Does corruption in a target country create a similar effect on foreign direct investments (FDI) by firms from a developed and a developing country? Based on a combined sample of 10,236 completed CBAs over the period of 1990-2006, the authors find that both Chinese and U.S. firms make significantly more number of acquisitions in less corrupt countries. However, unlike the U.S. firms, the Chinese firms make significantly larger sized acquisitions in more corrupt countries.

Introduction

The impact of corruption in the global marketplace is a rising challenge to those interested in equitable free trade (Argandona, 2007; Beets, 2005; Robertson, Gilley & Crittenden, 2008). However, differences in perception and behavior towards corruption vary across cultures (Robertson, Gilley & Crittenden, 2008). A survey by World Bank of 3,600 companies in 69 countries found that 40% of the responding companies had engaged in some kind of unethical behavior, predominantly paying bribes, to facilitate their international operations (Kaikati et al., 2000). Most studies in this domain have examined the impact of corruption on a country’s aggregate flow of FDI (Habib & Zurawicki, 2001; Mauro 1995; Voyer & Beamish, 2004; Wheeler & Mody 1992). Unfortunately, recent empirical studies offer mixed findings concerning the role of corruption in determining a country’s foreign investments. On one hand, a number of studies found that corruption, while controlling for other factors, serves to reduce FDI (Habib & Zurawicki, 2001; Mauro, 1995; Voyer & Beamish, 2004; Wei, 2000). In contrast, several studies have found no significant impact of corruption on FDI (Hines, 1995; Wheeler & Mody, 1992). More recently, Egger and Winner (2005) in a study on 73 countries over the period 1995-1999 found a positive relationship between corruption and inward FDI. Furthermore, as Habib and Zurawicki (2001) point out, countries like China, Brazil, Thailand, Mexico, and Argentina, despite being high on corruption, are recipients of substantial FDI. In short, existing evidence of the effect of corruption on FDI is mixed and research on this question is still in its infancy (Tekin-Koru, 2006).

Due to the equivocal nature of prior findings, there still exists a debate as to whether corruption in the target country has a negative impact on FDI. In addition, most of the above studies have looked at foreign investment by firms from developed countries with scant attention to foreign investments by firms from developing countries. Furthermore, very few empirical studies have simultaneously considered the effect of firm-level attributes (such as project size, industry type and so on) as well as a country’s institutional and macro environment (such as corruption, culture, geographic distance, and market size) on firms’ foreign investment decisions (Henisz, 2000).
In this research, we attempt to address these gaps in the literature by empirically comparing the relationship between corruption and a very important mode of FDI, cross-border acquisitions (CBAs) by firms from China and the United States. According to the World Investment Report (2007):

Increased cross-border M&A activity supports the current rise in global FDI. Such transactions rose significantly in 2006, both in value (by 23%, to reach $880 billion) and in number (by 14% to 6,974), approaching the previous M&A peak in 2000 (World Investment Report, 2007, p. 16). Specifically, we ask whether the effect of corruption in a target country has a different impact on the CBAs by the U.S. and Chinese firms.

This study makes four important contributions. First, it adds to the existing literature on the impact of corruption on FDI. By comparing FDI from China and the U.S., we offer, to our best knowledge, the first study that compares the relationship between corruption and FDI across both a developed and developing country. Second, it adds to the growing literature concerning corruption in China (e.g., see Huang & Snell, 2003; Huang, 2008; Steidlmeier, 1999). The focus on corruption in China is becoming more important, not only to firms operating in the China mainland, but also to the international community comprising firms, governments and international organizations. This is due to the rapid and sometimes aggressive international acquisitions by Chinese firms. For example, the value of CBA transactions by Chinese firms in 2006 was 12 billion USD, which was an increase of 73% over the previous year (SDC Thomson Database). Well known examples of Chinese acquisitions include TCL acquiring the Thomson TV business (for $170 million) and the Alcatel mobile phone business (for $53 million) in 2004 as well as Lenovo acquiring the personal computer division of IBM for about $1.7 billion in 2005. Third, by focusing on international corruption, this study sheds more light on the growing problem of ethical management and international governance in the global marketplace. Lately, the expansion in international business and trade has thrown up challenges to address the rising unethical practices followed by many multinational corporations (Argandona, 2007; Beets, 2005). Fourth, despite the increasing importance of CBAs as a mode for FDI and growing concerns over international corruption, we know very little about the impact of country corruption on CBAs (Weitzel & Berens, 2006).

