THE INFLUENCE OF ECONOMIC INDICATORS ON THE ADAPTATION OF EUROPEAN OUTWARD FOREIGN DIRECT INVESTMENT

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How to cite this paper: Efthimiou, S. G., & Letsou, E. Z. (2025). The influence of economic indicators on the adaptation of European outward foreign direct investment. *Risk Governance and Control: Financial Markets & Institutions, 15*(3), 41–48.
https://doi.org/10.22495/rgcv15i3p3

ISSN Online: 2077-4303
ISSN Print: 2077-429X

Received: 17.05.2025
Revised: 13.06.2025; 25.06.2025
Accepted: 04.07.2025

JEL Classification: F23, O10, O16
DOI: 10.22495/rgcv15i3p3

Abstract

The new economic reality has enhanced the evolution of investment activities and the presence of national sectors and industries in the international investment environment (Patel et al., 2024). A key factor in this environment is multinational enterprises (MNEs), which play a key role in the development of foreign direct investment (FDI) (Letsou et al., 2025). The purpose of this paper is to study the resilience and adaptation of the outward FDI (OFDI) from the European Union (EU) countries to the international economic environment. This study more specifically examines the influence of economic indicators — variables on OFDI, while its results lead to useful conclusions regarding the formulation of economic policy and the adaptation of FDI in EU countries. Also, through the use of economic models to process data from the period 1980–2020, the influence of economic indicators of each country on OFDI is examined, as well as their economic adjustment to the international environment. The findings capture the differentiated role of the characteristics of national economies as a determining factor for FDI outflows, highlighting new data and practices regarding countries' economic policy. This research contributes to the literature on economic adjustment to the international environment and the globalization of the economy by capturing in a comprehensive manner the impact of macroeconomic variables on OFDI.

Keywords: Adaptation, European, Foreign Direct Investment, Indicators, Outward

Authors' individual contribution: Conceptualization — S.G.E.; Methodology — S.G.E. and E.Z.L.; Formal Analysis — S.G.E. and E.Z.L.; Writing — Original Draft — S.G.E. and E.Z.L.; Writing — Review & Editing — S.G.E.; Project Administration — S.G.E. and E.Z.L.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Foreign direct investment (FDI) denotes the capital investment made by a foreign entity in a domestic business, typically through the direct infusion of capital or the purchase of a company located in another country. The primary objective of such an investment is to gain sustained managerial control or exert significant influence over the operations of the invested entity (Falzoni, 2000). The spread of FDI during the 1990s was a significant and long-term development. The immediate benefits, such as increased domestic investment, have largely been realized, while other positive impacts, such as enhanced corporate governance and increased productivity, are also expected. Despite delays in the full realization of these intended benefits in various contexts, it appears that FDI had a significant

impact in the 1990s (Falzoni, 2000). In this context, policies related to FDI have emerged as a central element of developing countries' economic strategies in recent years (Efthimiou, 2024).

The recent trends of market globalization and the internationalization of economic relations have resulted in a significant expansion of both trade and financial flows (Letsou et al., 2025). Furthermore, economic globalization represents a process through which national sectors evolve and adapt within a global context. In contrast, the internationalization and external orientation of the economy focus on the formulation and implementation of business strategies and policies aimed at markets beyond the domestic sphere (Kyrkilis, 2010). A number of factors contributed to the increase in FDI, such as significant technological progress that resulted in increased capital intensity and the creation of economies of scale, the development of transport and communications which reduced costs and enhanced activity in remote areas as well as the avoidance of tariffs through the establishment of production units in protected markets (Kokkinou & Psycharis, 2004). According to Dunning (1988), the types of FDI with respect to the investment motive are divided into four categories: 1) efficiency-seeking FDI, 2) market-seeking FDI, 3) resource-seeking FDI, and 4) strategic asset-seeking FDI. Various economic theories argue that FDI outflows are driven and influenced by a combination of ownership, location, and internalization advantages, the pace of which is determined by the economic development and adjustment of each country. These economic advantages indicate the ability of multinational enterprises (MNEs) to efficiently manage their assets, resulting in investment in a non-domestic market and an increase in FDI outflows (Dunning, 1993). The main purpose of this research is to test the resilience and adaptation of the outward FDI (OFDI) of European Union (EU) countries to the international economic environment and how they are affected by the economic indicators and economic cycle variables of each country. This paper, by employing panel data models for the period 1980–2020 with annual data, attempts to approximate the impact of macroeconomic indicators and variables on the levels and behavior of OFDI. The case study concerns specific countries under examination as well as the economic adjustment of FDI outflows of these countries, providing an analytical presentation of the correlation of economic variables and the specific type of FDI, giving proposals for policy measures and action in accordance with the findings that emerge.

