārvalstu tiešo investīciju (ĀTI) noteicošie faktori, risinātas problēmas, kas saistītas ar mērķtiecīgu ĀTI piesaisi un izceti stimuli, kas veido ĀTI politiku. Tomēr jāatzīmē, ka vairāku valstu valdības cenšas piesaistīt ārvalstu investīcijas, par jebkādu cenu.Raksta mērķis ir noteikt veiksmīgi īstenotas ĀTI politiku aspektus. Par piemēru ir ņemtas Īrija, Kanāda un Ķīna. Īrija ir pirmā valsts, kas sekmīgi īstenojusi ĀTI politiku. Īrijair izmantojusi tīri liberālu ĀTI politiku, kas aptver visas uzņēmējdarbības nozares, Kanāda īsteno stingri reglamentētu ĀTI politiku, savukārt Ķīna pieņem liberālu un agresīvu ĀTI politiku. Empīriskā analīze atklāj, ka pastāv spēcīga pozitīva saikne starp ĀTI piesaisti un investīcijām ārvalstu kapitāla piesaistei. Ķīnas gadījumā spēcīga pozitīva attiecība starp ĀTI un citiem faktoriem ir pierādījums, ka ekonomikas izaugsme ir ļoti atkarīga no ārvalstu kapitāla investīcijām. Tikmēr Kanāda, piesaistot milzīgas ĀTI plūsmas, paliek atkarīga no daudznacionālo kompāniju investīcijām. Zemāka nekā vidējā attiecība starp ĀTI plūsmu un valsts atvērtību liecina, ka Īrija piesaista horizontālas tiešas ārvalstu investīcijas. Trīs gadījumu analīze pierāda, ka panākumi ĀTI piesaistē ir atkarīgi no valdības spējas pieņemt un īstenot veiksmīgu ĀTI politiku.

Агне Шимялите.Особенности усиления политики прямых иностранных инвестиций

В статье сделан анализ факторов, предопределяющих прямые иностранные инвестиции (ПИИ), в нем выдвигается проблема привлечения целевых инвестиций, освещаются основные стимулы, формирующие политику ПИИ. Также указывается на то, что во многих странах доминирует понимание того, что прямые иностранные инвестиции необходимо привлечь любыми средствами. Статья предполагает выявить основные аспекты успешной реализации политики в области ПИИ. Для выявления наилучших примеров подобраны Ирландия, Канада и Китай. В этих странах политика в области ПИИ осуществляются по-разному: Китай включает в себя либерально агрессивную политику ПИИ, Ирландия – либерально консервативную, а Канада – консервативную и строго регламентированную политику для ПИИ. После корреляционно - регрессивного анализа этих стран, видим плотную связь между ПИИ и привлечением иностранного капитал. Но только экономики Китая и Ирландии в значительной степени зависят от иностранного капитала. Канада, применяя регулируемую политику в области ПИИ, избегает зависимости от ПИИ, потому, что и местный бизнес создает долю ВВП. Анализируя, видим тенденцию, что постепенная и контролируемая политика по привлечению ПИИ медленнее притягивает потоки ПИИ, чем быстрая и агрессивная либеральная политика. Автор статьи предполагает, что применение хороших примеров в развивающихся странах ускорили бы в них разработку политики ПИИ, а также и притоки ПИИ.