Theory and Hypotheses

Corruption is commonly defined as “the abuse of public power for private benefit” (Rodriguez, Uhlenbruck and Eden, 2005:383). The definition of corruption is very broad and often includes other manifestations of unethical behavior, such as bribery, campaign finance abuse, cronyism, fraud, embezzlement, kickbacks, side payments and so on (Gerring and Thacker, 2004). Although corruption has been unconditionally accepted as one of the foremost problems facing developing countries (Bardhan, 1997), recent data suggests that corruption also represents a rising challenge for many developed countries (Kaufmann, 2004).

This study addresses the issue of corruption and its impact on firms’ foreign investments by adopting an institutional theory framework. We propose that the type of institutional environment in the home country, especially the prevalence of corrupt and unethical practices, will influence foreign investments made by firms (Li et al., 2007). This is in line with the main tenet of institutional theory, which posits that the effects of regulations, normative influence, and cognitions, the three pillars forming the core of institutions (Li et al., 2007), are very powerful in influencing organizations’ actions and behavior (DiMaggio, 1998; DiMaggio & Powell, 1991; Li et al., 2007; Scott, 2001).

Regulatory institutions refer to the rules and laws instituted by the governments (Scott, 2001). Organizations are required by law to obey these regulations. Both developed and emerging countries tend to have different regulations toward corrupt and unethical practices. The type and severity of these
regulations has been found to be linked to corruption in countries (Li et al., 2007; Quah, 1999). For instance, Quah (1999) reports that the weak regulatory institutions in colonial Singapore were leading to high corruption among its organizations. We extend the same argument for developed and developing countries. The U.S. has stringent and well defined regulatory mechanisms to suppress corrupt practices while developing countries like China do not yet have such extensive procedures in place.

Normative influences exist due to certain customs and obligations which over the years have became a way of living in countries (Li et al., 2007). These obligations are also related to government corruption (Kim, 1999; Li et al., 2007). For example, in many East Asian countries the prevalent custom of gift giving in social relationships and to political authorities gives rise to norms which lead to corrupt behavior (Steidlmeier, 1999). Such customs have taken the form of obligations where it is now mandatory to offer gifts to not only expedite work, but in many instances to get any work done at all.

Closely related to normative influences is the cognitive institution which relates to culture, symbols, and gestures prevalent in particular countries (Scott, 2001). Many times these mores become a part of an unconscious behavior of individuals and organizations (Zucker, 1983). However, the embedded cultural values and ethos in some countries supports unethical behaviors like nepotism and favoritism (Izraeli, 1997; Khera, 2001). Under such conditions, it becomes difficult to avoid unethical practices unless people in companies want to run the risk of becoming an outcast. Research has shown that the degree of corruption is related to the culture of a country (Getz & Volkema, 2001; Harrison, 2000; Khera, 2001; Riggs, 1997). Harrison (2000) explained that progressive cultures emphasizing strong work values and higher education levels have a much lower incidence of corruption than their less progressive counterparts. Similarly, it has been suggested that countries presently undergoing economic and industrial development are more prone to allowing corruption than more industrialized economies (Khera, 2001; Riggs, 1997). Furthermore, Getz and Volkema (2001) studied the impact of socio-economic factors and found that countries high on power distance, characterized by well-defined hierarchy and bureaucracy, have higher levels of corruption than those with low power distance. For example, based on Hofstede’s index, China has a quite high power distance index of 80, while U.S. is only half that at 40.

While the above arguments show the impact of institutions in the home country on foreign investments, it is also important to look at the institutional make-up of the recipient countries – the demand side of international corruption. This gives the perspective of countries and officials accepting bribes (Beets, 2005). Research has shown that countries with weak and corrupt institutional systems will likely prefer FDI from similar countries (Hotchkiss, 1998; Lambsdorff, 2002). This is because many government officials in corrupt countries look to personally benefit from these foreign investments (Beets, 2005; Pope & Vogl, 2000). Here officials are likely to accept bribes because (1) they are not restricted to do so (Beets, 2005); (2) they are not paid well enough to meet most of their costs of living (Hotchkiss, 1998); and (3) they see bribes as a general and accepted practice in their country (Khera, 2001; Maingot, 1994). Furthermore, Lambsdorff (2002) studies 74 countries concluding that if the “supply side” (executives or officials giving bribes) can confidently predict a positive outcome of unethical behavior, this increases the tendency for corrupt transactions.