The organization of this paper is structured as follows. Section 2 provides a comprehensive review of the existing literature, establishing the foundational framework for the theoretical models utilized. Section 3 outlines the methodology applied in the empirical analysis, offering a rationale for the selection of specific econometric models. Section 4 presents the results of the analysis, exploring the impact of each variable on OFDI, followed by a discussion of these findings in relation to economic theory and their potential implications for EU economic policy. Finally, Section 5 concludes with a summary of the key findings and highlights their relevance for future research directions and policy development.

2. LITERATURE REVIEW

As a process, globalization is differentiated from internationalization. The former refers to the advancement and growth of national industries on an international scale, while the latter refers to the advancement and growth of business strategies in the international market (Kyrkilis, 2010). The globalization of the economy affects the economic growth of individual countries, having played a pivotal role in the influence of foreign capital on each economy (Thetlek et al., 2024).

In the era of globalization, countries have the ability to adapt and implement their economic policies and utilize international resources through increasing levels of OFDI (Efthimiou, 2025). In the global economy, there is a trend towards increasing the capacity for investment activity abroad by attracting FDI flows. The positive influence of OFDI and the absorption of its secondary benefits is enhanced by increasing levels of intellectual property rights (IPR) (Zhang & Liu, 2022). In this economic field, the development of FDI is influenced to a very high degree by MNEs, which together with FDI constitute two sides of the same coin (Buckley & Casson, 1985). A company without FDI has difficulty being characterized as an MNE because no other form of international business activity suffices for this characterization in the sense that the term MNEs refers to an entity that creates added value in several countries (Dunning, 1993; Pitelis & Sudgen, 2002).

FDI constitutes a key aspect of economic internationalization, playing a pivotal role in fostering economic integration across nations. More precisely, FDI pertains to cross-border capital flows that enable firms to broaden their operations internationally by establishing subsidiaries in foreign markets (Krugman & Obstfeld, 2005).

FDI is defined as an investment that establishes a long-term relationship and control by a company from one economy in a business located in another, distinct economy. The World Bank (2010) defines FDI as the net inflow of investments aimed at creating sustained managerial involvement in an enterprise that operates in a sector different from that of the investor's economy. Similarly, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) describe FDI as an effort by an entity from the domestic economy (the direct investor) to obtain a lasting interest in an entity located in a foreign economy (the direct investment enterprise) (OECD, 2008). The concept of "lasting interest" inherently signifies a long-term interdependent relationship between the investor and the enterprise, characterizing the investment as direct. This relationship also implies a significant degree of influence exerted by the investor on the management of the enterprise. FDI encompasses not only the initial transaction that creates the linkage between the investor and the enterprise, but also subsequent capital exchanges involving both entities, as well as any affiliated subsidiaries, regardless of their legal incorporation status. It is essential to note that such capital transactions may not always involve traditional financial settlements. For example, they can include the exchange of shares without monetary compensation (OECD, 2008). A direct investor is typically defined as the entity that owns at least 10% of the capital of a company. While this threshold is commonly used, it is acknowledged that

ownership of a smaller percentage could still imply control, and conversely, ownership exceeding 10% might not always confer control. Nonetheless, this 10% guideline is commonly employed as the dividing line between direct investment and portfolio investment in shares (OECD, 2008).

The acquisition price of shares by a non-resident, who was not previously a capital holder of a permanent entity, of a percentage of at least 10% of the shares is characterized as recording a direct investment. After this point, any capital transactions that may occur should be counted as direct investment (Nguyen et al., 2024). The prior acquisition of equity should remain unchanged and not be reclassified from portfolio investment to direct investment in the balance of payments. The full valuation of the equity, however, should be transferred and reclassified as FDI (Lipsey, 2001). Regarding the terms of direct investment and FDI enterprises, the IMF and the OECD define that a direct investor may be a natural or legal person, a private or public enterprise incorporated or not owned by the enterprise, a government, a group of related persons or a group of related enterprises incorporated and/or not owned by the enterprise and having a direct investment enterprise, the country of residence of the direct investor (OECD, 2008). An FDI enterprise refers to a business entity, whether incorporated or not, in which a foreign investor holds at least 10% of the voting stock or voting power. This applies to both incorporated enterprises and equivalent entities that are not directly owned by the foreign investor.

