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OVERSEAS DIRECT INVESTMENT – A LITERATURE REVIEW

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ABSTRACT

A huge body of research has been done on overseas direct investments (ODI) by companies in other countries. However, a holistic literature review has not been carried out. Globalization and the growth of multinationals have fuelled ODI over the years, reaching $1.55 trillion in 2023. The paper evaluates and categorizes 121 research papers published from 1975- 2023. The results highlight the key economic drivers of ODI, firm-level characteristics, modes of entry, and impact on the home country and recipient countries. The role of Government, local institutions, and individual champions in promoting ODI and steering the same in specific sectors is also evaluated. The geographical inclination of previous authors has been unequivocally China, thus espousing the scope for research in other regions. The paper also shares the data sources and different research methodologies that have been used for ease of future scholars. This paper aims to generate interest in the important topic of ODI and encourage research in the years to come.

Keywords: Overseas Direct Investment, Outward FDI, Literature Review, India, China

1. INTRODUCTION

"Someone's sitting in the shade today because someone planted a tree a long time ago." -Warren Buffett

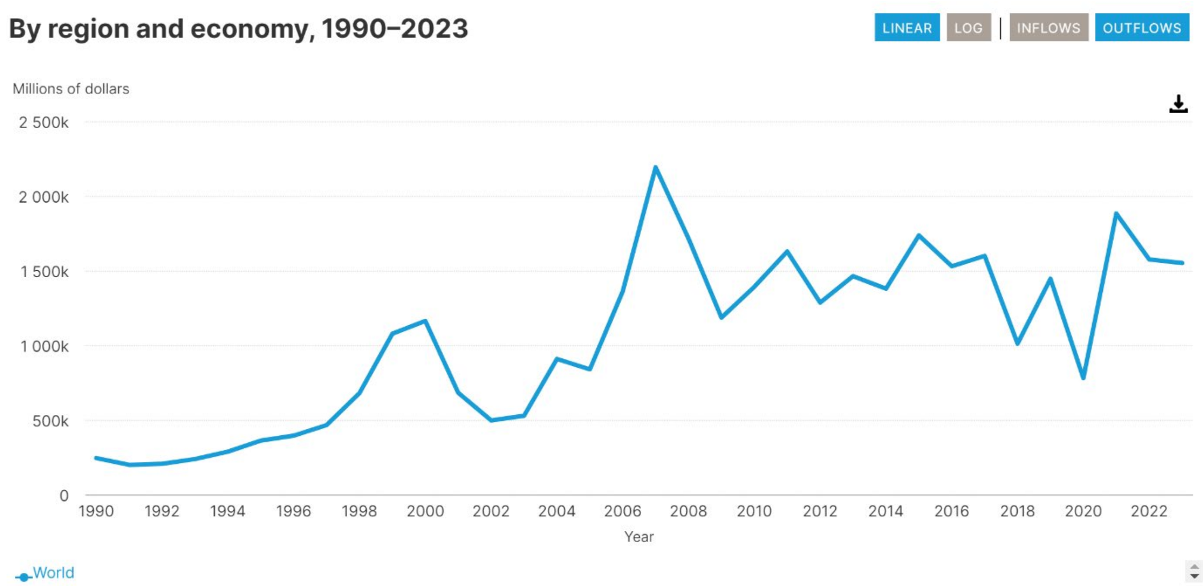
Investments are intrinsic to human development over the years. An individual can invest by planting a tree that will bear fruit and shade to future generations; investing in a stock that will pay dividends and increase in value over the years; or investing in the education of themselves and their children so that they can always get a job and lead a stable life.

Investments are also made by corporations. They re-invest earnings by increasing the working capital or existing production capacity or they could purchase another company. This acquisition can be 100% or partial and it can be domestic or overseas. When a company invests in another company overseas, it is called Overseas direct investment i.e. ODI, or is sometimes referred to as outward FDI, in certain countries.

In terms of Foreign Exchange Management (Overseas Investment) Directions, 2022 Issued by the Reserve Bank of India, "Overseas Direct Investment (ODI)" means (i) acquisition of any unlisted equity capital or subscription as a part of the Memorandum of Association of a foreign entity, or (ii) investment in 10% or more of the paid-up equity capital of a listed foreign entity, or (iii) investment with control where investment is less than 10% of the paid-up equity capital of a listed foreign entity.

The benefit of access to foreign markets is that it delinks firm size from the size of the local market. (George A. Alessandria et al., 2021). This is especially important for developing countries desirous of moving to developed country status; and also advanced economies like the EU and Japan, where shrinking population at home means external markets have to be explored.