Based on the above arguments, we propose that firms from developed countries that have prospered and thrived in a less corrupt environment will mostly favor to transact and acquire companies in countries where the working system is similar, i.e., less corrupt. This is because entering target countries that are high on corruption will require executives to spend effort either to circumvent these practices or to adapt themselves to practicing unethical behaviors. Both of these strategies will require time and effort and, in some cases, firms may be unwilling to adapt to such conditions. Because of these constraints, research has shown that multinationals from developed countries see a negative impact on their firm performance when they enter corrupt countries (Uhlenbruck et al., 2006). By not adhering to corrupt practices, international firms will not be accepted in these institutional environments (DiMaggio
and Powell, 1983; Meyerand and Rowan, 1977). This adversely impacts the chances of survival and access to resources (Collins & Uhlenbruck, 2004).

In many instances, firms from emerging countries have survived in a corrupt system. These firms may feel more comfortable operating in countries where they can employ familiar tactics like bribing decision makers. This may also have the benefit of creating a strategic advantage over firms, where executives struggle to cope and come to terms with such practices. Thus, we hypothesize:

**Hypothesis 1** The less corrupt the target country, the greater will be the foreign investments made by U.S. firms.

**Hypothesis 2** The more corrupt the target country, the greater will be the foreign investments made by Chinese firms.

**Control Variables**

In order to estimate the effects of target country corruption on foreign investments, we must control for several other potential factors influencing firms’ foreign investment behavior. We control for four such variables. First, we control for geographic distance. Several traditional internationalization theories suggest that geographic distance plays an important role in firms’ internationalization decision (Dunning, 1992; Johanson & Vahlne, 1977). Firms favor countries having closer geographic distance to its home country as it lowers economic and management costs in expanding to international markets (Chetty, 1999; Dow, 2000).

Second, we control for cultural distance. Empirical studies have found that cultural differences between home and target countries increase the level of risk in post-acquisition integration leading firms to select safer entry mode options (Kogut & Singh, 1988; Weitzel & Berns, 2006). Higher cultural distance leads to increased post-acquisition management costs and lowers the performance of acquisitions. This is due mainly to the time and costs involved in overcoming conflicts and increasing cooperation among partners from distant cultures (Pothukuchi et al., 2002).

Third, we control for the market potential of the target countries. Empirical studies have found a strong positive association between market potential and foreign investments (Chakrabati, 2001). Firms are likely to choose more prosperous countries. This notion is in line with FDI theory, which proposes that firms invest in foreign markets provided that expected benefits exceed the costs incurred in entering new markets (Hymer, 1976; Vernon, 1966).

Fourth, we control for public/private status of the acquiring firms in the study. Previous studies have shown that publicly listed firms tend to be larger in size and make larger acquisitions than private firms (Bargeron et al, 2007). Most multinational firms are publicly listed and tend to make more CBAs than private firms.

**Method**

**Sample**

The study sample includes all completed CBAs undertaken by Chinese and U.S. firms between 1990 and 2006. The historical CBA data was collected from the Securities Data Corporation (SDC) mergers and acquisitions database. This database provides extensive information on world-wide mergers and acquisitions including announcement dates, firm and industry characteristics, and detailed history of
each transaction. It has been extensively used in Finance, International Business, Marketing and Management studies (e.g., Swaminathan, Murshed and Hulland, 2008; Sorescu, Chandy and Prabhu, 2007). We randomly verified a sample of entries from the SDC by consulting various published sources, such as the Wall Street Journal and Newswire. For the Chinese sample, we focused on the acquisitions made by firms from mainland China. The final sample included 10,236 completed CBAs in which 467 acquisitions are made by Chinese firms and 9,796 by the U.S. firms. Since we analyze the CBA activities in each target country, we collapsed the transaction-level dataset for country-level analysis. Over the time period studied, the final sample included 122 country targets for Chinese firms, and 1,620 country targets for U.S. firms.