Entities related to FDI may take the form of subsidiaries, affiliates, or branches. The first category concerns the case in which the foreign investor holds either directly or indirectly more than 50% of the voting rights of the shares in the entity, the second category concerns a similar case in which the percentage ranges from 10% to 50% and the third category concerns the case in which a branch constitutes a partially or fully anonymous entity.

It is worth mentioning that the choice between establishing a branch or subsidiary/partner in a foreign country, in addition to other indicators, also depends on the regulatory framework of the host country and, in many cases, on that of the country of origin (Patel et al., 2024). Most of the time, in the subsidiary category, the national regulatory framework is not as flexible as in the branch category (Al-Sadig, 2013).

FDI historically refers to a moment when a business builds an asset abroad. However, the definition of FDI has expanded to include three elements:

1. The foreign entity acquires a domestic entity.
2. The foreign entity proceeds to establish a joint venture with the domestic entity.
3. The agreement to establish an alliance in the domestic local market between foreign and domestic entities.

Portfolio investments are considered indirect. The so-called passive ownership of an asset occurs when the foreign company does not intervene in the management procedures.

Chryssochoidis et al. (1997) in their book presented the primary investment motives of an entity, which are listed below:

1. The lack of any production in a specific country.
2. Cheap labor, grants, subsidies, or tax breaks.
3. The effort to find new consumers with the aim of increasing sales levels. This specific investment category concerns the case in which the products and services of a foreign entity face difficulties in entering the domestic market due to trade barriers.
4. The type of investment that results from competition between domestic and foreign entities and entails the creation of an advantage at an international level (Falzoni, 2000).

The examination of economic theory and empirical data underscores the beneficial impact of FDI on the economic growth of developing host countries. Accordingly, the policies and strategies of these countries should focus on enhancing the conditions for potential investors, regardless of whether the capital is domestic or foreign (Lipsey, 2001). As Chakrabarti (2001) states in his work, in order to benefit from economies of scale, there must be a large functioning market in which the flow of FDI will start to increase and contribute to the continuation of growth. According to various studies, it is argued that FDI will grow in markets that have high value and high purchasing power (Artige & Nicolini, 2005). Empirical evidence highlights the significance of the policy adopted, particularly for low- and middle-income countries, where the influence of OFDI on domestic economic growth through local enterprises tends to be relatively limited. This suggests that policymakers must devise a comprehensive strategy that not only strengthens national institutions and enhances the absorptive capacity of domestic entities but also incorporates best practices in economic policy. Such a strategy should aim to align FDI policies with local institutional frameworks, thereby maximizing the positive impact of foreign investment on economic development (Letsou et al., 2025).

However, variations across income groups are not the sole determinants of the effect of OFDI on economic growth. Other critical factors that influence or impede FDI in certain countries include the availability of resources, political stability, and the overall level of economic development (Osarumwense & Igor, 2023). Despite contradictory trends, it is generally accepted that FDI brings several advantages to a country, without there being a certain successful way of investing (Hasani & Beqaj, 2023). A prerequisite for a possible successful investment effort is the evaluation of all relevant factors that influence an investment. FDI trends in Eastern Europe have been on the rise in recent years, while FDI in Western Europe has also shown similar trends, mainly due to the increased educational level of the workforce and market dynamics (Lipsey, 2001).

The correlation between direct investment and exports of each country plays a key role in assessing the internationalization of a country through FDI and the overall course of a country's economic cycle (Pfaffermayr, 1996). The link between a country's economic growth and attracting investment is a primary objective of the long-term economic policy of each government and policymakers (Srikissoon & Chummun, 2024). Economic policymakers should take into account that promoting investment abroad creates conditions for increasing export levels, domestic employment, and overall economic well-being (Maza & Gutierrez-Portilla, 2022). However, the creation of a favorable environment for direct investments and the existence of appropriate

conditions for the absorption of these investments is influenced by several factors and variables such as a stable economic environment, political stability, and policies of reduced taxes and low production costs (Kukaj et al., 2022).

