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Foreign Direct Investment Motivations in a Changing Global Economy: An Analysis of Greenfield FDI Across Countries and Industries

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INTRODUCTION

Foreign Direct Investment (FDI) is one of the central drivers of economic integration, growth, and globalization. Through the cross-border transfer of capital, technology, and managerial know-how, FDI, and more specifically greenfield investments, allows multinational enterprises (MNEs) to expand their operations, access new markets and enhance their competitive advantage by integrating national economies into global value chains, therefore driving both home and host countries' productive capacity.

However, the global economic environment in which FDI decisions are made has undergone profound changes. Traditional patterns of international production are being altered by structural changes involving the acceleration of digital transformation, increasing geopolitical fragmentation and tensions, and the rising interest and urgency of sustainability concerns. Global FDI flows, which reached \$1.3 trillion in 2000, have since followed a weaker trajectory. A fragile recovery is being recorded in the last few years, largely driven by megaprojects in advanced manufacturing and digital infrastructure. These developments have challenged conventional explanations of FDI, suggesting that the motivations guiding firms' internationalization strategies are more complex and multidimensional compared to what they were previously assumed to be.

Dunning's eclectic paradigm (OLI framework) has offered the main way to analyse FDI through the role of the ownership, location, and internationalization advantages and the four-motives taxonomy (market seeking, strategic-asset seeking, efficiency seeking, and resource seeking). While the framework has proven remarkably durable, it has attracted sustained criticism regarding its ability to adapt to newer drivers such as sustainable and geopolitical alignment, rendering it not fully capable of capturing the recent evolution of international investment decisions.

Thus, this study aims to investigate how the motivations of greenfield FDI vary across countries, geographical regions, and sectors in the contemporary global economy, answering the question: *How do the motivations of greenfield foreign direct investments differ across geographical locations, countries of origin, and sectors in the current economic environment?*

This thesis draws on a project-level database constructed from Orbis and Orbis Cross-Border Investment (M&A) databases, combining empirical evidence with a theory-driven classification of investment motivations. A sample of 641 investment projects, spanning multiple industries and host countries from 2015 to 2020, is classified incorporating both Dunning's traditional four motivations and the proposed extensions of sustainability and geopolitically driven motives. The central aim is to assess whether FDI motivations differ systematically by industry and by host country.

The thesis is organized in four chapters as follows.

The first provides the conceptual and empirical context, reviewing FDI definitions and measurement dimensions, the effects of FDI on home and host economies, and a summary of global FDI trends focusing on current geographical and industry patterns.

The second chapter deals with a detailed literature review of Dunning's eclectic paradigm and four-motive taxonomy, discussing the main criticisms of the OLI model and proposing two extensions (sustainability-driven and geopolitically driven FDI) as additional motivational categories justified by recent developments in the global economy.

The third chapter describes the methodology and data construction process, including the creation of motivational variables, the classification of firms and industries, and the constraints inherent in the dataset. This allows the study to adopt a quantitative and descriptive approach based on the dataset.

The fourth chapter presents the empirical findings. It starts with the overview of motivational patterns across the full sample and then proceeds to the sector-level, host-country, and home-country analyses.

A concluding discussion summarises the main findings, reflects on their theoretical and practical implications, and identifies avenues for future research.

CHAPTER 1

1.1 Overview FDI definitions

Foreign Direct Investments (FDIs) are a major form of international capital transfer. As defined by the OECD benchmark definition of foreign direct investment, an FDI “reflects the objective of obtaining a lasting interest by a resident entity in one economy (“direct investor”) in an entity resident in an economy other than that of the investor (“direct investment enterprise”)” (OECD, 1996).

A foreign direct investor is an entity that has a direct investment enterprise operating in a country other than the country of residence of the foreign direct investor.

A direct investor could be:

- an individual;
- a group of related individuals
- an incorporated or unincorporated enterprise;
- a private or public enterprise;
- a group of related enterprises (OECD, 1996).

FDIs can be distinguished from other forms of investments, like speculative investments, through their main features (OECD, 1996):

- FDIs are intended for a long-term presence in the host country with the creation of a long-lasting relationship between the direct investor and the enterprise.
- The direct investor has a sufficient stake in the firm that it exercises meaningful management or control of the foreign firm through active participation. This is normally thought to be at least 10% of the ordinary shares or voting power, distinguishing it from a portfolio investment.
- FDIs entail the flow of capital across borders.
- They provide two-way benefits by profiting the investor through earnings and by enhancing the integration of economies and global trade through capital flows and

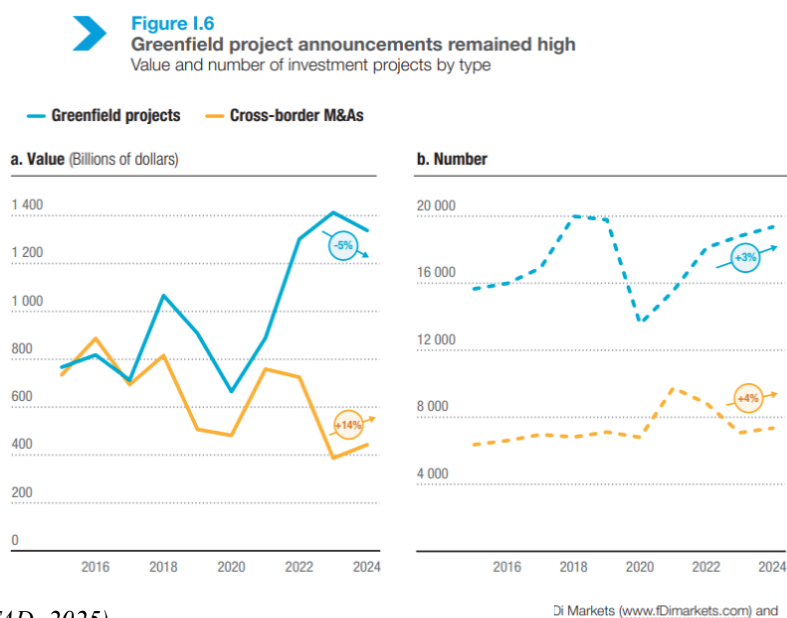
through the promotion of technology transfer, employment creation, and skills development.

FDI flows can typically be classified into two types of investment projects: greenfield investments and cross-border M&As.

Greenfield projects refer to the creation of new facilities, and they can have a significant impact on the host country due to the vast amount of knowledge and assets that have to be transferred to the investment location to set up the project, leading to productive capacity build-up, job creation, and technology and know-how dissemination (UNCTAD, 2025). This type of foreign direct investment is the preferred mode of entry for markets with low competition pressure (Klimek, 2011), and UNCTAD (2025) reports them being most common in the industrial and services sectors.

Instead, Cross-border M&As involve ownership changes, such as acquisitions, divestitures, and corporate restructuring. These projects have a smaller direct development impact, as they do not result in new capacity or infrastructure. M&As are preferred to enter markets with a higher number of companies in an industry (Klimek, 2011), and they are motivated by the desire to exploit complementarities between acquiring firms' "intangible technological advantages" and local firms' country-specific capabilities (Nocke & Yeaple, 2007).

Figure 1. Greenfield project announcements



In recent years, trends in both project numbers and investment values have diverged sharply, reflecting their differing drivers.

M&As have seen a global decline in recent years. Despite the modest increase in 2024, the overall value of them continues to be weak. Greenfields' value instead has shown a slight decline in the last year following a longer period of consecutive growth (UNCTAD, 2025).

FDIs can be analysed through four complementary measurement dimensions, providing a comprehensive view of cross-border investment dynamics.

FDI stock measures the value of capital and reserves attributable to a non-resident parent enterprise, plus the indebtedness of foreign affiliates to parent enterprises (UNCTAD, 2024), and it represents the total accumulated level of direct cross-border investment at a specific point in time recorded at the end of the reference period (typically year or quarter) (OECD, n.d.; UNCTADstat, n.d.).

FDI flows instead measure the value of cross-border transactions related to direct investment over time recorded during the reference period that change the investor's financial relationship with the affiliate. They are presented on a net basis (credits less debits), which, in the case of reverse investment or disinvestment, FDI flows may be negative (OECD, n.d.; UNCTADstat, n.d.).

The financial flows consist mainly of three components: acquisition and disposal of equity capital, reinvestment of earnings that are not distributed as dividends, and intercompany debt.

These two dimensions can be further classified under the directional principle, which distinguishes investments based on their direction relative to the reporting country. Inflows, or inward direct investment, represent investments entering the reporting economy, while outflows, or outward direct investment, capture capital invested abroad by domestic firms. These indicators reflect, respectively, a country's attractiveness to foreign investors and the degree of internationalization and outward expansion of its domestic enterprise (UNCTAD, 2024; UNCTADstat, n.d.).

1.2 Effects of FDIs

The external effects that FDIs generate on home and host economies are difficult to determine because they occur through a myriad of channels. Navaretti & Venables (2020) identify three main transmission mechanisms: product market effects, factor market effects, and ‘spillover effects’.

Product market effects refer to the variation of the quantities of goods that a firm buys and sells in the host or home country market. This kind of effect is mainly found in the context of horizontal FDIs (HFDI), which aim at converting imports into local production to better serve the host market. The effect on local consumers and firms varies depending on different factors. If local companies were previously producing close substitutes, the HFDI will likely crowd out local supply, leaving consumers with no benefits and leading to the sales reduction or closing down of local firms. If the company enters by M&A of an existing supplier, the effect will also be anti-competitive and harm consumers.

However, the multinational could increase competition in the market increasing, variety and quality, benefiting consumers. If the multinational enterprise’s (MNE) productivity is higher than that of local companies, some profits will also be transferred in the form of price reductions.

Factor market effects arise in both the capital and labour markets. When an MNE enters a host economy, it raises funds locally as well as bringing in external capital from abroad, increasing the total supply of capital in the host economy.

However, the more important impact is on the labour market. When an MNE enters a host economy, it may create new jobs, absorb unemployed or underemployed workers, and raise the overall demand for labour. In developing countries this effect is particularly strong, as there typically is a pool of unused labour. In advanced economies with full development instead, MNE labour demand shifts labour from domestic firms rather than increasing total employment.

At the home country level, outward FDI may reduce labour demand.

Skills composition is also affected, as FDI increases the demand for skilled labour in the host country, while it removes some low-skill, labour-intensive tasks in the home country, raising the relative demand for skilled workers.

Consequently, in the long-term, this may lead towards equalization of wages across countries. Developing countries will face upward pressure on unskilled wages, while advanced economies will face downward pressure on unskilled wages as labour-intensive activities relocate.

However, this is not always the case since wage effects vary depending on the type of activity and the skill composition required (Navaretti & Venables, 2020).

The main advantages from FDI arise as a variety of “spillovers” in the form of technological or pecuniary externalities.

Technological externalities include technology transfer, learning about markets, and acquisition of labour skills emerging from employees working in MNEs moving to local firms bringing specific technological and managerial knowledge, or from a supplier of intermediates to the MNE acquiring the technological specifications and procedures used by the MNE.

On the other hand, pecuniary externalities arise when both national firms and MNEs use intermediate products from a local industry, creating complementarities between the multinational and the local firms as the MNE strengthens local supplier industries, benefiting other local firms that use these products (Navaretti & Venables, 2020).

These channels correlate to the eight home-country effects of outward FDI (OFDI) identified by the systematic review of 130 studies by Knoerich & Benson (2026).

Product-market effects support the finding that OFDI can be trade-supporting, expanding exports when affiliates open markets and embed the home economy in global value chains, though substitution can occur when production is relocated.

Spillovers explain consistently positive knowledge gains and productivity improvements as firms scale up and absorb external know-how.

Factor-market reallocation clarifies the employment ambiguity (headquarters and complementary functions may expand while some production tasks shift abroad), the

frequent industrial upgrading at home (offshoring lower-value stages while concentrating on higher-end functions), and the mixed evidence on domestic investment (crowding-in through complementary capacity as opposed to crowding-out via capital outflows).

The aggregation of these channels creates gains at the macro level in economic growth, while environmental outcomes hinge on whether activity is “pollution-offshored”, improving home-country environmental performance, or, conversely, domestic industry expands to serve foreign operations.

Overall, the review reports that most findings across these effects are favourable (71% positive vs. 12% negative and 12% mixed), with the strongest consistency for productivity, exports, knowledge, upgrading, and growth, and more mixed evidence for employment, environment, and domestic investment (Knoerich & Benson, 2026).

1.3 Historical evolutions of FDIs

In the late 19th and early 20th centuries, FDIs were heavily concentrated in resource-based industries and in transport and utilities, and they were north-south in nature, meaning that the home nations were in Europe, the United States, Canada, and Japan, while the host countries were the less developed nations in Asia, Africa, and Latin America (Graham, 1995).