Globalization has increased over the last few centuries and Globalization 4.0 (as the World Economic Forum puts it) has been facing backlash in the last few years. Given this context, it is important to understand the important phenomena of overseas direct investment and how various researchers across the globe have studied the same. Whether the international outlook of companies is increasing or decreasing? As per UNCTAD data, global ODI flows have seen a few highs and lows – they were \$243.88 billion in 1990, increased to \$1.1 trillion in 2000, decreased to \$496 billion in 2002, reached a peak of \$2.19 trillion in 2007, plummeted to \$ 731 billion in 2020 and have settled to \$1.55 trillion in 2023.



This author has studied 121 papers regarding the topic for the period 1969-2023. The papers were sourced from Google Scholar, Elsevier, Springer, SCOPUS indexes, JSTOR, and other notable Publications.

The broad themes and their treatment are covered below:

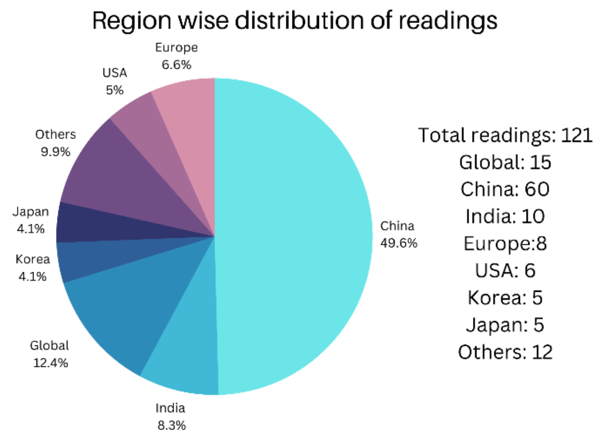
Geographical focus and period of study:

The majority of the studies, almost 50% were focused on China. China grew nine-fold this century from a \$2 trillion economy in 2000 to a \$18 trillion economy in 2023. Even though there is a huge domestic demand in China, the majority of the growth has been fuelled by exports and overseas acquisitions., hence it was natural that many authors - both Chinese and non-Chinese, have a keen interest in understanding investments in China and their impact both for China and the host countries. China's ODI flows have increased from \$830 million in 1990 to \$147 billion in 2022 with a peak of \$196 billion in 2008.

However, other countries that differ in terms of level of democracy, and socio-economic growth may not enjoy the heft of China. There is a limited focus on developing countries but given that such countries are more sensitive to the impact of globalization, more studies are needed.

In India, the period of study has been from 1995 to 2016. Determinants of ODI were studied in 2007 and 2009. Trend and evolution were studied in 2008 and twice in 2018. Sector-specific determinants of the manufacturing sector and country-specific ODI with Africa were examined. India is the 5th largest economy in the world and is already the third largest in terms of GDP (PPP) and ODI is bound to be an important part of its growth story and influence the structure of its economy. Work in this area is relatively scarce and there will be large gains if India's ODI is understood. India's ODI flows have increased from \$6 million in 1990 to \$13.3 billion in 2022 with a peak of \$21 billion in 2008.

Other regions studied include Europe, the USA, Korea, and Japan. Many papers focus on a particular country. The results may not be generalizable to other countries. A few studies are focused on the Global ODI phenomena and have not restricted themselves to any geographical region. Research on ODI by Least Developed Countries has been minimal or nonexistent, though it has increased from \$5 million in 1990 to \$1.16 billion in 2022 with a peak of \$4.3 billion in 2010.



Study findings:

Key economic drivers of ODI:

Factors such as economic growth, market size, resource endowments, and institutional factors such as host country institutional quality and investment regulations, influence Chinese ODI. (Torres Oliveira, R., Menzies, J., Borgia, D., & Figueira, S., 2017). Japanese ODI is additionally influenced by technology intensity and the level of bilateral trade and investment between Japan and the host country. (Chiappini, R., & Viaud, F., 2022). Awni-Al-Ani (1969) found that German ODI in developing countries was influenced by the above factors as well as political stability, and ODI from Malaysia by cultural similarity. (Andaman, G., Yusop, Z., Noor, Z. M., & Kaliappan, 2016) and Indian ODI by ownership structure and innovation. (Prema-chandra Athukorala, C. Veeramani, 2016). There is a positive relationship between Indian ODI and domestic economic growth. (Agnihotri A, Arora Shagun, 2019).

Economic freedom in the target country positively affects the cross-border acquisition activities of firms from emerging markets into developed economies. The effect is stronger for firms from countries with weaker institutions. (Jianhong Zhang et al., 2016). Infrastructure and macroeconomic factors are more important for ODI in landlocked countries, while the market size and natural resources are important determinants for ODI in coastal countries, (Liu, Y., Su, M., Zhao, J. et al.)

Firm Characteristics

The overseas M&A investment by Chinese firms with high profitability, size, and technology capacity tends to enhance their investment in countries with strong institutes, low corruption, and more advanced economic development. (Clemens Fuest, Felix Hugger, Samina Sultan, Jing Xing, 2021). SMEs internationalize more through the casino model that they implement after the IPO stage to enter new countries and explore various types of ownership. (Jiang, G.F, et al.,2022).