Increasing trends in OFDI have a positive influence on the existence of technological innovations. Investment activities in host countries with an increased level of income show better results in promoting technological innovations than countries with a low level of income (Wang et al., 2021).

3. RESEARCH METHODOLOGY

The purpose of this study is to investigate the factors that influence a country (country of origin) to invest capital in other countries (country of destination). The study focuses on EU countries, where the analysis is done for each country separately and collectively for all of them. The variables used are quantitative, while reference is also made to qualitative variables.

This research employs panel data models to investigate the impact of various economic factors on the OFDI of EU countries and their corresponding adjustments. A range of models was evaluated, with the final selection being based on their robustness in analyzing time-series data and their ability to account for cross-country variations over the period from 1980 to 2020.

Panel data models play a crucial role in analysis by accommodating distributional data and offering a more holistic understanding of the underlying dynamics. In applying these models, the study adopts an evidence-based methodology, conducting preliminary analyses to ensure the reliability and validity of the data, as well as its appropriateness for the chosen modeling techniques. This process involves tests for stability, the detection of unit roots, and the careful selection of appropriate lags for the relevant variables. To perform the regression analyses, econometric software (Stata) is utilized, incorporating robust standard errors to account for potential heteroscedasticity and autocorrelation in the panel data.

3.1. Variables

Annual OFDI: *OFDI* includes all assets and liabilities that are transferred between investors and the direct investments of the investors' enterprises. Also included transfers of liabilities and assets between residents and non-resident enterprises, provided that the enterprise exercising control is a resident (World Bank, n.d.).

Income-real gross domestic product (GDP) of the country of origin (*GDP-real*): The upward trends in a country's income contribute to the diversification of its economic policy and the strengthening of its competitive advantages. The services and manufacturing sectors reflect a share of the gross national product (GNP) with upward trends. The combination of increased capital production and consumption of diversified products contributes to the development of markets. Entities that benefit from country advantages improve their ownership levels. The existence of new demand patterns can lead businesses to new supply patterns, which require product and service differentiation. This diversification provides a conducive environment for the influx of new FDI and facilitates economic adjustment. An increase in a country's income levels is anticipated to correlate with a rise in OFDI activity (Letsou et al., 2025). GDP will be utilized as a key indicator to estimate income levels, as well as to assess the ongoing structural transformation within the country.

Interest rate: Trends in investment activities abroad require the commitment of a significant amount of capital in order to make the investment more efficient and effective. This requirement plays a key role in capital-intensive activities, with FDI being a typical example. Increased levels of capital in host countries are an important basis for easier access to markets. The existence of high levels of capital is associated with low interest rates, which in turn contribute to low levels of opportunity cost of capital and the profitability of investments abroad. The lower the interest rate levels in the country of origin, the higher the country's propensity for OFDI (Kyrkilis & Pantelidis, 2003).

Exchange rate (*ER*): Businesses originating from countries with a strong currency have an advantage in their ability to invest abroad over those originating from countries with a weaker currency. An increase in the value of the currency in the country of origin of FDI tends to enhance the motivation for OFDI, as it facilitates access to new markets and reduces the capital required for foreign investments when measured in domestic currency. It is commonly believed that a positive relationship exists between the real *ER* and *OFDI*, with the host country's real *ER* index being suggested as a proxy for *OFDI* in empirical models.

Technology: Through a review of the literature and studies, it has been found that there is a positive correlation between technology and FDI (Kyrkilis & Pantelidis, 2003). The organization and production of technological innovations by a firm contribute to the acquisition of a key property advantage and the generation of income by the specific firm. The failure to optimize the returns to technological inputs makes the use of FDI an alternative form of exploitation of the internationalization of technological inputs through states. The ability of a firm to produce technological innovations and inputs is determined by various factors such as patents, legal status, level of specialization, and the structure of markets and policies followed, most of which are positively associated with the propensity for FDI.

Human capital: Human capital skills are a comparative advantage that contributes to the acquisition of different types of comparative advantages. This type of advantage facilitates activities related to research and development, management, and investment abroad and makes the choice of FDI more likely (Kyrkilis & Pantelidis, 2003). The skills of human resources (HR) vary across countries due to factors such as the education system and specific government policy. The skills and specialization of HR have a positive correlation with FDI outflow.