World War I slowed down the international expansion of MNCs; however, during the inter-war years (1918-38), some sectors, like the manufacturing and petroleum ones, witnessed large amounts of new direct investment (Graham, 1995).

After World War II, only the US dollar was fully convertible, with other governments imposing exchange controls restricting capital movement in order to monitor or limit FDIs. This was because nations were concerned with maintaining the fixed exchange rates imposed by the Bretton Woods system. Only when the Bretton Woods system collapsed in the early 1970s and control over capital movements began to be slowly dismantled, did FDI expansion increase rapidly, specifically in developed nations. The formation of the European Common Market, which allowed free trade within Member States, attracted U.S. firms to establish subsidiaries in Europe. The main sectors involved were the manufacturing and services sectors. By 1970 the share of stock of U.S. outward FDI in

manufacturing had grown to 41%, and the total flows of FDIs on an outward basis, as reported in IMF statistics, were slightly less than \$13 billion, out of which 91% were from the seven largest industrial countries (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) (Graham, 1995).

During the 1980s, globalization intensified thanks to the falling of national restrictions over cross-border capital flows as a result of financial deregulation, liberalization policies, and important investments in telecommunications infrastructures, creating a more favourable environment for FDIs. In emerging markets, countries abandoned state planning and import substitution in favour of export-led growth. Consequently, multinationals were increasingly seen as a mean to develop new technologies, products, and skills, and so they became the leading driver of the integration of the global economy (Jones, 2004).

In the 1980s, the average growth rate for FDI outflows reached 14%, and, by this point, the economic power was no longer concentrated in the U.S., but it was spread across the Triad of North America, Western Europe, and Japan, accounting for three-fourths of the world's manufacturing production (Jones, 2004).

In the 1990s, international production was at the core of the process of globalization, with Western multinationals outsourcing their activities in developing countries with low labour costs (e.g., China). Following the fall of the iron curtain at the beginning of the decade, FDI flows increased, driven by technological advancements and trends towards the liberalization of regulatory regimes and protection of FDIs (Europe, BST, n.d.).

Out of 145 regulatory changes relating to FDI made in 1998 by 60 countries, 94% were creating more favourable conditions for FDIs. During this decade, most international production in developed countries was in the service industry, while in developing countries it was in manufacturing (UNCTAD, 1999).

World FDI inflows reached a momentary peak in 2000, increasing by 18% to \$1.3 trillion (UNCTAD, 2000).

However, FDI outflows and inflows decreased after the burst of the dotcom bubble. In the following years they recovered before the outbreak of the Global Financial Crisis.

In 2001 China joined the World Trade Organization (WTO), catalysing a massive surge in global FDI inflows and transforming the country into the world's premier manufacturing hub (Europe, BST, n.d.).

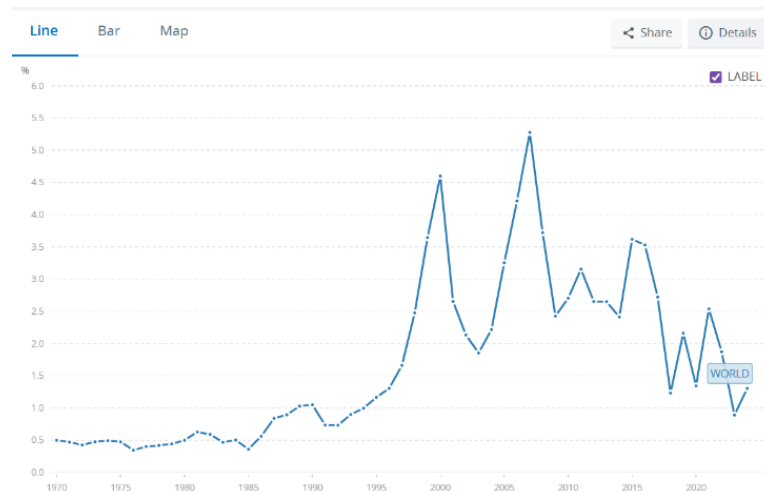
In the 21st century, FDI has continued to grow, with emerging markets' role increasing as both recipients and sources of FDI. Additionally, the UN's Sustainable Development Goals for 2030, adopted in 2015 by all Member States, increasingly influenced FDI decisions towards sustainability-oriented sectors and responsible business practices (Hoàng, 2023). Technological progress and digital transformation have also shifted how and where FDIs are conducted.

The drastic measures taken to combat COVID-19 from 2020 have led to a global drop in FDI. The pandemic has become the catalyst for the reshaping of the international production structure based on the need to increase autonomy and reduce dependence on partners to decrease risk. This modifies the scale of investments from large-scale centralised industrial operations to a smaller scale based on high-quality digital infrastructure, reducing the investment in tangible assets.

1.4 FDI trends in the world

As reported by the UNCTAD Global Investment Trends Monitor No. 50 (2024–2025 global FDI trends), global foreign direct investment (FDI) rose by 14% in 2025 to \$1.6 trillion based on preliminary estimates (UNCTAD, 2026). A significant part of the increase can be attributed to higher flows through major financial centres and investment hubs (economies with significant conduit FDI flows) adding more than \$140 billion to the total.

Figure 2. Global FDI trends, 1970 – 2024



Source: (World Bank, n.d.)

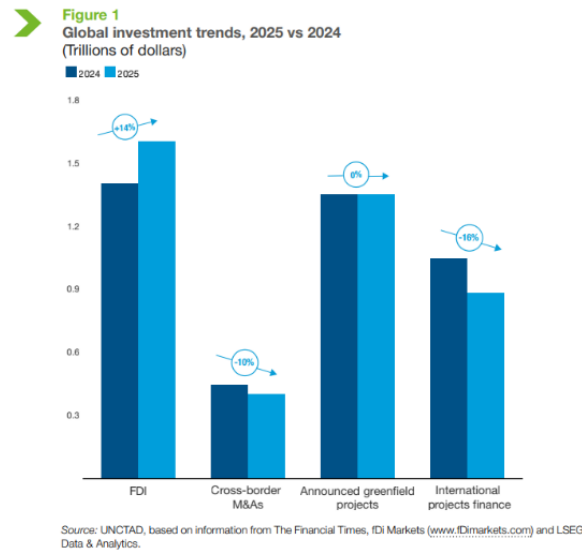
As shown in figure 2, the World Bank chart highlights a clear long-term decline. FDI net inflows rose sharply from the 1980s to the 2000s. However, a visible drop occurred following the Global Financial Crisis of 2008-2009, with a modest recovery in the early 2010s. This is followed by a clear downward trajectory from around 2015 onwards.

Although FDI flows fell sharply in 2020 due to the COVID-19 pandemic, the lowest point was reached in 2023, where FDI as a percentage of GDP hit its minimum. This can be attributed to the fact that in 2020 GDP contracted simultaneously, so the percentage share of FDI net inflows did not fall as steeply. On the other hand, by 2023 GDP had largely recovered, while FDI remained structurally weak due to rising geopolitical tensions. As a result, the ratio reached its lowest level in 30 years.

This downward trajectory reflects structural trends such as geopolitical fragmentation leading to regionalization, nearshoring, and declining cross-border expansion by multinational firms.

2024 and 2025 have seen a partial but still fragile rebound. As illustrated in Figure 3, this modest rebound in global FDI flows is largely attributable to a surge in high-value greenfield megaprojects, while overall investment activity remains subdued.

Figure 3. Global investment trends, 2025 vs. 2024



Source: (UNCTAD, 2026)

Megadeals are greenfield FDI projects valued at over \$1 billion in inflation-adjusted terms, and they are gaining more importance as firms compete globally in future-shaping industries. They now account for 60% of total announced FDI in resources and advanced manufacturing and for 40% in communications and software.

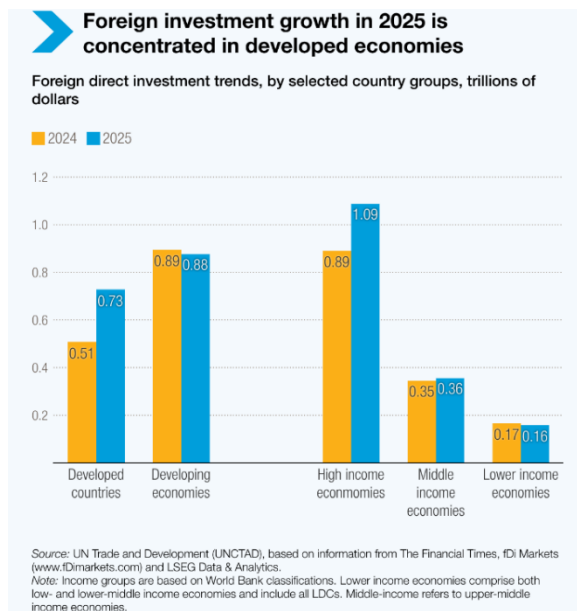
As reported by UNCTAD (2026), in 2025 the total value of greenfield projects remained high due to these types of large-scale investment, especially in data centres. Multinationals are led to megadeals due to the winner-take-all dynamics in the rapidly evolving markets, and to establish global relevance, they are moving towards an escalation in investment sizes.

While megadeals in high-tech and advanced manufacturing are driving an overall increase in the value of greenfield projects, investors remain reluctant to commit to long-term, capital-intensive infrastructure projects. As a result, international project finance declined for the fourth consecutive year, falling by 16%. This reflects a divergence between corporate-led strategic investments and the weaker appetite for debt-financed infrastructure (UNCTAD, 2026).

1.4.1 Geographical trends

The trends across regions reveal a great disparity between developed and developing countries. In particular, figure 4 shows that FDI flows in developing economies declined by 2% to an estimated \$877 billion in 2025, while flows in developed economies reached \$728 billion, increasing by 43%.

Figure 4. Foreign direct investment trends by selected country groups



Source: (UNCTAD, 2026)

High-income countries saw a rise in FDIs driven by increased flows to financial centres and investment hubs.

The European Union recorded a 56% increase in inflows, with the leading recipients being Germany, France, and Italy, supported by rising cross-border M&A activity.

FDI flows in North America remained stable, with the United States recording a 2% increase.

Asia saw instead an inflow decrease in Hong Kong, China, and the Republic of Korea, while witnessing an increase in Singapore, Israel, and Saudi Arabia. Australia's FDI flows fell by one-third.

A 4% increase in FDI inflows was registered in 2025 in middle-income countries, mainly driven by a 24% rise in inflows in Latin America and the Caribbean. Brazil witnessed a 42% increase due to strong investment in renewables and green tech.

In China, FDI inflows declined for the third consecutive year by 8%, while they saw an increase in both Thailand (+35%) and Turkey (+29%).

In Africa, the most notable operation consisted of a major divestment in South Africa, amounting to negative inflows of \$6 billion.

In low-income economies, FDI flows fell by 5% to \$159 billion. The number of announced greenfield projects dropped by 10%, with around 250 fewer projects than in 2024, and their value fell by 13% to \$189 billion.

Three-quarters of the least developed countries saw stagnant or declining inflows.

This is because FDI concentration is growing in capital-intensive, technology-driven projects, making it harder for less-developed countries to compete (UNCTAD, 2026).

These diverging trends underscore the increasing polarization between high-income countries attracting technology-intensive megaprojects and low-income economies struggling to compete in capital-intensive sectors.

1.4.2 Industry trends

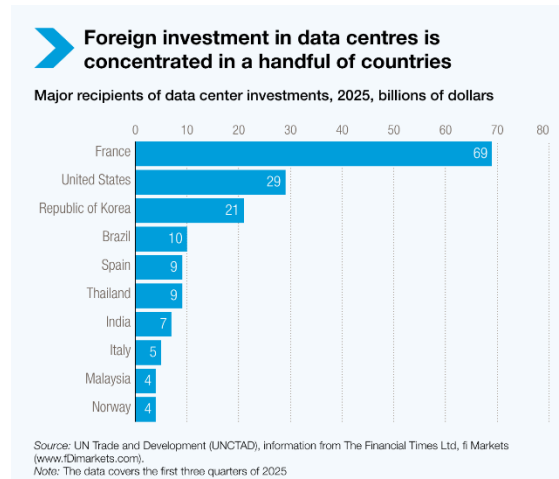
Across several industries, overall, the number of greenfield project announcements fell by 16%. However, the value of the announced projects remained the third highest on record, with total capital expenditure reaching \$1.3 trillion, supported by a significant number of megaprojects.

Future-shaping industries are advanced, knowledge-intensive segments of manufacturing and services. In 2025 they recorded the largest increase in greenfield project announcements and international project finance deals, representing 58% of the total, up from 35%.

In early 2025, Data centres investment more than doubled in annualized terms, recording an increase of \$125 billion in greenfield announcements and of \$30 billion in international project finance. Total greenfield investments in AI infrastructure surpassed \$270 billion, representing more than one-fifth of all investment projects. U.S. hyperscalers drove the increase from 2022 to 2024, while in 2025 investment vehicles in Gulf Cooperation

Council economies announced multibillion-dollar projects, with the leading host countries being the United States, France, and the Republic of Korea (Figure 5).