To put it crudely, as per Tao Bai and Peter Liesch's (2022) report, Chinese companies' declared objectives appear to influence the decisions on ODI but only shallowly; perhaps linking the remuneration of the manager with the delivery of goals - if a sales target is not met at home then they look abroad. However, the analysis relies on a survey and excludes detailed theoretical framework explaining underlying mechanisms between organizational goals and resource allocation for it would lead to a deeper understanding of the relationship.

Ziliang Deng et al. (2022) investigate that underperforming subsidiaries are more likely to have ODI activities because of their need for new sources for growth and diversification of low risks. However, underperforming subsidiaries have fewer resources and capabilities to manage efficiently their ODI activities and hence are less successful.

Chinese firms are likely to engage in ODI because these firms possess high absorptive capacities. ODI can give the companies new technology, knowledge, and management skills that are applied in quality upgradation and innovation. (Hongfeng Peng, Jingwen Yu, 2021). According to Sangcheol Song (2022), MNCs in Korea invest more in locally embedded smaller investments or fewer locally embedded large investments. While discussing the relationship between host market growth uncertainty and local embeddedness, the author seeks selective causality and, therefore, shows no regard for the other socio-political factors involved within the process.

The Politics of ODI

The South China Sea Dispute has a negative effect on Chinese overseas investment in the energy sector in countries that have territorial disputes with China. (Zhen Yu, Yao Xiao, Jinpo Li, 2021). Market size and natural resources are more important for Chinese firms in Belt & Road Initiative (BRI) countries while institutional quality and political risk have a stronger impact in non-BRI countries (Lili Pan, Qianqian Feng, Jianping Li, Lin Wang,)

Image building of nation

Chinese ODI positively influences the attitude of the host country toward China. This increases the soft power of China, leading to an improved image of China in the eyes of other nations. The positive effect is greater in countries with higher economic development levels and more exposure to Chinese investment. (Yang, G., Tang, T., Wang, B., & Qi, Z., 2022). The study by John F. McCauley et al (2022) shows that Chinese ODI in Africa is positively related to support for the China model of development. However, crucial variations exist in the perception of the China model of development among African countries and demographic groups and other factors such as political ideology, income, and education determine the attitudes toward the development model of China. While employing survey data from five African countries, the research does not involve other stakeholder views such as the policymakers, civil society organizations, or multinational corporations since they influence the ODI in both negative and positive ways.

Impact on labor

The inclusion of Chinese firms is likely to have effects, including bringing in Chinese workers, rather than hiring African labor, with negative consequences for collective bargaining power and working conditions. Yang, Y. (2022) reveals a tension between the economic interests of China and labor rights in the host African countries and argues that Chinese ODI might have more positive impacts if accompanied by stronger commitments to local employment and labor standards. The paper does not explore heterogeneity in the labor practices of Chinese firms across industries or ownership types. State-owned enterprises may follow different labor practices than private or joint venture firms. It also does not take into account the broader political and economic settings in China for this particular investment in Africa as investments do not take place in a vacuum. Labor issues, be it wages or humane treatment, and the role of national and state government officials and regulatory bodies in helping or hindering ODI efforts need to be studied.

Location

Indian firms have diversified their overseas investment from traditional markets like the US and UK to emerging markets in Asia, Africa, and Latin America. (Prema Chandra Athukorala, C. Veeramani, 2016). Clegg, J., Voss, H. (2014) lists major destinations for Chinese ODI in the EU as the UK, Germany, France, and the Netherlands.

Ramon DQ et al (2011) conclude that Chinese MNCs' location decisions for ODI vary depending on the type of investment, political stability, legal systems, and cultural proximity in the host country. Andaman, G., Yusop, Z., Noor, Z. M., & Kaliappan (2016) find that the export orientation of the host country and the distance between Malaysia and the host country has a negative effect on ODI from Malaysia. Malaysian firms tend to invest in markets that are complementary rather than competitive with their home country's exports.

Mode of entry

Choi J. & Kim S., (2020) carried out a qualitative case study on the foreign expansion of six Korean banks in four countries-China, Vietnam, Indonesia, and the US-between 2000 and 2010. Korean banks had three dominant organizational forms while expanding its operations abroad: subsidiaries, branches, and representative offices. Legal and regulatory considerations plus the market conditions in light of control and the amount of risk which the bank was willing to accept played a role in this choice. Wholly-owned subsidiaries would be ideal for developed markets where the environment is stable and predictable. In markets where local knowledge and cultural familiarity are critical for success in newly emerging markets, a joint venture would be more appropriate.