Measures

**Dependent variables.** For this study, we used two dependent variables for each hypothesis:
1. Number of CBAs made by Chinese and U.S. firms in each target country (between 1990 and 2006); and

Existing FDI studies use overall FDI or transaction value in each target country as the dependent variable. Although this measure is important, studies using this measure give more weight to larger investments (presumably made by large firms), biasing the results as inferences will be more relevant to the behavior of large firms. To overcome this potential problem, in this paper we treat each transaction in the sample equally by taking the number of acquisitions as one of the dependent variables. We believe the empirical results based on this dependent variable would infer the behavior of a more general population (such as small to medium sized transactions) of acquiring firms from the U.S. and China.

The second dependent variable, average transaction size, was calculated based on the total CBA transaction value in a target country divided by the total transaction number in that country. This measure shows the impact of target country corruption on different sized transactions. For example, if the corruption measure of a target country is positively correlated with the “average transaction value”, it suggests that firms tend to make larger transactions in more corrupt countries.

We believe both dependent variables will give unique and complementary insights into the foreign investment behavior of firms. While firms may make a number of small CBAs in a given country, it may be influenced by different factors on its decision to make large acquisitions. We hope to capture any differences in their investment behavior by using these two dependent variables. The results also make useful comparisons with existing FDI studies that use overall investment value, thus ignoring the heterogeneity in different sized investments.

**Independent variable.** The Corruption Perceptions Index (CPI) compiled by the Transparency International was used as a measure for corruption. Transparency International publishes the CPI each year based on several independent surveys and it is broadly used by many studies on international corruption (e.g. Getz and Volkema, 2001; Heidenheimer, 1996; Husted, 1999; Robertson, Gilly and Crittenden, 2008; Weitzel and Berns, 2006). The original CPI index ranges from 0 (most corrupt) to +10 (least corrupt). In order to make the corruption variable more intuitive to explain, we inverted the 0–10 scale by subtracting each target country’s score from 10. Therefore, a country with an absolute value of 10 is highly corrupt and one with an absolute value of zero is very low on corruption. Not reported in the paper, we also adopted another measure of corruption compiled by the World Bank (i.e. Kaufman, et al., 2007). Both corruption measures provide very similar results and our conclusion is robust to the two corruption measures.
**Control variables.** Based on a review of previous studies (e.g., Buckley et al., 2007; Ojala & Tyrvainen, 2007), we measured geographic distance as the actual distance in kilometers between the capital cities of the acquiring country and the target country. We obtained the distance measure from Geobytes database and applied a logarithmic transformation.

Cultural distance was operationalized in line with Hofstede’s (1980) index. Based on Kogut and Singh’s (1988) formula, we combined Hofstede’s four most common cultural dimensions—individualism, uncertainty avoidance, power distance, and masculinity

\[
Cultural\ Distance = \frac{\sum_{j=1}^{4} (H_{A,j} - H_{T,j})^2}{4 \times V_j}
\]

where \(H_{A,j}\) is the acquiring country score for Hofstede’s cultural dimension \(j\), \(H_{T,j}\) is the target country score for the corresponding cultural dimension \(j\), and \(V_j\) is the variance of the index score of cultural dimension \(j\).

Consistent with previous studies (e.g., Davidson, 1980; Mitra & Golder, 2002; Terpstra and Yu, 1988), GDP of the target country was used as a measure for market potential. These data were collected from the World Development Indicators database. To measure the market potential of the target country, we averaged the annual GDP of each target country over the sampling period. To correct for skewness, we used the natural logarithm to transform the values.

Finally, we gathered the public/private status of the acquiring firms from SDC Platinum database, using it as a dummy variable in the multivariate analysis.

**Results**

Table 1 presents the descriptive statistics and the correlation matrix. A review of the correlations between the independent variables indicates that multicollinearity is not a problem. This conclusion is supported by the diagnostic information from the regression models. To check for multicollinearity between the independent variables, we calculated the variance inflation factors and determined that multicollinearity problems were unlikely (the highest variance inflation factor was 2.0, well below the benchmark of 10).