Figure 5. Major recipients of data centres investments, 2025



Source: (UNCTAD, 2026)

Semiconductor-related projects significantly expanded in 2025, driven by policy-led supply chain restructuring and strong demand for high-end chips for AI data centres.

Annualized announced FDI in the sectors tripled, and the ones made through May totalled nearly \$120 billion. The largest projects announced in 2025 included a major expansion of TSMC's investment of \$100 billion in Arizona, U.S., involving five advanced fabrication plants and an R&D centre to boost domestic AI chip production.

The number of announcements of greenfield projects and international project finance deals in infrastructure declined by 10% in 2025, while the total investment value remained broadly the same. This was primarily led by the decline of the number of renewable energy greenfield investment projects for the second consecutive year by 28%, falling to \$197 billion. However, the renewable energy sector remains the largest sector in terms of the number of projects, but its investment value was surpassed by the telecommunications sector, primarily data centres. The value and number of international finance deals in the renewable sector also fell by approximately 7%. Revenue risks, uncertain returns, and regulatory challenges explain why investors are pulling back from large-scale projects (McKinsey Global Institute, 2025; UNCTAD, 2026).

CHAPTER 2

2.1 Dunning's eclectic paradigm

British economist J.H. Dunning is credited with the formulation of the eclectic paradigm, a holistic framework by which it is possible to identify and evaluate the significance of the factors influencing both the initial act of foreign production by enterprises and the growth of such productions. This is achieved using the OLI framework (Ownership, Location, Internationalization) (Dunning, 1979; Dunning, 1988; Dunning, 2001; Sharmiladevi, 2017).

For an FDI to be beneficial for a multinational enterprise (MNE), three types of advantages (OLI advantages) must be present.

1. Ownership advantages (O) are firm-specific advantages, and they refer to the proprietorship of a unique and valuable resource that cannot easily be imitated, thereby creating a competitive advantage against potential foreign competitors.

These advantages are typically perceived as intangible, including a company's privately owned technology, brand equity, managerial expertise, and intellectual property rights such as patents, copyrights, and trademarks.

Because ownership advantages encompass a wide variety of firm-specific assets, Dunning further clarifies the concept by distinguishing between two complementary components: asset-based (O_a) and transaction-based (O_t) advantages:

- a. asset-based (O_a) arise from exclusive proprietary ownership and use of specific income-generating assets by MNEs vis-a-vis those possessed by other enterprises;
- b. transaction-based (O_t) refers to the capacity of MNE hierarchies vis-a-vis external markets to capture the transactional benefits (or decrease the transactional costs) arising from the common governance of a network of these assets, located in different countries (Dunning, 1988; Eden & Dai, 2010).

2. Location advantages (L) refer to the benefits arising from being operational in a given geographical area. Enterprises will engage in foreign production when they perceive that the combination of spatially transferable intermediate products produced in the home country with at least some immobile factor endowments or other intermediate products in another country is in their best interest.

These advantages may be merely geographical (e.g., access to the sea) or connected to the economic, political, and social environment of the host country as a result of economic stability, inexpensive raw resources, low salaries, a skilled workforce, and a regulatory environment with favourable laws and policies like tax incentives and investment protection.

These resources are typically immobile and require collaboration with foreign investors in the target country to be utilized to their maximum potential (Dunning, 1988; Dunning, 1993; Sharmiladevi, 2017).

3. Internationalization advantages (I) arise when it is more beneficial for the firm that possesses ownership-specific advantages to transfer them across national boundaries through in-house activities rather than selling or leasing them or their right of use to foreign-based enterprises.

The desire of firms to integrate different stages of the value-added chain, to engage in product diversification, or to capture economies of the use of complementary assets originates from the presence of one or more of the following forms of transactional market failure:

- a. Risk and uncertainty: when uncertainty in foreign markets is high, performing activities internally rather than through external partners reduces risk. This makes internalization a more efficient governance structure.
- b. Economies of scale in imperfect markets: when market imperfections prevent efficient exploitation of economies of scale, enterprises internalize international production to preserve efficiency gains.

- c. Externalities (unpriced costs and benefits): because external partners cannot be fully trusted to account for all externalities, internalization allows the MNE to fully appropriate value and avoid unpriced risks.

The greater the perceived costs of transactional market failure, the more MNEs are likely to exploit their competitive advantages through international production rather than by contractual agreements with foreign firms (Dunning, 1988).

So, the eclectic paradigm can be interpreted as a sequential decision-making process that guides firms in determining the most appropriate mode of international expansion.

Looking first at the ownership advantages, if they're absent, the firm is unlikely to compete effectively abroad and will therefore choose to remain domestic. Then, the firm must also identify a Location advantage in the foreign country. If no such locational benefits are present, the firm will generally prefer to serve the foreign market through exports rather than undertaking production abroad. Finally, the firm must assess whether there are Internalization advantages. In the negative case, the firm may choose to license its technology or brand instead of investing directly in foreign production.

Only when all three conditions are simultaneously satisfied, does an FDI become the preferred mode of international expansion for the MNE.

Therefore, the OLI framework can be applied by firms to determine the level of foreign direct investment they should undertake, helping decide whether to invest abroad, where to invest, and how.

2.2 Four-Motives framework

Building on the OLI paradigm, Dunning put forward a taxonomy distinguishing four kinds of FDIs: market seeking, strategic-asset seeking, efficiency seeking, and resource seeking (Dunning, 1988).

2.2.1 Resource seeking

The focus of MNEs with resource-seeking FDIs is that of acquiring particular types of resources that are not available in their home country (like natural resources or raw

materials) or that are available at a lower cost (such as unskilled labour offered at a lower price compared to the home country).

In subsequent research, these types of foreign direct investments are generally referred to as vertical FDIs, aiming at relocating part of the production chain abroad because of the lower cost of production factors available in the host country (Dunning, 1988; Cui, Meyer, & Hu, 2014; Franco, Rentocchini, & Vittucci Marzetti, 2008).

2.2.2 Market seeking

With market-seeking FDIs, MNEs aim at sustaining or protecting existing markets (by circumventing trade barriers) or at investing in a foreign country to exploit the possibilities granted by new markets of greater dimensions.

This choice is led by various reasons:

- to identify and exploit new markets;
- to follow suppliers or customers that have built foreign production facilities;
- to adapt goods to local needs and tastes;
- to save the cost of serving the market from a distance and
- to have a physical presence on the market to discourage potential competitors from occupying the market.

Market-seeking foreign direct investments are typically referred to as horizontal FDIs in the following literature, motivated by the will to avoid transportation and trade costs or by tariff-jumping motives (Dunning, 1988; Cui, Meyer, & Hu, 2014; Franco, Rentocchini, & Vittucci Marzetti, 2008).

2.2.3 Efficiency seeking

Efficiency-seeking FDIs occur when firms take advantage of differences in the availability and costs of traditional factor endowments in different countries, or they take advantage of the economies of scale and scope, of differences in consumer tastes and supply capabilities, and achieve risk diversification.

This often involves fragmenting supply chains and gaining from the cheap cost of labour in less developed countries, consolidating production to exploit economies of scale and scope, taking advantage of government incentives, and avoiding trade barriers (Dunning, 1988; Cui, Meyer, & Hu, 2014; Franco, Rentocchini, & Vittucci Marzetti, 2008).

2.2.4 Strategic-asset seeking

Strategic-asset-seeking FDI aims at acquiring and complementing a new technological base, rather than exploiting an existing asset, reflecting the firm's objective to transform its core-competencies and catch up and compete with global market leaders in the long run.

Through this type of FDI, firms can create and improve their local presence and better understand their target market by providing better access to market information, clients, distribution networks, and management of local businesses.

Additionally, the company might gain a presence in a significant industrial hub, surrounding itself by organizations that encourage it to innovate and advance.

Assuming localised knowledge spillovers, firms engaging in FDI can actually tap into the capabilities available in the host country by locating subsidiaries close to the local leading centres of R&D (Dunning, 1988; Cui, Meyer, & Hu, 2014; Franco, Rentocchini, & Vittucci Marzetti, 2008; Meyer, 2015).

2.3 Eclectic paradigm criticism

2.3.1 Conceptual Overstretch

One of the main conceptual criticisms of the eclectic paradigm concerns its excessive breadth and flexibility, which risk undermining its analytical clarity.

Narula (2010) argues that the eclectic paradigm has evolved by continuously incorporating new international business phenomena, generating an ever-growing set of extensions and sub-components that make the framework increasingly complex and potentially tautological.

This threatens to expand the OLI framework into a model in which almost any explanation of multinational enterprise behaviour can be made to fit, weakening its theoretical rigor and falsifiability.

Additionally, the conceptual instability of ownership advantages within the framework has been traced by Eden & Dai (2010), who identified 5 stages of revisions that were made to bring all IB phenomena and IB-related theories under the OLI “big tent”:

1. Mark I - Explaining International Production (O): The initial formulation focused on explaining why firms engage in international production by emphasizing firm-specific ownership advantages as the primary source of foreign expansion.
2. Mark II - Addressing Internalization Theory (Oa & Ot): The framework was refined to incorporate internalization theory by distinguishing between asset-based and transaction-based ownership advantages, linking firm assets to governance choices.
3. Mark III - Incorporating New Forms of International Business: The paradigm was extended to account for emerging and more complex forms of international business activity that could not be explained solely by traditional manufacturing-based FDI.
4. Mark IV - Recognizing Strategic Management Theory: Strategic management insights were integrated, shifting attention toward firm strategy, capabilities, and competitive positioning as determinants of multinational activity.
5. Mark V - Integrating Institutional Theory (Oi): Institutional considerations were explicitly incorporated by recognizing institutional ownership advantages, reflecting the role of home and host-country institutional environments in shaping MNE behaviour.

While this adaptive flexibility has contributed to the paradigm’s longevity, it has also produced ambiguity and inconsistency in how O is defined and operationalized.

Furthermore, the increasing breadth of ownership advantages, ranging from tangible assets to organizational capabilities and institutional relationships, blurs the boundaries between the O and I (internalization) components. This overlap challenges the conceptual

distinctiveness of the framework and raises concerns about whether ownership advantages retain an independent explanatory function.

Narula also criticizes the proliferation of O subtypes, stating that adding more categories does not necessarily improve conceptual clarity.

The continual expansion also causes decreasing returns. As new components and subcategories are added to address new lacunae and accommodate emerging empirical trends, the complexity of the paradigm increases, with its explanatory power not necessarily growing at the same rate.

For these reasons, Narula proposes a return to a simplified “EP-lite” model that would maintain the strengths of OLI while preventing conceptual overstretch.

2.3.2 Conceptual incoherence

While Narula emphasizes the growing conceptual overstretch of the eclectic paradigm, Itaki (1991) pushes the critique further by challenging the economic separability of ownership, location, and internalization advantages, calling into question the paradigm’s coherence as an explanatory theory.

Itaki recognises that the boundaries between the three OLI pillars are not sharply defined, making them challenging to identify. He argues that the ownership and location advantages are inseparable in economic terms, as one cannot measure a firm’s economic advantage without knowing the location where it operates because factor prices (wages, material costs, energy costs, etc.) differ across countries.

A technology that makes a firm competitive in one country may make it uncompetitive in another. Therefore, ownership and location advantages are simultaneously determined, and they cannot be identified and measured independently as the paradigm assumes.

Furthermore, the author argues that the ownership advantages are generated by the process of internationalization and integration and are not assets that the firm simply has. He also adds that the paradigm treats “cheap” inputs as location advantages, without distinguishing between nominal and real prices. So, a country with a depreciated currency

may offer cheaper labour but it also leads to profits that are worth less when remitted home.

Overall, Itaki's critique questions the analytical usefulness of the eclectic paradigm as a general explanatory framework for FDI, claiming that the OLI pillars lack clear conceptual separability. The notion of location advantage is further weakened by the failure to distinguish between nominal and real prices. As a result, the eclectic paradigm risks functioning more as a descriptive taxonomy than as a coherent and internally consistent explanatory theory.

The lack of conceptual coherence is further extended by critiques that highlight the largely static nature of the eclectic paradigm.

2.3.3 Static vs. Dynamic

The eclectic paradigm is often critiqued for its fundamentally static nature in explaining multinational enterprise behaviour.

Buckley & Casson (1998) argue that, while the eclectic paradigm effectively identifies ownership, location, and internationalization advantages as the key determinants of foreign direct investment in stable environments, it struggles to account for the increasing volatility of the dynamic and uncertain environment in which contemporary MNEs operate.