The study by Subhanij, T., & Annonjarn, C (2016) concluded that Thai ODI is characterized mainly by horizontal investments aimed at repeating the reproduction of domestic production abroad. Upstream or downstream activity in the supply chain constitutes vertical investments and is not very common; indeed, conglomerate investments, which represent horizontal investments into unrelated business areas, are also very infrequent. Horizontal investments appear more likely to arise from larger firms having better financing access and greater experience in international markets.

Vertical investments are more likely to be made by firms in industries with a higher level of foreign ownership and firms having greater experience with international markets. Firms with a surplus of cash as well as those firms that have greater experience in international markets are more likely to make conglomerate investments. Further research would benefit from a primary questionnaire with corporates beyond mere quantitative analysis for an in-depth insight into the motives and strategies of firms from Thailand while investing abroad.

Chinese firms are more likely to invest in greenfield investments instead of M&A when going global; they opt for investments in countries sharing similarities in culture and institutions.(In Eunsuk Hong & Laixiang Sun, 2006). During the last few years, Chinese ODI in the EU has been growing very fast, especially in M&A and greenfield investments direction (Clegg, J., Voss, H. (2014). In the case of Japan investment, ODI in greenfield has given more direct positive impact than M&A. Chiappini R, 2015). For Chinese A-share listed firms, joint ventures are positive for a firm's innovation, whereas wholly-owned subsidiaries and acquisitions result in negative effects (Xiao, Chunhuan, Ziyin Zhuang, and Amei Feng, 2021). In the case of Indian ODI, joint ventures bear a more significant positive effect on subsidiary performance than wholly owned subsidiaries (Das K.C. & Mahalik M.K, 2020).

Government ambitions & ODI

Lisha He, Ronghao Jiang, and Mia M. Bennett (2020) demonstrate that Chinese State-Owned Enterprises (SOE) tend to adopt a resource-seeking FDI strategy in the United States, whereas Chinese Private Enterprises (PE) tend to apply a market-seeking FDI strategy, with new markets and clients to support further internationalization. The Chinese SOEs will invest in strategic sectors for the Chinese Government, such as energy and infrastructure, while the PEs will likely go for consumer sectors, including real estate and hospitality.

Bureaucratic politics and political motivation guide the state-owned oil companies of China to acquire strategic resources and influence the host countries, rather than for reasons of economic factors. The Chinese SOE decision-making process therefore needs to make its overseas investments of state-owned enterprises more effective and sustainable by introducing more transparency and accountability. (Liou C., 2009). Chinese National Oil Companies have shifted their overseas investments from resource-seeking to market and technology-seeking due to a change in strategic government priorities. (Chalmers, A. W., & Mocker, S. T., 2017)

Oh, Y. A., & No, S. (2019) find that the private sector internationalization of China is simultaneously market-seeking and resource-seeking. Although the state plays a dominant role in determining strategies and results in M&A activities by Chinese firms in Southeast Asia, coordination between the state and the firm can be state-led, state-guided, or state-facilitated. Luo L. et al. (2017) has delved into determinants including focus on key sectors, dominance of state-owned enterprises, diversified motivations for investments, potential economic benefits for host countries, and risks and challenges such as political and regulatory risks, cultural differences, and social and environmental harm.

ODI, Financial risk, and markets:

Financial risk, as measured by stock market volatility and credit default swap spreads, hurts FDI inflows and outflows. Financial instability can create uncertainty and increase the perceived risk of investment discouraging foreign investors from investing in a particular country or industry. (Kellard, N. M., Kontonikas, A., Lamla, M. J., Maiani, S., & Wood, G., 2022). There is a positive relationship between ODI and stock returns in the short run, but this relationship becomes negative over the longer term for Chinese manufacturing firms. (Xiaosong Wang, Huan Wu, Wing Thye Woo, Shenxiang Xie, 2021).

Legal & IP:

The legal System of the host country is the most critical element that influences the Chinese performance of ODI, because the better the quality of the legal system is, the better the performance is with ODI, especially in industries with higher technological complexity and higher intellectual property protection. Qu, X., & Li, R. (2021). MNEs select countries with much stronger laws and regulations of intellectual property protection to protect their R&D investments and assets. High market orientation MNEs locate R&D closer to the target market because they want to understand customer's needs and preferences better. (Nagesh Kumar, 1996)

Governance and Corruption:

Chinese ODI is positively correlated with financial development and better governance (Gao, C., Wen, Y., & Yang, D, 2022). However, research fails to illuminate on concurrent host country characteristics such as firm-level heterogeneity and implications of ODI on recipient countries such as social, economic, or environmental. Sutherland, D., Anderson, J., Bailey, N. et al., (2020) establish that political instability and corruption negatively affect the Chinese ODI. In addition, property rights protection positively influences the Chinese ODI. Jiang, G.F. and Sartor, M.A (2021) find that firms with more robust anti-corruption policies are more likely to invest in countries with higher degrees of corruption because these firms can better mitigate risks triggered by corruption. Firms with resource-seeking motives are likely to invest in countries with a high level of corruption, while firms with market-seeking motives have less chance of doing so.