Table 2 shows the findings of the ordinary least squares regression analysis of four different models: two each for the Chinese and the U.S. samples with both transaction number and average transaction value as the dependent variables. The F-statistics for all four models are significant at \(p < 0.01\) suggesting that corruption measures and the controlling variables are important predictors of both the value and number of CBA transactions.

Hypothesis 1 proposes that the less corrupt the target country, the greater will be the CBAs made by U.S. firms. The U.S. sample in Table 2 shows that the coefficient for corruption is negative and significant (\(\beta = -0.06, p < 0.01\)) for both the number of CBAs and the transaction value. The results show that the U.S. firms make more acquisitions and larger sized transactions in less corrupt countries supporting Hypothesis 1.
Hypothesis 2 states that the more corrupt the target country, the greater will be the foreign investments made by Chinese firms. We do not find support for this hypothesis with transaction number as the dependent variable. The regression coefficient of the corruption measure is negative and statistically significant (β = -0.04, \( p < 0.05 \)) suggesting that Chinese firms make significantly more acquisitions in less corrupt countries. However, Hypothesis 2 is supported with average transaction value as the dependent variable. We find that the corruption measure is positive and statistically significant (β = 0.60, \( p < 0.01 \)) implying that larger sized Chinese CBA transactions tend to take place in more corrupt countries.

In summary, results for the Chinese sample suggest that like their U.S. counterparts the majority of the Chinese firms make significantly more acquisitions in less corrupt countries. However, unlike the U.S. firms, they make significantly larger sized acquisitions in more corrupt countries.
Table 2

Country Level Regressions for Chinese and U.S. Samples

<table>
<thead>
<tr>
<th></th>
<th>Chinese Cross-border Acquisitions</th>
<th>USA Cross-border Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transaction Number</td>
<td>Transaction Value</td>
</tr>
<tr>
<td></td>
<td>$\beta$</td>
<td>$t$-value</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.04 **</td>
<td>-2.12</td>
</tr>
<tr>
<td>Geographic Distance</td>
<td>0.13 *</td>
<td>1.73</td>
</tr>
<tr>
<td>Cultural Distance</td>
<td>-0.12 **</td>
<td>-2.53</td>
</tr>
<tr>
<td>Market Potential</td>
<td>0.14 ***</td>
<td>5.42</td>
</tr>
<tr>
<td>Public Acquirer</td>
<td>0.16</td>
<td>1.63</td>
</tr>
<tr>
<td>Private Acquirer</td>
<td>0.11</td>
<td>1.16</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-4.46 ***</td>
<td>-4.90</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>122</td>
<td>122</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.23</td>
<td>0.26</td>
</tr>
<tr>
<td>F</td>
<td>6.91 ***</td>
<td>8.18 ***</td>
</tr>
</tbody>
</table>

Notes: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

The control variables generally had the expected effects. Geographic distance had a significant and negative effect on both the number of transactions and their size for the U.S. sample suggesting that U.S. firms make more acquisitions (both in number and size) in countries that are geographically close. For the Chinese sample, geographic distance is negative for the number of acquisitions; it is significant only at $p<0.10$. Nevertheless, it does seem to suggest that Chinese firms are less encumbered by geographic distance than U.S. firms. Cultural distance is negative and significant for the U.S. sample for both the dependent variables suggesting that U.S. firms make more and larger acquisitions in culturally close countries. For the Chinese sample, while cultural distance is negative and significant for the number of acquisitions, it is positive and significant for transaction value. Thus, Chinese firms make larger acquisitions in culturally distant countries. Market potential was positive and significant for both U.S. and Chinese samples implying that firms are generally selecting more prosperous countries as targets. Finally, the Chinese and U.S. public firms make significantly more and larger acquisitions than the private firms.

Discussion

With the rapid globalization of business, managers increasingly find themselves in an international environment where corruption is an accepted part of commercial transactions. Firms involved in international business and trade are very likely to encounter corrupt governments and officials (Uhlenbruck et al., 2006). The accepted belief among researchers and international organizations is that corrupt governments will attract low FDI in comparison to less corrupt countries; yet, empirical evidence on the impact of corruption on FDI is inconsistent. Moreover, research in this domain has focused mainly on FDI from developed countries.