The main weakness of the paradigm Buckley & Casson identified is that it treats the competitive advantages as relatively stable, assuming investment decisions to be largely irreversible and efficiency driven. The eclectic paradigm explains why firms internationalize, but their critique highlights how it fails to fully account for how multinational strategies evolve over time. Consequently, the authors introduce a dynamic perspective in which flexibility becomes the central strategic concern, shaping the firm's external environment, its boundaries, and its internal organization.

The concept of real options is central to the dynamic perspective, suggesting that in uncertain environments, flexibility itself holds strategic value. Hence, firms should structure their investments to preserve future choices, such as the ability to expand, withdraw, or switch strategies as market conditions evolve.

Therefore, the authors call for a fundamental reorientation of multinational enterprise theory rooted in uncertainty, real options, and the recognition that the competitive advantages are not static assets but something that must be continuously renewed in a volatile world.

2.4 Possible extensions

Recent transformations in the global economic landscape suggest that traditional FDI motivations no longer provide a fully comprehensive explanation of multinational investment behaviour. As sustainability concerns and geopolitical risk increasingly shape corporate strategies, new motivations have emerged beyond Dunning's original four-motive framework. This section examines sustainability-driven and geopolitically driven FDI as two extensions that better capture contemporary investment dynamics.

2.4.1 Sustainability-driven FDI

In recent decades, sustainability has emerged as an increasingly important driver of MNEs foreign direct investment decisions, making sustainability-driven FDI a distinct investment motivation.

This evolution reflects the rising importance of ESG (environmental, social, and governance) motivations in shaping corporate strategy and international production patterns. While sustainability concerns may intersect with the traditional FDI motives, they cannot be fully explained by the four-motive taxonomy.

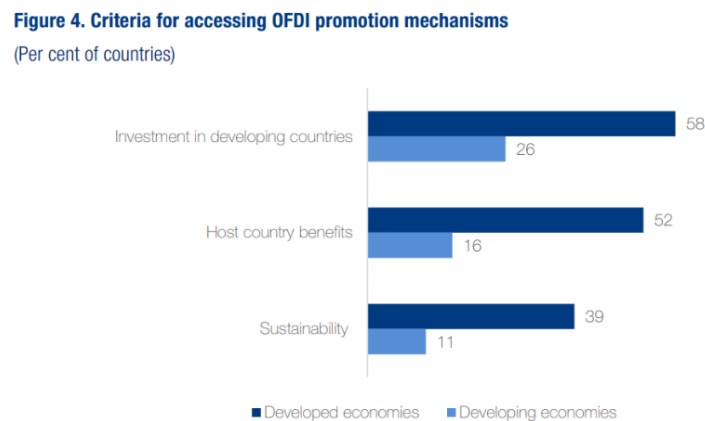
The United Nations 2030 Agenda (United Nations, n.d.) sets out a series of Sustainable Development Goals (SDGs) to address crucial challenges of global progress. Goal 17 specifically seeks to strengthen international collaboration for sustainable development. This has explicitly linked private investment flows to sustainable development outcomes as more public institutions, including investment promotion agencies (IPAs), are being asked by their governments to actively look for ways to contribute to national climate goals (UNCTAD, 2015).

UNCTAD Investment Policy Monitor (UNCTAD, 2024) reports that while most OFDI promotion initiatives do not differentiate between destination countries, a growing

number of countries are leveraging OFDI as a tool to further the goals of Agenda 2030. Among the 50 countries with OFDI promotion mechanisms, 18 developed economies (58%) and 5 developing economies (26%) have put in place at least one instrument specifically designed to encourage OFDI in developing countries.

In addition, entities overseeing OFDI promotion mechanisms increasingly integrate additional sustainability criteria in determining which projects qualify for public support. Currently, at least 39% of developed countries and 11% of developing countries have incorporated these criteria into at least one of their OFDI promotion schemes (Figure 6).

Figure 6. Criteria for accessing OFDI promotion mechanisms



Source: UNCTAD.

Source: (UNCTAD, 2024)

Beyond policy orientation, sustainability-oriented FDIs also affect host economies. Gallagher and Zarsky (2007), as cited in OECD (2011), identify 3 potential types of greening effects that FDI can deliver:

1. Transfer of clean technologies that are less polluting to affiliates (e.g., end-of-pipe abatement) and more input-efficient compared to domestic production (“cleaner” technology),
2. Technology leapfrogging, whereby FDI transfers state-of-the-art production and pollution-control technologies to affiliates (“cleanest” technology),
3. Spillovers to domestic firms, whereby best practices in environmental management are transferred to affiliates and diffused to domestic competitors and suppliers.

From a theoretical perspective, sustainability-driven FDI reshapes and extends the OLI paradigm. Environmental regulation, climate policy frameworks, green subsidies, and access to renewable energy increasingly constitute key Location (L) advantages, while firm-specific ESG capabilities and clean technologies form an integral part of modern Ownership (O) advantages.

However, sustainability-oriented FDI cannot be reduced to efficiency-seeking, strategic-asset-seeking or market-seeking behaviour, as firms may deliberately accept higher costs or regulatory constraints in pursuit of long-term environmental compliance, reputational benefits, and risk mitigation.

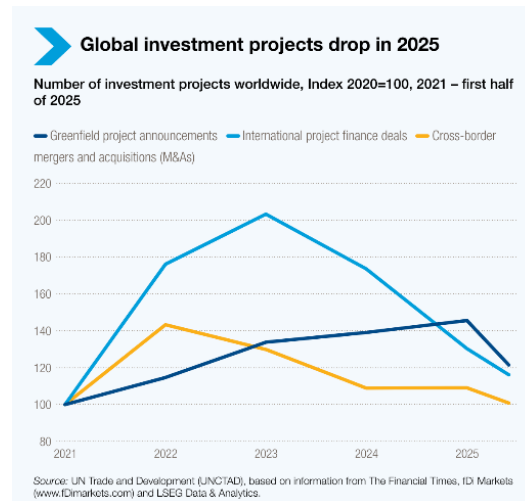
This evidence and these dynamics justify treating sustainability as an extension of Dunning's four-motive framework, providing a conceptual foundation for identifying sustainability-driven motivations in firms' investment decisions.

2.4.2 Geopolitically driven FDI

Rising geopolitical tensions and supply-chain disruptions have increased the scepticism towards multilateralism and highlighted the potential benefits of geoeconomic fragmentation.

Brexit, the trade tensions between the U.S. and China, Russia's invasion of Ukraine, and the war in the Middle East all pose a challenge to international relations, leading to a reversal of global economic integration. This slowdown in globalization ("slowbalization") (International Monetary Fund, 2023) is clearly visible in Figure 7 with the decline of global FDI of 3% in the first half of 2025, extending a two-year slump as reported by UNCTAD (2025).

Figure 7. Number of investment projects worldwide



Source: (UNCTAD, 2025)

This has significantly altered the environment in which MNEs operate, reshaping global investment patterns and the organization of international production networks.

Traditional FDI decisions were guided by economic considerations, efficiency, and cost minimisation. However, contemporary global dynamics suggest a structural shift, with firms' internationalization strategies challenged by a complex interplay of political, security, and strategic considerations. These developments lead firms to prioritise supply chain security, resilience, and political alignment over pure economic efficiency, often accepting higher costs to reduce exposure to geopolitical risk (Robbiano, 2025).

One of the most visible manifestations of geopolitically driven FDI is the rise of more fragmented investment models defined by nearshoring, friend-shoring, and reshoring.

Reshoring refers to a country's transfer of all or part of the global supply chain back home, or geographically closer to home in the case of nearshoring. Friend-shoring, instead, limits supply chain networks and the sourcing of inputs to countries allied with the home country and to trusted partners that share similar values (Multilateral Investment Guarantee Agency, 2024).

Recent empirical evidence confirms that geopolitical alignment has become a statistically significant driver of FDI flows. Aiyar, Malacrino, & Presbitero (2024), using project-level data on over 300,000 greenfield investments, show that firms are more likely to invest in

countries with closer geopolitical alignment to their home economy, and that this effect has strengthened since 2018 in parallel with rising U.S.–China tensions.

From a theoretical perspective, geopolitically driven FDI cannot be fully subsumed under Dunning's existing four motives. Rather than maximizing efficiency through global dispersions, firms relocate to reduce exposure to politically unstable regions.

Therefore, Dunning's motivations fail to capture the strategies that imply higher production costs, the forgoing of efficiency gains, or the shift of investments to geopolitically aligned but less efficient jurisdictions purely to reduce political exposure.

In these cases, investment decisions are driven by risk avoidance, regulatory predictability, and strategic autonomy, rather than by cost differences or asset acquisition.

Geopolitically driven FDI also reshapes the interpretation of the OLI framework, with geopolitical stability, alliance membership, and freedom from sanctions increasingly constituting critical Location (L) advantages. At the same time, firms develop new Ownership (O) advantages in the form of geopolitical risk management capabilities, supply chain flexibility, and the ability to operate under fragmented regulatory regimes. Internalization (I) incentives are also reinforced, as firms prefer hierarchical control over cross-border activities to reduce exposure to political uncertainty and policy-driven disruptions.

These dynamics justify the inclusion of geopolitically driven FDI as a distinct extension to Dunning's four-motive framework. Recognising geopolitical motivations allows for a more accurate classification of real-world investment decisions, particularly in an era characterised by economic statecraft, trade weaponisation, and the strategic reconfiguration of global supply chains.

CHAPTER 3

3.1 Methodology and data organization

This study investigates the question: “*How do the motivations of greenfield foreign direct investments vary across geographical locations, countries of origin, and industries in the current global economic context?*”.

To explore this, a quantitative-descriptive research design combined with theory-driven classification was adopted, utilizing a broad global sample of firms that had engaged in greenfield foreign direct investment as a means of international expansion.

The data relevant to this research contain only greenfield foreign direct investments (FDIs). A greenfield foreign direct investment (FDI) refers to a type of investment where a parent company establishes a new business operation in a foreign country from the ground up. Greenfield investment offers the most control for the investing corporation, allowing it to create the infrastructure and operations that perfectly match its strategic goals.

The empirical analysis is guided by the theoretical framework introduced in chapter 2, including Dunning’s four-motive taxonomy (market seeking, strategic-asset seeking, efficiency seeking and resource seeking) and the proposed extensions of sustainability-driven and geopolitically driven FDI.

The objective of the research is to map and compare FDI motivations across:

1. Sectors of the activity;
2. Host country geography;
3. Country of origin of investing firms.

The analysis focuses on identifying structural patterns and concentration trends, providing exploratory and systematic interpretation of how FDI motivations differ across space, origin, and industry.

3.2 Data construction and variable definition

The dataset was sourced from the Orbis and Orbis Cross–Border Investment (M&A) Database, which provided a comprehensive record of greenfield FDI projects from 04/11/2015 until 31/12/2020. From this collection, a sample of 641 mixed investment cases consisted of State–Owned Enterprises (SOEs) and Multinational Enterprises (MNEs). Out of these, 178 were found to be duplicates of already present FDIs, so they were excluded from further analysis, bringing the number of investments covered down to 463.

The original dataset included the following variables:

- *Project number*;
- *Last project status update* (always 31/12/2020);
- *BVD_ID*;
- *Project Rationale*;
- *Year*.

To these, several additional variables were constructed manually by the author in order to operationalise the research objectives of this thesis

3.2.1 Motivations variables

The following variables were created to illustrate the motivations of the investment project:

- *Primary motivation*;
- *Secondary motivation*.

These variables were obtained through a qualitative content analysis of the *Project rationale* field. Each project rationale, derived from comments made by C-level employees of the respective companies, was carefully analysed to identify the dominant and, where relevant, secondary FDI motivations (it could not be identified for 3

investment projects), following Dunning's theoretical framework and its proposed extensions (sustainability and geopolitically driven).

The classification process involved:

- reading managerial statements and project descriptions;
- identifying explicit references to market expansion, cost efficiency, resource access, strategic asset acquisition, sustainability goals, or geopolitical considerations;
- assigning one primary motivation and, when appropriate, a secondary motivation.

This approach allows the dataset to capture the multi-dimensional nature of contemporary FDI decisions while maintaining a consistent and theory-driven classification scheme.

3.2.2 Firm and country information

The following variables were also added manually:

- *Firm's name*;
- *FDI host country*;
- *Home country*.

These variables were not present in the original dataset and were reconstructed by using the *BvD_ID* to identify the investing firm and by consulting publicly available sources such as company websites, press releases, investment announcements, and business databases.

This step was necessary to enable the geographical and home-country analyses developed in the empirical chapter.

To avoid over-representing investment projects targeting multiple host countries or originating from multiple home economies, a fractional weighting approach is applied at the country level. When a single greenfield FDI project involves more than one host country, the project's total weight is divided equally across the countries involved, such that the sum of country-level weights equals one for each project.