India ranked 93 out of 180 countries in the Global Corruption Perception Index. It is, therefore important to understand how Indian firms navigate around corruption once they go abroad. Das K.C. & Mahalik M.K, (2020) reported that it is institutional quality and investment regime that positively affects the performance of subsidiaries of Indian extractive MNEs, while corruption negatively affects subsidiary performance.

Institutional support at the local level:

Regional branches of investment promotion agencies play an important role as service providers for Chinese investors going into Europe, according to Knoerich, Jan & Vitting, Simon (2021). For example, when a Korean business group wanted to invest in Fukuoka, Japan, the city government provided all the necessary information and assistance to facilitate them.

Local government-business group coalitions sometimes succeed in influencing FDI to locate in the region with positive income growth effects in the region. (Paku Chonghyon, 2020). Japanese Sogo Shosha took part in the stimulation of ODI in Canada, starting from 1954 in the most strategic areas of mining, forestry, and energy. Despite experiencing several setbacks due to adaptation on cultural and regulatory levels, Sogo Shosha was able to achieve the requisite partnerships with Canadian firms and contributed greatly to the economy of both Japan and Canada. (Kurihara T., 1993)

Individual Champions of ODI:

The internationalization of local firms is influenced positively by the market-oriented values of local governors. (Zhou, W.C., and Sun, S.L., 2021). Highly skilled returnees have a positive relation to the probability and magnitude of MNCs' ODI activities in China. (Xialoan Fu, Jun Hou, Marco Sanfilippo, 2017). Beata S. et al. (2011) found a positive relation between immigrant networks and ODI flows. More populated countries with a population of immigrants would likely be the recipients of ODI from the original countries of those immigrants, particularly where the immigrant and host country are culturally more relatable. Mayda, A. et al. (2019) found out that refugees encourage ODI to their countries or regions of origin, particularly Vietnamese. However, they did not delve into the underlying mechanisms of what drives the relationship between why or how refugee resettlement attracts foreign investors. The foreign Chinese communities in host countries are positively related to the probability that Chinese MNCs would invest there.

The effect is stronger for smaller Chinese MNCs, reflecting that more resources are utilized by these firms from the sources offered by these communities. Moreover, the effect is also stronger for more uncertain industries, such as the creative industries, and it reflects the fact that more benefits are extracted from the resources and information stemming from overseas Chinese communities. (Karreman, B., Burger, M. J., & van Oort, F. G. (2016).

Impact on recipient country:

Chinese investment plays a major role in enhancing economic growth and development of the host country. However, research states that Chinese investment can also be an environmental and social source of concern, especially in extractive industries (Shiro Armstrong, 2011). China's aid is positively effective in terms of economic growth for African countries in the short run. Institutional differences in the recipient country and the nature of the economic sector to which investments are made produce diverse effects. (Yan Dong, and Cijun Fan, 2020) . Job creation, transferring technologies, and economic growth are some of the positive effects on the continent. There are concerns about national security and unequal competition (Clegg, J., Voss, H. (2014). German ODI, according to Awni-Al-Ani 1969, has created both positive and negative impacts for the receiver countries by creating employment opportunities, transferring new technologies, and improving the general economy, with some negative impacts such as environmental degradation and social dislocation. The study suggested German investors embrace environmentally friendly and socially responsible investment to ensure the sustainability of the economy in the long run.

Chinese banks have raised their activities in BRI states across Southeast Asia, South Asia, and Africa., (Cai, Y., & Pan, F. 2023). The expansion of Chinese banks in the BRI countries creates two major disadvantages: financial instability and debt sustainability, apart from the geopolitical implications.

Bidirectional Impact:

France has a statistically significant relationship between net inflows of international capital and ODI and FDI, and also with the long-term interest rate. An increase in net capital inflows lowers long-term interest rates; a decrease in net capital inflows raises long-term interest rates. The relationship is weakened, though, when French government debt levels are high (Cebula, R.J ., 1997).

The relationship between ODI and economic growth is non-linear for Romania. Long-run bidirectional causality between ODI and economic growth is confirmed by the authors Amin, A., Anwar, S., & Liu X (2022) Yu, Y et al. (2021) find that reverse country-of-origin effect may be applicable to tourism flows of host country since the activity of foreign companies can influence country's perception and its products. Therefore, it will have both positive and adverse effects on inbound tourism. Visiting a country as a tourist is a very good way to get familiar with culture and work attitude in an informal setting. Future research studies could look into the two-way relationship between ODI and inbound tourism.

Comparative strategy:

A comparative study of the ODI of Indian and Chinese steel firms by Kumar N and Chadha A. (2009) found that Indian steel firms ventured overseas mainly for access to raw materials, markets, and technology. Indian steel firms were relatively small and opted for joint ventures as a mode of entry into foreign markets and have been very highly restrictive in their entry into foreign markets of the developed countries. On the other hand, Chinese enterprises are relatively much larger, more prone to wholly-owned subsidiaries, give greater importance to strategic assets, and with increased investment shares in the developed economies of the United States and Europe.