In this study, we investigated the effect of corruption on one form of foreign direct investment – cross border acquisitions by U.S. and Chinese firms. Our results find support for both of our hypotheses. First, we find for the U.S. sample, the less corrupt the target country the more the number of transactions and larger the size of transactions made by U.S. firms. Thus, U.S. firms, as expected, prefer to transact
and invest in countries that have low levels of corruption. This is understandable considering that the U.S. is one of the most active countries attempting to curb their corporations from indulging in corrupt practices abroad. The U.S. Congress passed the Foreign Corrupt Practices Act (FCPA) in 1977, making it the first country to have such a regulation in place. The result from this study suggests that FCPA has had the desired impact in restricting U.S. corporations from investing in and/or dealing with governments that do not strictly regulate corrupt practices. This finding further confirms the results from other studies that show corruption significantly reduces FDI into the home country (Habib & Zurawicki, 2002; Mauro, 1995; Voyer & Beamish, 2004). Based on an analysis of 29,546 Japanese foreign investments in 59 target countries, Voyer and Beamish (2004) found the lack of regulatory framework in emerging economies served to reduce Japanese FDI in these countries. In summary, it can be concluded that firms from developed countries avoid operating in corrupt countries to preempt any chance of being compromised in any way.

Second, the findings show that while Chinese firms also make a larger number of acquisitions in less corrupt countries, they make larger transactions in more corrupt countries. It is possible that as China emerges as a global economic power, firms in that country seek places where large investments have the highest rates of return. These findings complement the work of Robinson, Gilley and Crittenden (2007) which showed that corruption was higher in low per-capita GNP countries. It might be that investments in more corrupt countries are viewed as prized targets because of the low GNP (high impact investments) and higher corruption levels (corruptible norms of doing business).

Investment impact aside, Chinese firms might view corrupt countries as more acceptable targets than their U.S. counterparts because the norms of doing business in China are closer to those of the target country. For U.S. firms, behavioral norms stemming from government regulations and ethical codes of conduct make major investments by U.S. firms too far removed from behaviors expected in corrupt countries. Indeed, many U.S. firms have often criticized the FCPA because it constrains their behavior in dealing with unethical practices abroad. This limits their ability to compete effectively against companies from other countries that are not equally constrained (Trevino & Nelson, 1999). A similar trend is seen in the United Kingdom where in 2004 the government relaxed its anti-corruption measures by relenting to pressure from British multinationals that were losing out to competing firms from countries that were less stringent on corrupt practices (Tekin-Koru, 2006). Hines (1995), in a study on U.S. direct investments, found that while investment by U.S. firms declined in corrupt countries after the FCPA was passed in 1977, investments by firms from other countries have increased. This supports the results from our study that corruption may not necessarily reduce FDI into corrupt countries as can be seen in the case of large transactions by Chinese firms. Our findings combined with the Hines study suggest that there may be a case of “FDI diversion” into corrupt countries. That is, although FDI into corrupt countries may be decreasing from developed economies, they may be experiencing an increase in FDI from less-developed countries. The institutional framework in less-developed countries makes it beneficial for firms to exploit similar conditions in more corrupt countries. However, the consistent pressure on governments by firms from U.S., U.K. and other developed nations to relax anti-corruption measures is a worrying sign for international business and trade.

Limitations and Future Research

This study has its limitations. Similar to earlier studies, it relied on perception-based measure for corruption. Although this measure is commonly used, it is reported to be too broad and fails to capture the actual behavior or the types of corruption (Habib & Zurawicki, 2002). Further research should attempt to measure corruption at a more discreet level to determine the type and the extent of corruption that impacts foreign investments. This will help answer many relevant questions such as: (1) Do firms from developing and developed countries indulge in similar corrupt practices? and (2) What types of corruption
(government, corporate, bribes, kickback) have the most impact on foreign investments? Another limitation is that our results are based on FDI from only one developed and developing country. Though, both U.S. and China are arguably the most active countries making foreign investments, our results should be implied with caution. Further research should expand this study to include a larger sample of developed and developing countries. Another limitation is that we focus on only one form of FDI – CBAs. Although CBAs are a very important mode of FDI, our results may not be generalizable to all modes of FDI. Therefore, future research should focus on the impact of corruption on other modes of FDI. Finally, due to lack of data on emerging economies, we could not predict the impact of important firm-level variables, such as firm size and international experience on FDI into corrupt countries.

References