Similarly, a project can originate from more than one home country in cases in which greenfield investments are undertaken by multiple firms in partnership or joint ventures. Here, the project's total weight is equally distributed across the corresponding home countries. This ensures that collaborative investments do not lead to an overrepresentation of individual investing economies. Both host and home countries are then grouped into geographical-economic regions, distinguishing Africa, Asia, Europe, the Middle East, North America, South America, Oceania, and residual categories.

3.2.3 Industry classification variables

This last set of variables was derived from a systematic classification process that linked the BVD_ID to the corresponding NACE Rev. 2 code using the Orbis online platform (Bureau van Dijk, 2020), ensuring a consistent and standardized mapping between the investment projects and industry classification, relying on Bureau van Dijk's proprietary harmonization of firm identifiers and sectoral codes.

In particular, the BVD_ID was used to retrieve firm-level information through the Orbis company database interface, which reports the official 4-digit NACE Rev. 2 classification, the official Statistical Classification of Economic Activities in the European Community (Eurostat, 2008). The second revision is the outcome of a major rework of the international integrated system of economic classifications which took place between 2000 and 2007. NACE Rev. 2 reflects the technological developments and structural changes of the economy, enabling the modernisation of the Community statistics and contributing, through more comparable and relevant data, to better economic governance at both Community and national level.

Further on, the website provides the *4-digit NACE code*, which identifies the class of the investment. In order to restrict the scope and facilitate sector-level analysis, the classification was narrowed to the *2-digit code* identifying the division of the investment. These were further aggregated in 8 *macro-sectors* as follows based on their code.

Table 1. Macro-Sectors 2-digit NACE codes and number of observations

Macro-sector	NACE section	2-digit codes included	Number of observations
Manufacturing	C	10–33	193
Energy & Utilities	D, E	35–39	19
Retail & Consumer Goods	G	45–47	51
Transport & Logistics	H	49–53	29
Hospitality & Tourism	I	55–56	20
ICT & Software	J	58–63	47
Finance & Insurance	K	64–66	39
Professional & Technical Services	M	69–75	30

Source: Author's own elaboration based on Orbis and Orbis Cross–Border Investment Database (2020) and Eurostat (2008)

As shown in Table 1, the distribution of investments across sectors is highly uneven, with Manufacturing representing the largest share of the sample, with 193 observations, reflecting the central role of manufacturing activities in international production. A second group of sectors, including Retail & Consumer Goods (51 observations), ICT & Software (47), Finance & Insurance (39), and Professional & Technical services (30), shows a significant but moderate presence, indicating the relevance of both market-oriented and knowledge-intensive activities. The Energy & Utilities (19), Hospitality & Tourism (20), and Transport & Logistics (29) sectors account for a relatively limited number of observations, suggesting a more selective use of Greenfield investments in these industries. Lastly, a limited number of projects were classified as Other (25), as they could be assigned to a NACE sector but did not fall within the eight macro-sectors considered in this study, while non-classifiable observations (10) refer to cases for which a precise NACE classification was not available.

3.3 Methodological constraints

While this study adopts a robust quantitative and qualitative approach and draws on a comprehensive dataset of greenfield FDI cases, several limitations must be acknowledged at the methodological level. The coverage of the study is determined by the Orbis Cross–Border Investment Database alone. Although this source is widely recognized for its depth and accuracy, it may not encompass all investments, especially those that are unreported, confidential, or found in weak-disclosure jurisdictions.

Furthermore, the qualitative classification of FDI motivations is derived from an analysis of project rationales and managerial statements, which inherently involves a degree of subjective interpretation. Although the assignment of primary and secondary motivations is guided by a clearly defined theoretical framework, corporate communications may emphasize certain strategic objectives while omitting others, with the result that the stated motivation does not fully reflect all underlying investment drivers of the investment decision.

Additionally, foreign direct investment decisions are often multi-causal and interdependent and rarely mutually exclusive. A single investment decision may be simultaneously market-seeking and strategic-asset-seeking. While the use of both primary and secondary motivation variables partially addresses this complexity, the classification necessarily simplifies investment strategies into discrete categories. Consequently, the analysis should be interpreted as identifying dominant patterns and tendencies rather than exclusive categories.

Another limitation relates to the composition of the dataset. The Orbis and Orbis Cross–Border Investment databases primarily capture projects announced by large multinational enterprises and SOEs. Smaller firms, private investments, or projects with limited public disclosure are less likely to be included, potentially introducing a selection bias. This limitation is common in project-level FDI datasets but should be acknowledged when interpreting concentration patterns across sectors and regions.

Finally, the methodological approach adopted in this thesis is descriptive and comparative, rather than econometric or causal. The analysis does not aim to identify statistically causal relationships between firm characteristics, host-country conditions,

and investment motivations. Instead, it seeks to uncover structural patterns and distributions that are consistent with established theoretical frameworks.

Although this approach is well suited to the qualitative and exploratory nature of the research, it means that the results should be interpreted as descriptive patterns rather than causal evidence.

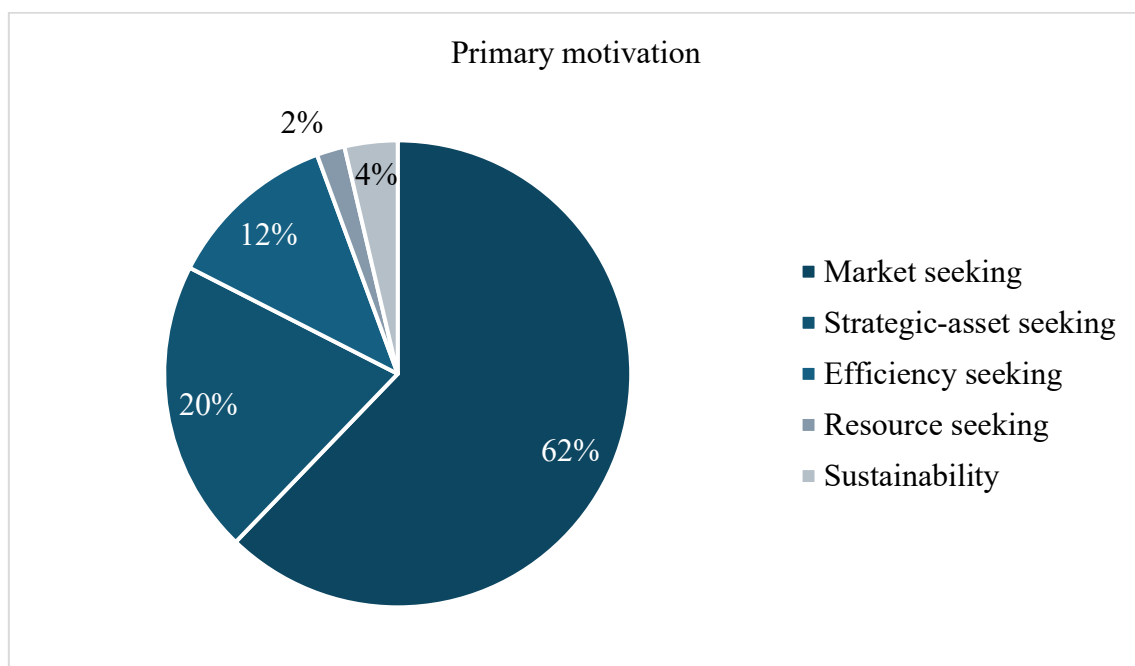
CHAPTER 4

4.1 Overview of Greenfield FDI motivations

Before proceeding with a disaggregated analysis by sector, host country of the investment, and home country of the company, this section provides an aggregate overview of the primary and secondary motivations driving foreign direct investments in the sample considered.

Figure 8 illustrates the distribution of primary investment motivations across all observed sectors. The results show a strong dominance of market-seeking investments, accounting for approximately 62% of total observations, confirming the relevance of market access, consumer proximity, and demand expansion as key drivers of international production strategies. The second most relevant category is represented by strategic-asset-seeking FDI (20%), emphasizing the growing importance of intangible assets such as R&D, human capital, and strategic capabilities. These two are followed by a limited share of efficiency-seeking FDI (12%), while resource-seeking (4%) and sustainability-driven investments (2%) appear marginally as primary motives.

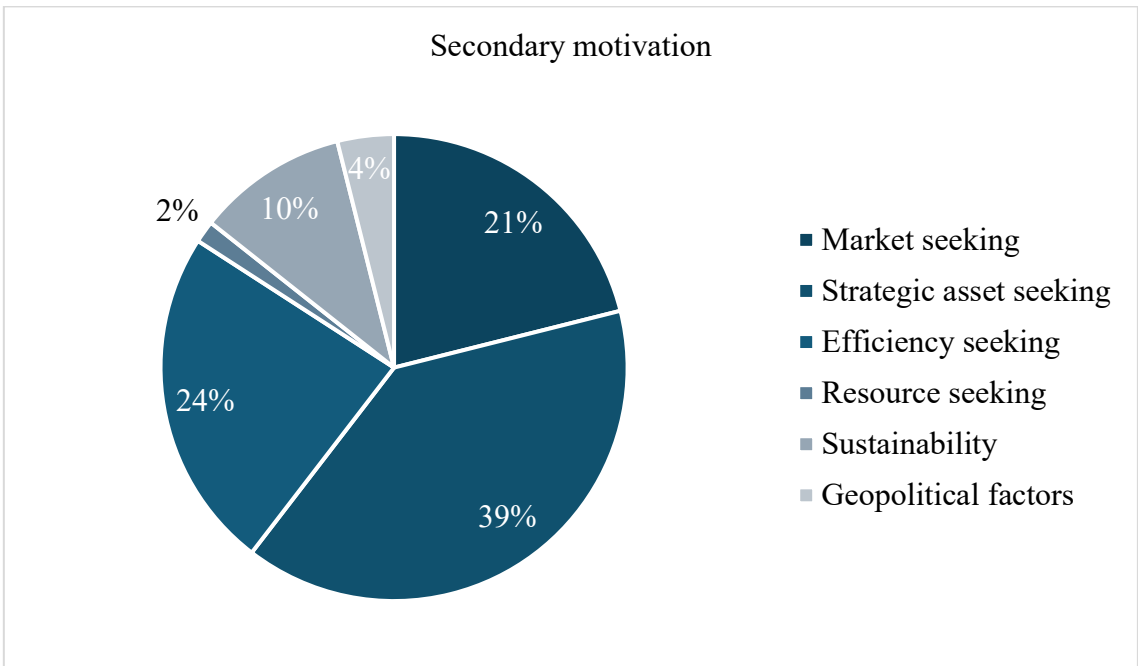
Figure 8. Primary motivation



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

Instead, the situation that emerges by looking at the secondary motivations in Figure 9 is slightly different. While market-seeking motives remain relevant (21%), the distribution presents more heterogeneity across categories. Strategic-asset-seeking motivations become the plurality with a 39% share, and the efficiency-seeking category rises to 24%. This suggests that cost considerations and operational optimization often accompany other strategic objectives rather than being the main ones. Additionally, with the secondary motivation, an increase in the sustainability (10%) and geopolitical (4%) drivers can be observed, indicating their growing role in shaping investment location decisions in today's global economy.

Figure 9. Secondary motivation



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

The comparison between primary and secondary motivations shows that greenfield FDI decisions are multi-dimensional and they combine traditional drivers with newer strategic considerations.

4.2 Industry analysis

4.2.1 Manufacturing sector

Figure 10. Manufacturing sector motivations



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

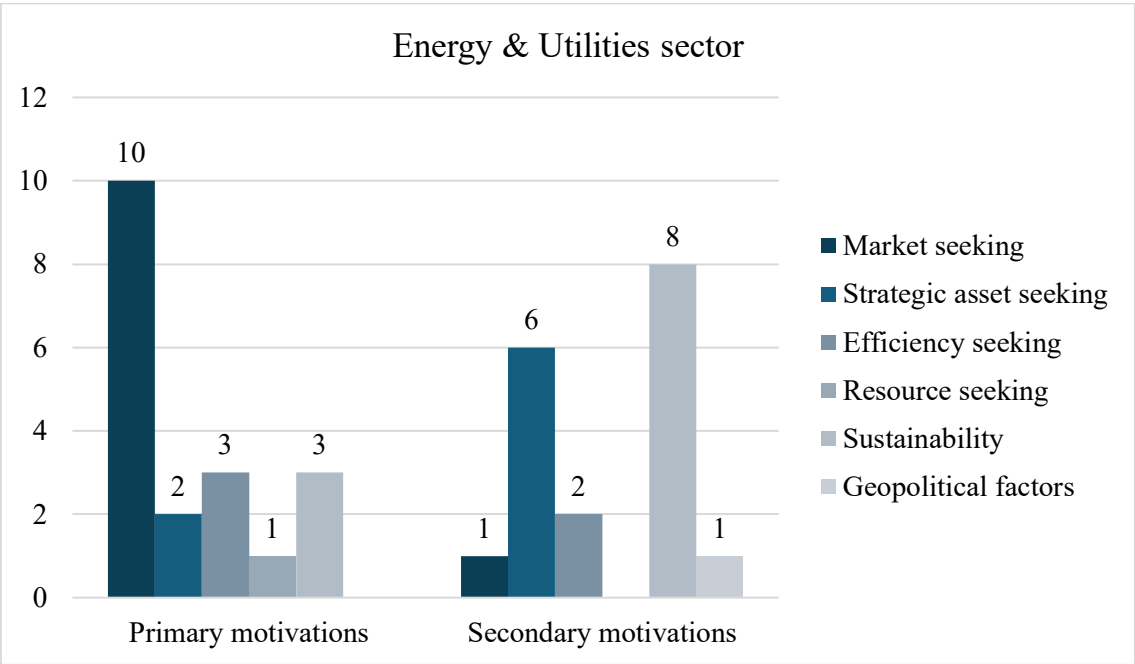
The manufacturing sector represents the largest share of the sample with 193 observations.