Niosi, Jorge & Tschang, Ted. (2009) conclude that both Chinese and Indian software multinationals depend on a combination of home-country advantages, network-based strategies, and strategic partnerships in order to enter foreign markets. Chinese firms depend further on government support and domestic market size, whereas Indian firms depend more on technological capacity and human capital. Indian software MNCs tend to enter developed markets whereas Chinese software MNCs focus more on emerging markets.

Impact of economic crisis:

World FDI declined during the global financial crisis, but China's outward FDI jumped from 2008 to 2009 and continued at a positive pace afterward. Chinese firms were more likely to invest in countries with weaker governance structures where entry barriers were not so stringent and where they could play to their comparative advantages i.e. cost of labour and flexibility (Ken Davies, 2009).

The global economic crisis had an adverse impact on Indian multinationals, and the ODI of the country saw a big fall in the year 2008-09. Businesses became even more cautious about their investment decisions, as they did not want to incur fresh losses but protect the investments already made. The Indian multinationals, having made huge pre-crisis acquisitions, were more vulnerable and thus had to accept big losses. The service sector was the leader of Indian ODI due to flexibility and the manufacturing sector declined. The paper depicted the necessity of Indian multinationals having a better knowledge of market scenarios and regulatory frameworks existing in host countries to reduce the risks attached to outward FDI. (Pradhan J.P., 2009)

Strategy:

The internationalization strategies of the companies can be categorized into four types: market-seeking, resource-seeking, strategic asset-seeking, and efficiency-seeking.

Market-seeking is the most commonly employed followed by resource-seeking. Generally, larger firms have used more strategic asset-seeking and efficiency-seeking strategies than the smaller firms, whereas the latter tend to use rather market-seeking and resource-seeking strategies. Government support and institutional factors can also be very crucial in providing helping hands toward outward investments made by Chinese firms. (Eunsuk Hong & Laixiang Sun, 2006). Those who are using an "ambidextrous" catch-up strategy have more chances of managing sustainable competitive advantages and higher levels of performance than those adopting the "focus" strategy. (Peng, X., Fang, K. and Lockett, M. 2021). Market-seeking resources and strategic asset-seeking motives mainly explain the phenomenon of Chinese ODI headed for the EU (Clegg, J., Voss, H., 2014).

Transfer pricing is quite typical for Korean firms; it shifts profits to low-tax jurisdictions. This kind of tax avoidance by way of transfer pricing arises from the level of investment in the countries of tax havens, and the taxation differential existing between the home and host countries (Park S.J. et al., 2016).

Sectoral:

DuBois, T. D (2022) encompasses the motive for investing in overseas dairy markets and the challenges Chinese dairy firms face while investing in such, through two case studies of Chinese dairy firms investing in New Zealand and Australia. Some of the challenges include regulatory and cultural differences, supply chain challenges, and quality and safety issues. Further studies are needed that determine whether or not this is also the case with non-Chinese dairy companies, or are such barriers somehow peculiar to Chinese firms only.

Thomas, R., & Narayanan, K. (2017) conclude that ODI determinants of Indian manufacturing firms are essentially size, profitability, higher R&D intensity, and ease of availability of external finance. Indian manufacturing firms look more to invest in countries that enjoy a relatively large market size, good infrastructural backing, and business environment. Pradhan J.P, (2004) remarks that Indian manufacturing firms' ODI is influenced by firm-specific factors like the size of the firm, profitability, and technology intensity of the firm, and country-specific factors like market size, growth potential, and institutional quality.

Stable economic growth and a favorable business climate influenced the extension of the Japanese steel industry in the area of East Asia. Policy support by the Japanese government, such as official development assistance supported extension. Another enabler for growth was that the management environment in the East Asian region was relatively accommodating to the Japanese steel industry in the sense that there were convergences of business culture, labor practices, and legal systems. Strategic alliances with home-based local partners for effective overseas expansion gave companies a source of knowledge and networking of the domestic markets (Nakamura, Tatsuo & Sato, Junichi, 1999). A particularly good study by Bud Frieman et al. (2010) investigates how an oil major Pearson Group flourished in Mexico from 1901 to 1919. The authors investigate the role of the Mexican government and other players such as domestic elites and foreign investors in the development of the Mexican oil industry and the emergence of a British oil major.

Future research can concentrate on other sectors such as IT services, Financial services, Healthcare, etc, given their socioeconomic significance.

