

## DEFINITIONS

- i. ***Cross Border Investments:*** Cross border investments include FDI activities that involve acquisition of financial assets by domestic economy enterprise (investor) in host economy enterprise (investee). It includes purchase of stocks, bonds, or securities in foreign market as cross border investments usually aim at financial gains rather than gaining control over the host economy enterprise. (Abdi, 2010)
- ii. ***Foreign Direct Investment:*** “FDI refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars” (Source: World Bank Indicators)
- iii. ***Greenfield Investment:*** Foreign direct investment which involves the establishment of new operations or production facilities in the host economy like new factories, offices, or infrastructure facilities which basically allows domestic economy enterprise to start from scratch in host economy enterprise or start operations in foreign market with specific requirements in known as green field FDI. (Abdi, 2010)
- iv. ***Gross Domestic Product:*** According to IMF<sup>1</sup>, “Gross Domestic Product measures the monetary value of final goods and services -that is, those that are bought by the final user -produced in a country in each period. It counts all of the output generated within a country’s borders”.
- v. ***Gross Fixed Capital Formation:*** As per OECD, the acquisition of produced assets (including purchases of second -hand assets), including the production of such assets by producers for their own use, minus disposals.
- vi. ***Home country:*** In the context of FDI, home country is the country from where FDI originates.
- vii. ***Host country:*** In the context of FDI, host country is the country who receives FDI from a foreign enterprise.

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<sup>1</sup> IMF: International Monetary Fund

- viii. **Joint Ventures:** In an alliance where two or more companies from different economies collaborate to establish a completely new entity jointly is known as joint venture. Individual entity contributes capital, resources, skills, share the risk, technological expertise etc. FDI through joint ventures allow companies to take advantage of knowledge of local market, resource and resources of their partners which eventually reduces the risks of entering a new market. (Abdi, 2010)
- ix. **Mergers and Acquisitions:** It refers to acquisition or merger of domestic economy enterprise with host economy enterprise in the foreign market. The investor (domestic economy enterprise) purchases a controlling stake in the investee (host economy enterprise), gaining ownership and control over its operation. It allows companies to expand its market presence, gain access to technology, benefit from customer base and brand recognition of acquired company. (Abdi, 2010)
- x. **Pull Factors:** The factors or variables that motivate foreign enterprise to invest in host economies through FDI.
- xi. **Push Factors:** The factors or variables that motivate a domestic enterprise to invest abroad through FDI.
- xii. **Round Tripping:** Re-route investments from other countries to have tax benefits.
- xiii. **Strategic Alliance:** Strategic alliance is like joint venture and involve cooperation between companies except they are less formal and there are no requirements relating formation of completely new entity. Usually, strategic alliances involve companies collaborating for specific projects such as research development, marketing, or distribution. These allows companies to be flexible and leverage each other's strength without fully integrating their operations. (Abdi, 2010)
- xiv. **Vertical and Horizontal Investments:** Vertical investments involve establishment of operations in different stages of the production chain such as backward integration (investing in suppliers) or forward integration (investing in distributor). Horizontal investments involve investor investing in same industry or produces similar products in the host economy.(Abdi, 2010)