As shown in Figure 10, market-seeking motivations dominate the primary drivers of manufacturing investments, reflecting the relevance of proximity to final demand, access to large consumer markets, and the possibility of adapting production to local preferences. This is followed by strategic-asset-seeking motivations, which highlight the importance of advanced manufacturing capabilities, technological know-how, and specialised skills. Efficiency-seeking considerations are less frequent but still present, becoming more relevant when looking at secondary motivations, which shows that cost considerations influence decisions but not as the sole determinant. Resource-seeking and sustainability-driven FDIs are not as relevant, although the manufacturing sector exhibits the highest number of resource seeking projects as a primary motivation when compared to the other sectors in the sample.

The secondary motivations instead depict a more balanced picture, with strategic-assets and efficiency emerging as the main complementary drivers. This pattern suggests that manufacturing firms pursue market expansion while aiming to access specific technological assets and optimise production processes. Additionally, sustainable and geopolitical considerations, although limited in absolute numbers, gain importance, indicating increasing attention to regulatory and supply-chain stability.

4.2.2 Energy & Utilities sector

Figure 11. Energy & Utilities sector motivations



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

The Energy & Utilities sector is represented by a small share of the sample (19), but it presents a distinctive motivational structure that reflects the strategic and regulated nature of investments in this sector. Figure 11 shows how market-seeking motivations continue to dominate the primary drivers of investments. However, efficiency-seeking and sustainability-driven projects appear as particularly relevant, indicating the importance of cost optimization, technological efficiency, and compliance with environmental standards, fundamentals to this industry.

Sustainability considerations become even more emergent as a secondary motivation, highlighting how environmental regulations, renewable energy targets, and long-term decarbonisation strategies are affecting the investment location decisions.

4.2.3 Retail & Consumer Goods sector

Figure 12. Retail & Consumer Goods sector motivations



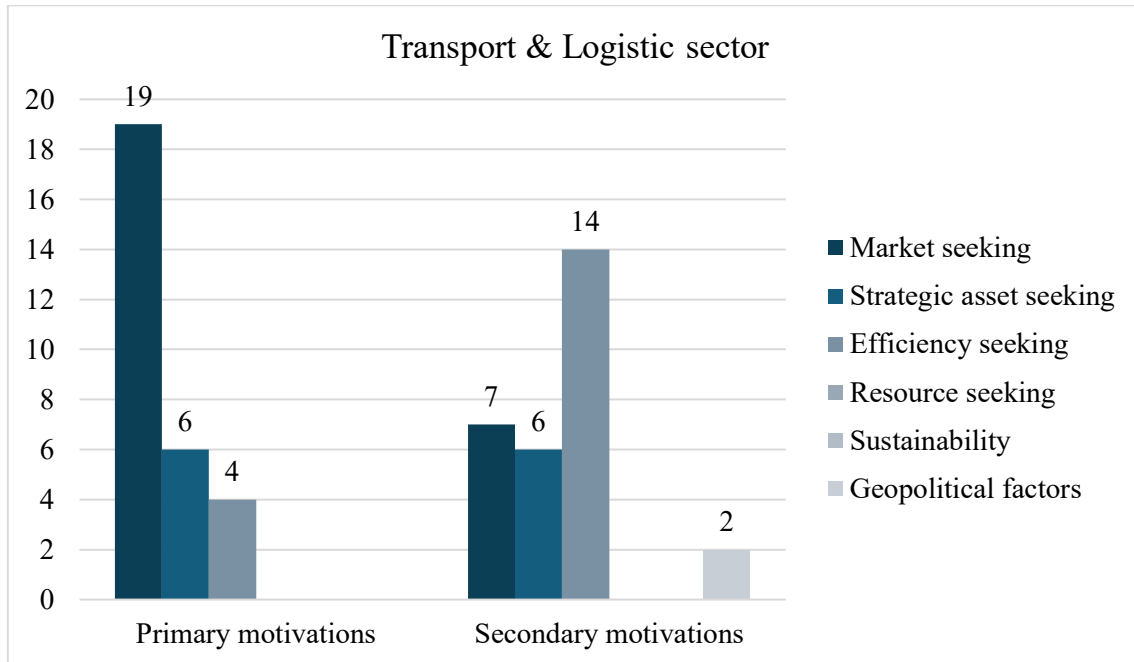
Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

The Retail & Consumer Goods sector comprising 51 greenfield FDIs, exhibits a highly concentrated motivational structure as depicted in Figure 12, where market-seeking projects dominate, reflecting the prominence of demand-oriented strategies consistent with the nature of retail and consumer goods activities, which rely on proximity to clients, distribution networks, and direct access to local markets. Other motivations appear only marginally as primary drivers.

At the secondary level, strategic-asset-seeking motivations are the main complementary drivers reflecting the importance of brand positioning, marketing capabilities, and retail know-how. Efficiency-seeking considerations also gain importance, suggesting that firms integrate cost optimization and logistical efficiency once market access has been secured.

4.2.4 Transport & Logistics sector

Figure 13. Transport & Logistics sector motivations



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020).

The Transports & Logistics sector, accounting for 29 investment projects, displays a motivational structure that reflects its role as a supporting and enabling activity for international production and trade, with market-seeking motivations exceeding the others, as shown in Figure 13. This highlights the importance of proximity to customers, distribution hubs, and major production or consumption centres. Efficiency-seeking instead emerges as the main secondary motivation, as cost minimization, route optimization, and operational efficiency are crucial factors in the industry.

4.2.5 Hospitality & Tourism sector

Figure 14. Hospitality & Tourism sector motivations



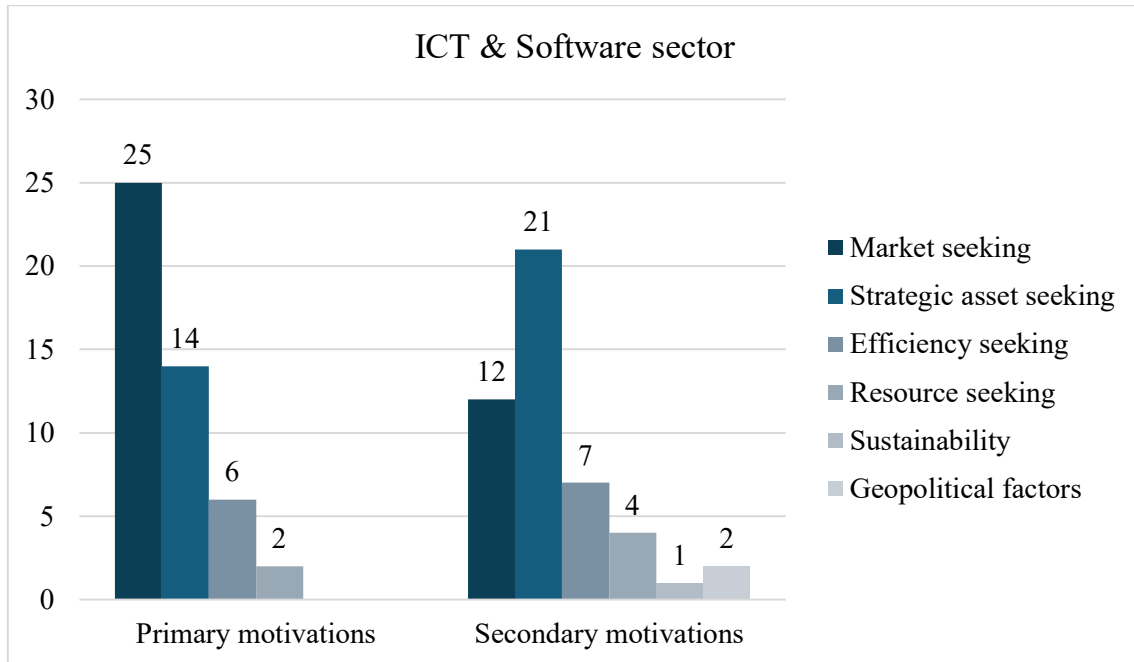
Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

The Hospitality & Tourism sector presents 20 observations, where all of them are market-seeking, as illustrated in Figure 14. This result reflects the intrinsically location-bound nature of hospitality and tourism activities, depending directly on local demand, tourist flows, destination attractiveness, and the presence of cultural and natural attractions.

Strategic assets appear to be the main complementary motivations underlining the importance of brand reputation and managerial expertise.

4.2.6 ICT & Software sector

Figure 15. ICT & Software sector motivations



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

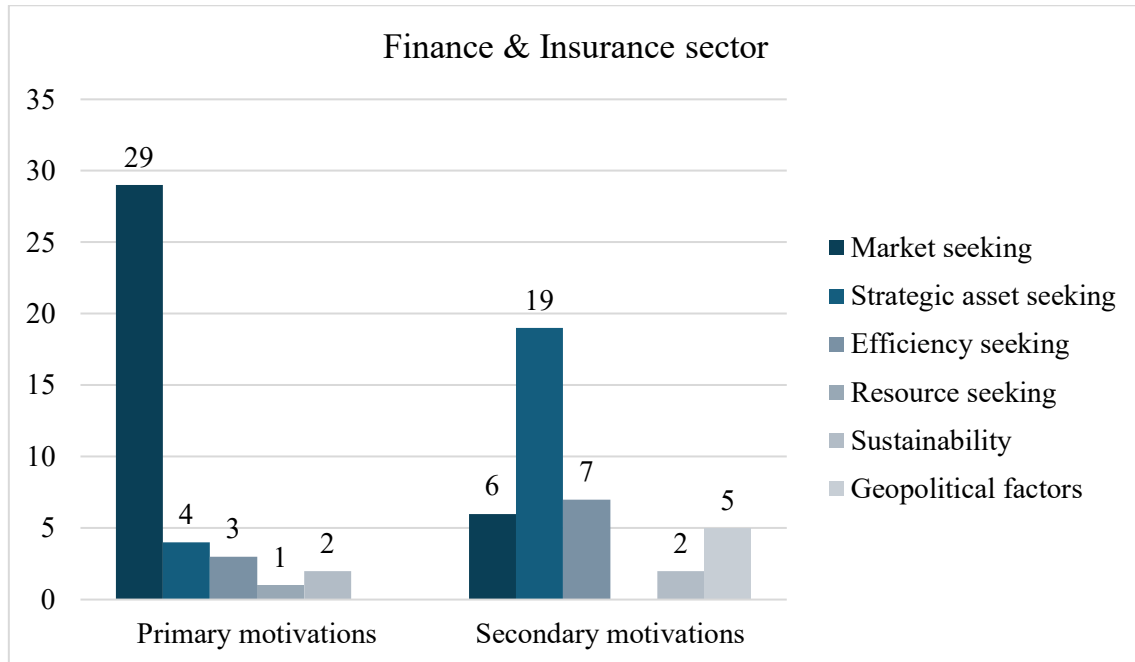
The ICT & Software sector comprises 47 greenfield investment projects. Similarly to the other cases, the market seems to be the main motivation, as seen in Figure 15.

At the same time, strategic assets have a particularly prominent role both as primary and secondary motivations. This clearly reflects the interest in accessing highly specialised labour, innovation hubs, technological clusters, and advanced digital infrastructures. This means that knowledge acquisition and capability upgrading become almost as important as market expansion, distinguishing this industry from more traditional sectors due to the centrality of intangible assets that consequently shape investment decisions.

The other categories of secondary motivations present more heterogeneity, for example with geopolitical factors derived from increasing sensitivity to regulatory environments, data governance, cybersecurity concerns, and political stability.