Impact at home:

A positive relationship between ODI and domestic innovation performance exists in China, relatively more so in developed countries than in developing countries through (a) spillovers of knowledge and learning from foreign markets and (b) upgrading of capabilities in the domestic country through exposure to international competition and technology transfer by Jian Li, Roger Strange, Lutao Ning, Dylan Sutherland, (2016). ODI can contribute to economic growth through several channels that include technology transfer, access to new markets, and distribution of risk (Agnihotri A, Arora Shagun, 2019). ODI by Japanese firms poses both short-run positive and long-run negative impacts on trade because it creates new trade opportunities, but substitutes exports and imports with foreign affiliates in the long run. Variation exists across different sectors. ODI in the manufacturing sector leads to a positive impact on trade in the short run while having a negative impact in the long term. In contrast, the service sector is concerned that ODI has a negative impact on trade in both the short run and the long run (Chiappini R., 2015).

Not all ODI's are a success. An example would be Sichuan enterprises' overseas agricultural direct investment under the BRI. Mean technical efficiency was relatively low, due to insufficient investment, weak management capacity, and inadequate risk management (Zhang, L., Gao, L., & Zhou, G.)

Data story:

Inflating FDI figures is a serious issue. Governments, therefore, need to cap tax incentives being offered to foreign investors and also enhance the transparency of FDI data in order to detect and monitor round-tripping. Aykut D, (2017) mentions the context of developing countries and emerging markets. However, he does not provide pointers regarding the level of round-tripping involving developed countries.

De Jong et al (2017) demonstrated that the official statistics of Chinese ODI flows to the Netherlands overestimate the real flows, primarily due to SPEs and round-tripping investments.

Environment:
Sattar A. et al. (2022) have identified that Chinese ODI in South Asia carries negative environmental effects since it results in deforestation, pollution of water, and soil degradation due to weak environmental standards of the host country, lack of mechanisms for proper law enforcement, and less focus of the projects on environmental settings. It could be quite pivotal for this study not only to focus on the short-term impact but also on the long-term cost of doing nothing on climate change and how local government, institutions, civil society, local communities, and non-state actors might play a role in managing these risks to continue attracting investments. A more in-depth analysis of the power dynamics and stakeholder engagement may enhance the policy relevance of the study. Climate risks and opportunities can vary by region as well as by sector - infrastructure projects pose different environmental risks than manufacturing or extractive industries.
Climate change risks enhance the vulnerability of the ODI , especially in the agricultural, forestry, and energy sectors, in developing countries. Xia Li & Kevin P. Gallagher. Yang, L., & Zhang, H., (2022) discovered that more stringent environmental regulations in China push Chinese firms to invest in countries with lower environmental standards.
Chinese firms could influence green innovation if only these firms have to undergo more stringent institutional pressures for environmental responsibility in their home country (Zhen Yang et al., 2020). The paper by Chen, X et al., states that the US, Japan, and China have made large investments in fossil fuel-based power generation technologies in developing countries. Such funding would spur the uptake of high-carbon technologies that are hard to replace shortly. Hence, if ODI is channeled in undesirable sectors, it would hurt low-carbon pathways in the host sectors/countries.
Jijian Zhang et al. discovered that green credit policy contributes to enhancing the environmental performance of overseas investments from China and has positive impacts on the financial performance of such investments. However, the study relies on firm-reported data that could contain biases. In addition, it does not solve the problems of companies that have practices of greenwashing or shift their polluting activities somewhere else.

Energy ODI:
China has been venturing into various overseas investments in the exploration of oil and gas, pipelines, and power generation, among others (Yang Y, 2022). Their negative impacts include the displacement of the locals, pollution, and depletion of resources. Going forward, it is important to compare and contrast the role of other global energy market players from the US and EU, who have been the pioneers in the energy market - their environmental impact vis a vis that of China.
Yang Yu (2022) argues that China's overseas energy investments are motivated by a national strategy to ensure energy security for the country and via diversified and sustainable renewable energy sources. At its core, the paper uses a case study approach in analyzing China's energy globalization. The analysis might have been more systematic, holistic, and empirical with a complete data analysis about the investments and collaborations of the country in energy. It also does not discuss the social and environmental impact that China's energy globalization brings about for local communities and ecosystems in Latin America and Central Asia.

Indian ODI:
Indian ODI has expanded exponentially over the last two decades, especially since the liberalization of the Indian economy in the 1990s. The destinations are developed countries such as the US, UK, UAE and Singapore, and of course, Mauritius. Drivers for the Indian ODI are market-seeking, resource-seeking as well as strategic asset-seeking motives. Indian firms invest abroad for the acquisition of technology, learning about the markets, and diversifying their portfolios. India's ODI remains highly biased toward software and IT services, pharmaceuticals, and natural resources. Indian firms face extremely daunting challenges while investing abroad, including cultural and institutional differences, risks associated with politics and regulation, and competition from local and global firms. However, Indian firms also built risk mitigation strategies comprised of entering partnerships with the host country firms, acquiring an existing firm, and building robust networks and relationships with the stakeholders of the host country (Divya Chaudhry, et al., 2018).
According to Pradhan, J.P. (2005), the factors driving Indian firms abroad for investment are technology and market access, diversification of risk, and acquisition of strategic assets. Iqbal B.A. (2018) explores emerging trends and issues surrounding the Indian ODI, such as how services and knowledge-intensive sectors are gaining prominence, and so are Africa and Latin America. According to Chakrabarty M (2018), Indian investment in Africa has witnessed phenomenal growth in the last two years, and most investments are in manufacturing, services, and agriculture. Indian firms are