4.2.7 Finance & Insurance sector

Figure 16. Finance & Insurance sector motivations



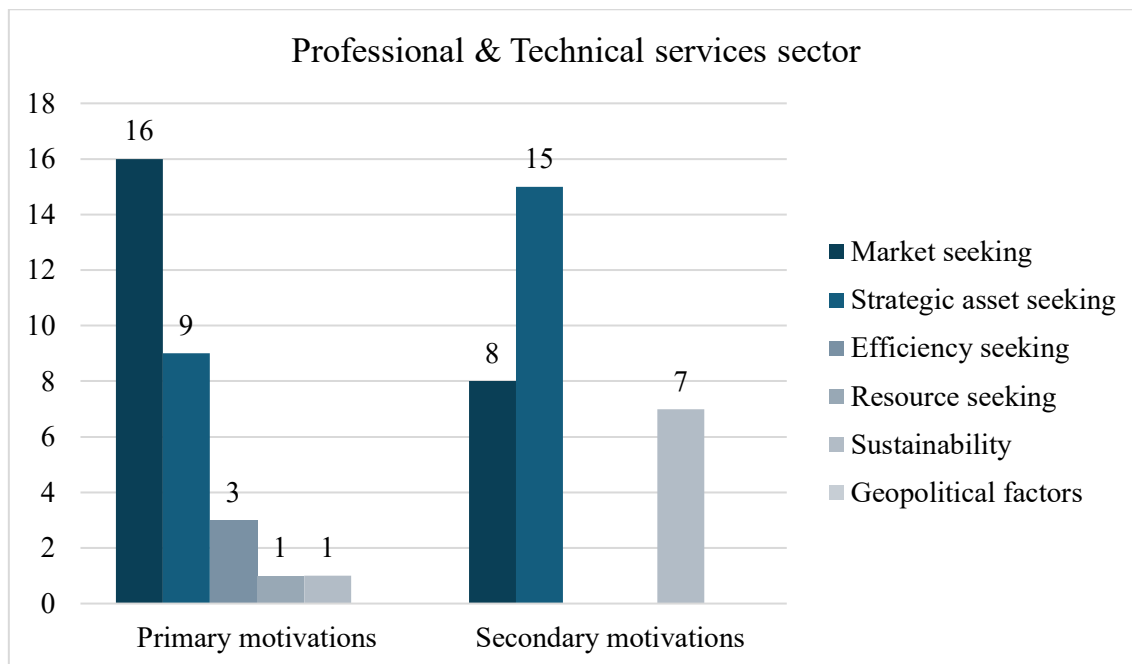
Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

The Finance & Insurance sector includes 39 observations, with the main primary motivation always being market-seeking, as shown in Figure 16, reflecting the importance of access to local financial markets and client base, as well as the need to establish a physical presence in the host country to ensure regulatory compliance and build institutional trust.

A more interesting pattern appears by looking at the secondary motivations, with strategic assets being the most relevant complementary driver due to the importance of skilled human capital and financial know-how. Additionally, geopolitical factors, while having a low absolute value, emerge as particularly significant in relative terms, amounting to around 13% of secondary motivations for the sector, which is the highest percentage of geopolitically driven investments among all sectors considered. This is explained by the crucial role that political and regulatory stability and jurisdictional risk play in shaping the location decisions in financial services.

4.2.8 Professional & Technical services sector

Figure 17. Professional & Technical services sector motivations



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

Lastly, the Professional & Technical services sector includes 30 investment projects. Its motivational structure, as shown in Figure 17, reflects the knowledge-intensive and client-oriented nature of these activities (such as consulting, engineering, legal, and technical services). The results highlight a dual focus between market and strategic-asset seeking driven by the need for close interactions with clients and that for intangible assets and talent availability.

4.2.9 Summary of industry-level findings

The industry-level analysis is marked by heterogeneity in the motivations for greenfield FDI across sectors, confirming that internationalization strategies are strongly shaped by sector-specific characteristics.

While market-seeking motivations emerge as the dominant primary motivations in all industries, their relative importance varies substantially, going from near exclusivity in Retail & Customer Goods and Hospitality & Tourism, to a more balanced and layered structure in Manufacturing, ICT & Software, and Professional & Technical services.

Secondary motivations instead show a tendency towards a multi-motivated investment strategy. Sectors such as Energy & Utilities and Finance & Insurance display a notably higher sensitivity to sustainability and geopolitical considerations respectively.

Overall, these findings support the continued relevance of traditional FDI motivations while making evident the need to integrate broader strategic and non-economic drivers to fully capture contemporary investment patterns.

4.3 Host-Country analysis

Figures 18 and 19 provide a country-level analysis of greenfield FDI motivations across their host economies grouped by geographical-economic regions. The figure focuses on primary investment motivations to capture the prevailing location logic underlying firms' investment decisions.

Several clear geographic patterns emerge. Market-seeking motives dominate across most regions, confirming the importance of access to large or growing consumer markets as the main determinant of greenfield FDI location. This is particularly evident in Asia and North America, where countries such as China, India, Mexico, and the United States present a large concentration of market-oriented investments. These economies combine scale, sustained demand growth, and a large and expanding customer base, making them attractive destinations for firms seeking proximity to final consumers.

The scarcity of the resource-seeking motivation confirms that, while historically being the dominant FDI motive in the 19th and 20th centuries, it has become the least common primary driver in contemporary FDI, as MNEs today lead with market or strategic-asset motives. The latter one is not evenly distributed but rather concentrated in technologically advanced economies such as the US, UK, Germany, France, China, India, Japan, South Korea, Singapore, and Sweden. These countries have strong innovation systems, R&D capabilities, and skilled labour pools, which attract MNEs seeking to enhance their own ownership advantage.

In Europe, FDI motivations appear more diversified. While market-seeking projects dominate, other motivations like strategic-asset-seeking ones are comparatively more present, especially in advanced economies such as Germany, France, and the United

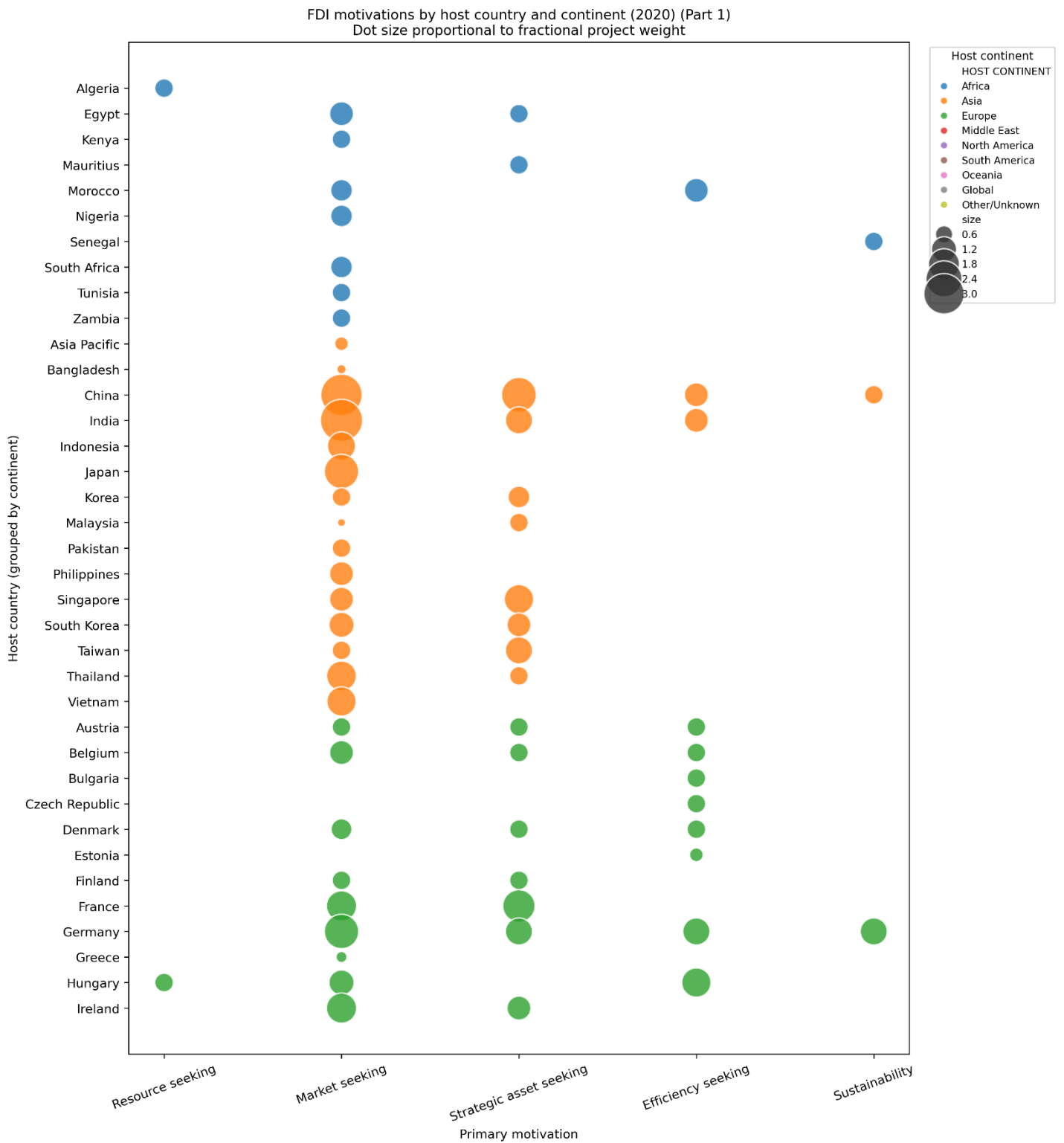
Kingdom. This reflects Europe's role as a hub for high-value activities, skilled labour, technological capabilities, and institutional stability, attracting investments aimed at knowledge acquisition. Efficiency-seeking investments are visible in Central and Eastern European countries like Poland, Hungary, and Romania due to their cost-efficient manufacturing bases (Carstensen, 2004). Additionally, sustainability is noticeably present in Germany, the Netherlands, Sweden, Poland, and the UK, indicating how the European regulatory environment (including the European Green Deal and the carbon neutrality targets) makes it a host for sustainability driven projects.

In North America, the United States shows the most balanced motivation profile of any single country in the chart, reflecting its role as the primary recipient of FDI inflows (OECD, 2025).

In Asia, beyond the predominance of market-seeking motivation, China has a significant presence in both strategic-asset and efficiency-seeking motives, showing how advanced its integration in the global value chain is. Similarly, India spans multiple categories, confirming its growing relevance as a multifaceted FDI destination.

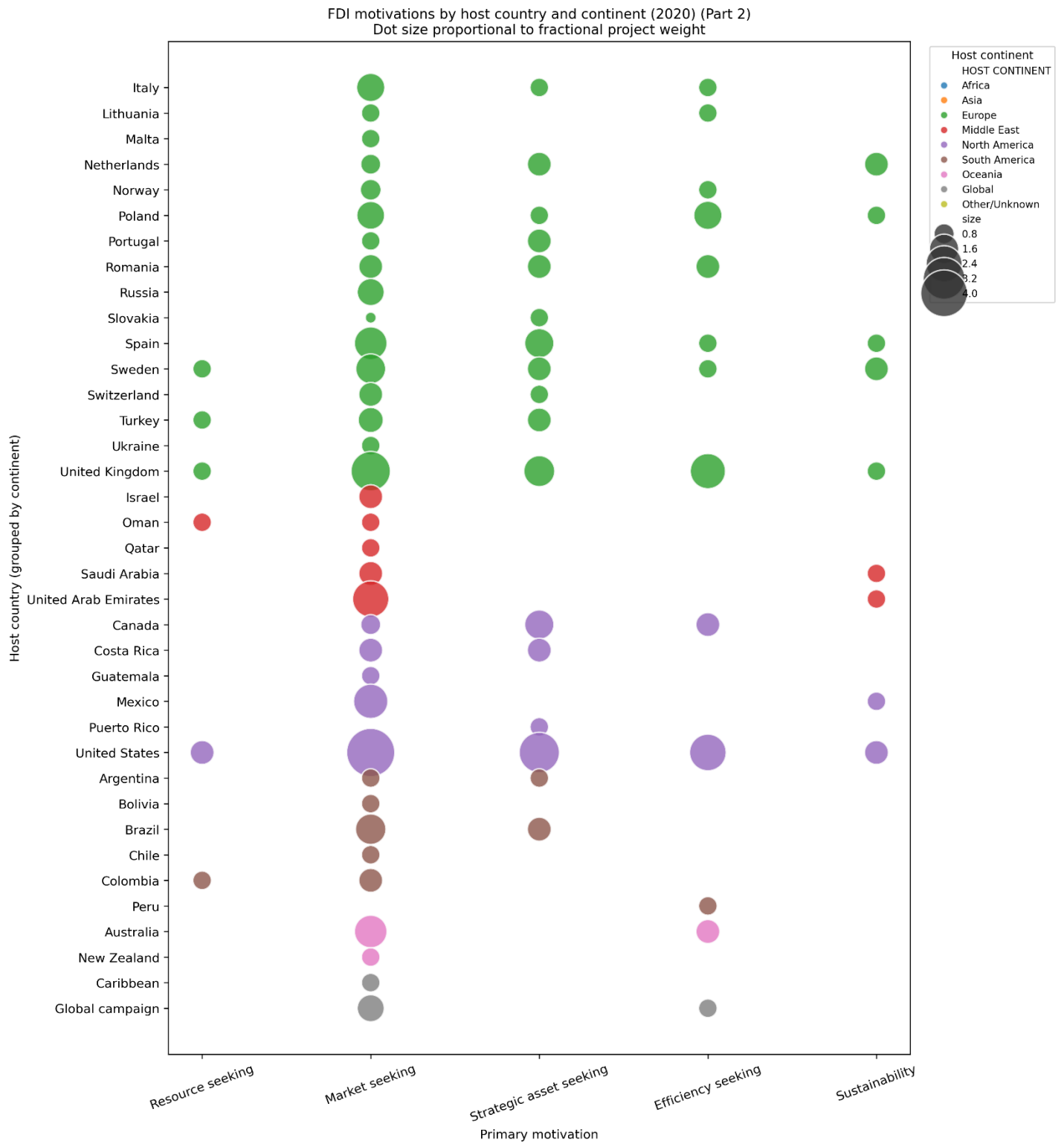
Overall, the geographic distribution of primary FDI motivations reveals a clear structural hierarchy, with market-seeking as the universal baseline across all regions, while the other motivations follow a more selective approach. The heterogeneity shown at the host country level supports the view that multinational enterprises adopt increasingly differentiated location strategies, aligning their primary investment motivations with the specific economic functions and characteristics of the host countries within the global value chain.