investing in the region to expand markets, acquire strategic assets, and gain access to natural resources. Indian companies face growing competition from other investors, and regulatory and policy barriers in host countries, which prompts both Indian and African governments to engage with each other regularly.

Research Methodologies employed:

After perusing 121 papers on assorted topics, this author came across various research methodologies applied. Some basic research methodologies undertaken are general surveys, regression analysis, descriptive statistics, data visualization, multiple regression models, quantile regression methods, and logistic regression.

Advanced-level research methodologies employed are the Zero-inflated Poisson Regression, the Richardson model, OLS Regression, NARDL, the Difference-in-difference method, Mixed Logit Estimates, panel data Generalized Method of Moments (GMM) estimation method, Augmented Dickey-Fuller (ADF) for testing the stationarity, Eigenvalue test, the Trace test, Hausemen Test, bootstrap ARDL approach, simulation and the Johansen cointegration tests.

Other research gaps:

There is a need to differentiate between distinct types of ODI activities whether they are greenfield investments, joint ventures, acquisitions, or portfolio investments by corporates or individuals. Need to study how ODI changes over time and not just look at the short-term impact. The impact of more recent developments like the COVID-19 pandemic has not been considered. The impact of determinants like interest rate and exchange rate on ODI has not been studied.

In conclusion:

This literature review paper highlights the important area of overseas direct investment and its significance in the context of increasing globalization over the years. It describes in detail the geographical inclination of previous authors, especially China thus espousing the scope for research in other regions. It highlights related studies like determinants, sector-specific focus, and the period of investment. Compilation of data sources will ensure that scholars can get the required data easily at the country as well as the global level. The paper shares the different research methodologies that have been used and can be used as a benchmark going forward. The paper also recommends areas of future research including sectoral analysis especially in energy, finance, and IT industries, and the bidirectional impact of ODI, given its multiplier effect. This paper aims to generate interest in the important topic of ODI and encourage further research.

Annex:

Data Sources:

55 Different data sources were used by authors, and they are classified as below:

Financial data:

- IMF- FDI, Coordinated FDI Survey, Financial Data, Global Financial Stability Report, Capital flows to developing countries
- World Bank - FDI Outflows, World Development Indicator (variables like financial development, inflation rate, market potential, infrastructure, etc), Global Financial Development Data Ban (non-performing loans ratio)
- fDI Markets - Project-level FDI
- UNCTAD - No. of ISDS cases, World Investment Report, Global Investment Trends
- UN - International Trade Statistics Database includes UN Comtrade data, SDG Statistics
- Trading Economics - Consumer spending
- OECD - Global GDP, OECD Financial data
- CEPII - World Economy Database
- COMPUSTAT- Firm Financial Data
- Heritage Foundation - Index of Economic Freedom
- Bureau Van Dijk - M & A data, Company Financial & Ownership Data
- PRS - International Country Risk Guide

India relevant data:

- RBI - Database on Indian Economy, Handbook of Statistics on Indian Economy
- DEA, Ministry Of Finance - ODI India
- IBEF - India’s FDI

- CMIE - Data on financial variables at the firm
- Exim Bank - Lines of Credit Statistics

Energy data:

- World Bank - Climate Change Indicators
- Moody's Analytics - Climate risk scores and facility statistics of public companies
- BP - World Energy Data
- Bloomberg - New Energy Outlook Report
- Our World in Data- Country-level CO2 & Greenhouse Gas Emissions per capita
- IRENA (International Renewable Energy Agency) - Energy Data
- REN 21 - Renewable Energy Report

China relevant data:

China's OFDI, Chinese Research Data Services, Statistical Yearbook of China Energy, China Stock Market & Accounting Research (CSMAR) Database, Annual Industrial Survey Database (National Bureau of Statistics- China), Registration Records of Companies with foreign subsidiaries, National Enterprise Credit Information Publicity System, China's Ministry of Commerce, State Administration of Foreign Exchange of China

Miscellaneous data:

US Census (Public Use Microdata Sample), Host Country Political Risk Index, Refugee report, Global Patents Data, Geographic distance data between the major cities of the two countries, Immigration Statistics, Immigration & Citizenship Data, Geolocation, International Country Risk Guide, US Economic Data

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CONFLICT OF INTEREST

None.

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