Figure 18. FDI motivations by host country and continent - Part 1



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

Figure 21. FDI motivations by host country and continent - Part 2



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

4.4 Home-Country analysis

Figure 20 complements the host country analysis by examining the greenfield FDI primary motivations from the perspective of the home economies, highlighting the origin of the investments and what strategic objectives drive them.

The main pattern that can be recognised is the strong dominance of advanced economies, in particular Europe and North America. Countries such as France, Germany, Italy, the Netherlands, Sweden, and the United States display the largest and most diversified investment profiles. This confirms that the global distribution of FDI projects is driven by firms headquartered in developed economies, possessing the financial, technological, and organisational capabilities required to operate internationally.

These results are consistent with UNCTAD's dataset on the number of announced greenfield FDI projects by source economy (UNCTAD, 2025). For example, in 2020, UNCTAD identifies the United States, Germany, the United Kingdom, France, Switzerland, and Japan as the first five source countries for the number of FDI projects. These findings broadly align with the patterns observed in the analysis, where the United States and major European countries emerge as the dominant source of greenfield FDI.

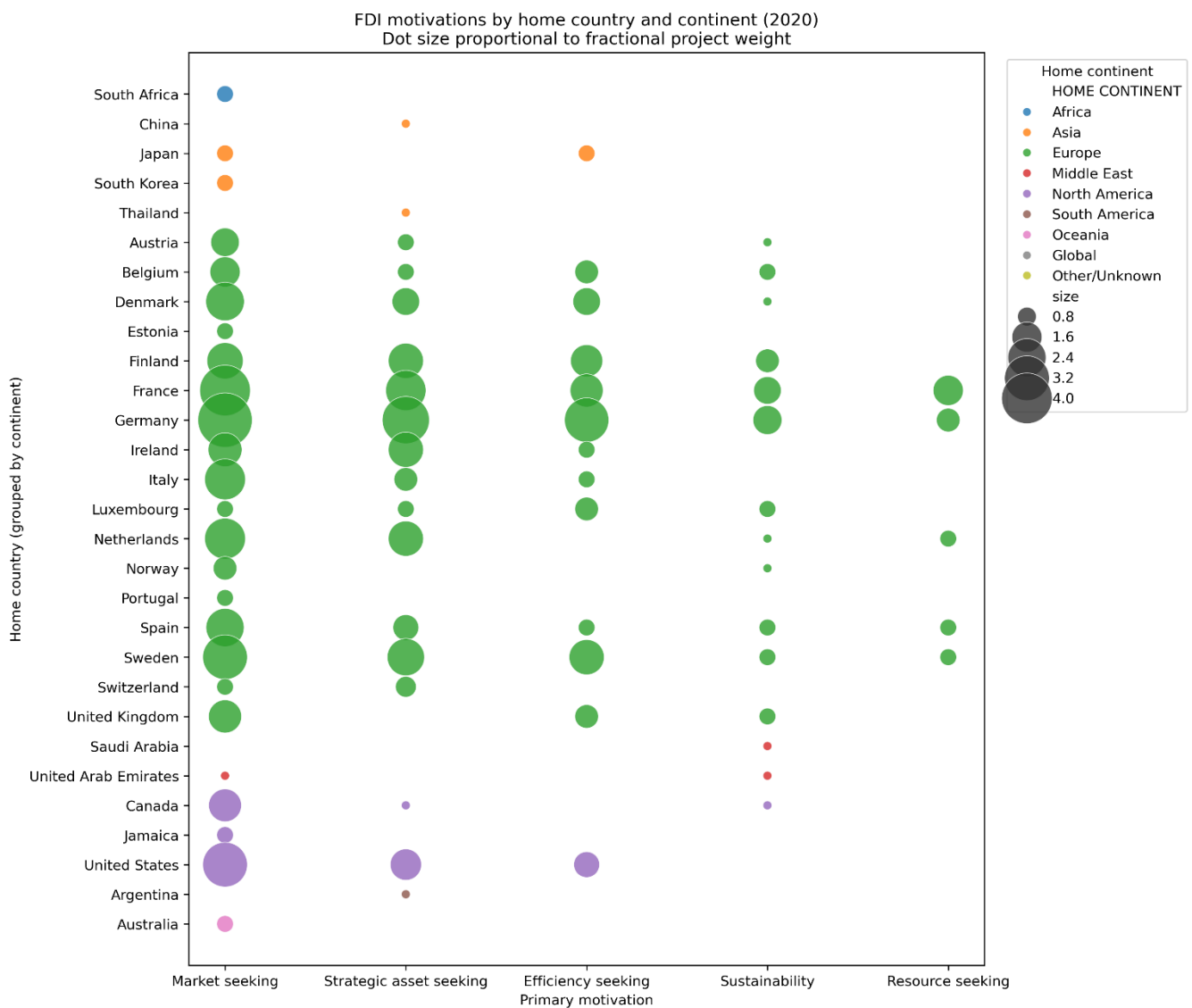
However, some differences can be observed, particularly in the relative importance of Japan and China among the top investing economies. Their presence in the Orbis and Orbis Cross-Border Investment (M&A) dataset appears more limited relative to European countries. This discrepancy can be attributed to the size and composition of the dataset, only representing a subset of global FDI activity, and may therefore underrepresent certain large but less frequent investment flows.

Regarding investment motivations, market-seeking remains the primary motivation across all identified home countries, indicating that multinational enterprises are fundamentally oriented towards international market expansion. Strategic-asset and efficiency-seeking projects are instead concentrated in the wealthiest home countries, such as Germany, France, Sweden, and the United States, highlighting how firms from innovation-intensive economies that invest abroad augment their existing ownership advantages and capabilities.

Finally, sustainability-driven Greenfields originate primarily from European countries driven by stricter environmental and regulatory ESG considerations. This suggests that home country institutional frameworks play a role in shaping outward FDI strategies.

Overall, this analysis suggests that FDI motivations are jointly determined from the interaction between host-country location advantages and home-country firm-specific capabilities. While host economies define the set of opportunities available for investment, the origin of multinational enterprises shapes their strategic orientation and the complexity of their activities, leading to heterogeneous patterns of FDI across both dimensions.

Figure 24. FDI motivations by home country and continent



Source: Author's own elaboration based on Orbis and Orbis Cross-Border Investment Database (2020)

CONCLUSIONS

This thesis sets out to investigate how the motivations of greenfield foreign direct investment vary across industries, host countries, and home economies in the contemporary global environment.

The analysis provides both empirical and conceptual insights into the evolving drivers of current internationalization strategies by combining a theory-driven framework based on Dunning's eclectic paradigm with a project-level analysis based on a dataset comprising 641 greenfield FDI cases.

The findings clearly demonstrate that FDI motivations are not uniform or static. Rather, they reflect a complex and multi-dimensional decision-making process shaped by both traditional economic factors and emerging global dynamics, converging into several consistent and theoretically meaningful patterns.

First, market-seeking motivations emerge as the dominant primary driver across all sectors and host-countries, confirming that access to demand, proximity to consumers, and market expansion remain the central rationale of MNEs' internationalization strategies and location decisions.

However, the results reveal that market seeking is rarely the sole motive, with its relative importance varying significantly across sectors. Secondary motivations also present a more heterogeneous distribution that demonstrates how most investment project motivations are multi-dimensional, with the search for strategic assets and efficiency playing an important complementary role. This pattern is particularly evident in knowledge-intensive sectors like ICT & Software and Professional & Technical Services, where access to innovation hubs, skilled labour and technology clusters shape investment decisions, with an increasing focus on capability-enhancing strategies that aim at developing new advantages rather than exploiting existing ones.

Resource-seeking motivations instead are found to be marginal in the sample, confirming their declining importance in modern FDI patterns compared to their historical significance.

A key contribution of this thesis is the addition of non-traditional motivations, particularly sustainability and geopolitically driven ones that, although they rarely appear as primary

drivers, they become more significant at the secondary level, indicating their rising influence in investment decisions. Sustainability considerations, for example, are evident in sectors such as Energy & Utilities and in European host and home economies, where regulatory frameworks and ESG policies shape firms' location and internationalization choices. At the same time, geopolitical factors influence industries such as the Finance & Insurance one, signalling the impact of global uncertainty and fragmentation on investment strategies.

The sector-level analysis reveals systematic differences in motivational structures that mirror sector-specific characteristics. For example, the Hospitality & Tourism and Retail & Consumer Goods sectors present almost exclusively market-seeking profiles, consistent with the location-bound and demand nature of these activities.

From a geographical perspective, the results reveal a clear structural differentiation across host countries. Market-seeking investments are concentrated in large and dynamic economies such as the United States, China, and India, while strategic-asset-seeking projects are found in technologically advanced countries with strong innovation systems. Efficiency-seeking investments are instead more present in economies offering cost advantages, like the Central-Eastern European countries, confirming that location-specific characteristics strongly shape FDI motivations. Sustainability-driven FDI clusters predominantly in European host countries, indicating that sustainability-friendly regulatory environments, including the European Green Deal, actively shape investment motivations.

The home-country analysis confirms the importance of advanced economies as the main source of global FDI activity. The more complex and multi-motivational profiles come from the United States and the richer European countries such as Germany, France, and the United Kingdom. Their economic and institutional environments allow MNEs to combine market expansion, strategic-asset acquisition, and sustainability considerations. From this, it can be affirmed that firm-specific capabilities and the regulatory frameworks in which firms operate have a crucial role in shaping outward FDI behaviour.

The host and home country analyses conducted help us confirm that FDI motivations are jointly determined by both the pull of host-country location advantages and the push of home-country firm-level and institutional factors.

These results carry both theoretical and practical implications.

At the theoretical level, the findings support the continued relevance of Dunning's eclectic paradigm as an analytical lens while also validating the proposed extensions through the non-negligible presence of sustainability and geopolitically driven motivations. This suggests that the four-motive taxonomy is insufficient to fully capture and explain the complexity of contemporary FDI patterns.

From a managerial standpoint, the results emphasize the need for firms to adopt multi-dimensional investment strategies, integrating market, technological, environmental, and geopolitical considerations into their decisions.

However, several limitations must be acknowledged when interpreting these results. The analysis is based on a project-level dataset relying on qualitative classification of motivations from managerial statements, which introduces a degree of interpretative subjectivity. Additionally, the Orbis and Orbis Cross-Border Investment Databases may provide a too-narrow sample that underrepresents smaller firms and less disclosed investment flows. Finally, the descriptive approach does not allow for causal inference. Therefore, the results should be interpreted as identifying dominant structural patterns rather than causal relationships.

Future research could extend this analysis by adopting econometric methodologies, expanding the dataset across both a longer time horizon and additional investment projects, or further investigating the interaction between sustainability, geopolitics, and firm-level characteristics. Moreover, deeper sector-specific or regional analyses could provide additional insights into how emerging global trends reshape international production.

In conclusion, this thesis shows that greenfield FDI motivations are increasingly complex, hybrid, and context-dependent because of the structural changes in global investment patterns. Understanding these evolving dynamics that drive investment motivations is crucial for policymakers and firms alike as they navigate an increasingly fragmented and uncertain global economy.

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