Openness of the economy (*OP*): Simplification and liberalization of the economic transaction process have a positive impact on *OFDI*. The *OP* is calculated as the sum of a country's export and import levels. An economy in which exports play a key role allows businesses to more easily collect information about managing entities abroad and promoting their products and services (Kyrkilis & Pantelidis, 2003). Also, the absence of capital

controls facilitates the financing of investments abroad without limits. This data may reinforce the shift of internationalization from the type of exports to that of *OFDI*. In order to combat import competition, the establishment of new companies through *OFDI* in the domestic markets from which the imports originate is a means of coping. The *OP* as a whole is considered a factor with a positive contribution to *OFDI*.

Corporate tax rate (*COR_TAX*): *COR_TAX* as a variable with respect to *OFDI* shows a positive correlation (IMF, 2001). Countries with elevated tax rates tend to experience higher rates of OFDI, as FDI flows are typically drawn to nations with lower tax rates. The disparity in tax rates between the country of origin and the host country further encourages *OFDI*, as the variation in taxation serves as an incentive for investment to move from one country to another (Esteller-More et al., 2021).

Unemployment index (*U*): OFDI is associated with a decrease in domestic employment levels, leading to a positive correlation between the unemployment rate and *OFDI* (Huijie, 2018). Furthermore, differentiation in the type of *OFDI* appears to affect unemployment levels, with different forms of investment having different effects on the labor market.

Dummy variable: The creation of the euro in 2002 affects the levels of *OFDI*. The dummy variable takes the value of 1 for years up to 2001 and the value of 2 for subsequent years.

Qualitative variables (*political stability, government effectiveness, corruption*): Qualitative variables have an influence on the levels of *OFDI*. Political stability — *PS* and government efficiency — *GE*, have a positive correlation with *OFDI*, while corruption levels in most cases have the opposite sign (Zhang & Hao, 2018; Zander, 2021).

3.2. Methodology and data

The model can be summarized as follows. *OFDI* is the dependent variable, taking into account the annual outflows for each EU country that is being examined. The independent variables are *income*, the *ER*, the *OP*, *COR_TAX*, *U*, and dummy variables.

The equation of the specific model has been chosen to facilitate the approach to the research question, which is the examination of the influence of economic indicators — variables on *OFDI*.

Several combinations were tested, and the most suitable one was selected for presentation. The model is estimated using the fixed effects method for the period from 1980–2020 with annual data.

Model 1 (Fixed effects model)

$$FDI = a_0 + a_1 Y + a_2 OP + a_3 ER + a_4 COR\_TAX + a_5 D + a_6 U + \varepsilon \quad (1)$$

where,

- FDI = outward flows of FDI;
- Y = home country real GNP is positively related to FDI;
- OP = openness of the economy; it is approximated by the sum of exports plus imports, it is positively related to FDI;
- ER = home country effective *ER* index, is positively related to FDI;
- COR_TAX = corporate tax rate in the country of origin, is positively related to FDI;
- D = dummy variable for the creation of the euro from 2001 onwards. It takes the value 1 for years before 2001 and the value 2 for subsequent years;
- U = unemployment index.

$$FDI = F(Y + OP + ER + COR\_TAX + D + U) \quad (2)$$

The points placed under the variables indicate the expected type of correlation (negative or positive) between the independent variables and *OFDI*. The linear form of the equation is estimated through the ordinary least squares (OLS) method, applying the procedure separately for each country, using annual data covering the period 1980–2020.

The data for the variables related to *OFDI*, exports, and imports were obtained from Oxford Economics. Information on the unemployment rate and exchange rates was sourced from the OECD. The human capital index was retrieved from the University of Groningen's databases, while labor cost indices were accessed through DG ECFIN AMECO databases. Further, data on tax rates, population, and research and development expenditures as a percentage of GDP were collected from World Bank databases. Additionally, dummy variables were incorporated to improve the representation of factors affecting *OFDI*. All data were gathered from these sources in 2022.

While the econometric models used in this study are appropriate for its objectives, alternative methodologies could offer valuable insights. For instance, time series models could provide a deeper understanding of the effects of various macroeconomic indicators. The choice to apply these specific models is due to their robustness in analyzing time-series data and their ability to account for variations across countries within the selected period. Time series models are particularly useful in tracking the temporal behavior of variables, identifying underlying trends, and making data-driven forecasts based on the prevailing economic conditions.

4. RESEARCH RESULTS AND DISCUSSION

4.1. Main findings

The results are presented in Table 1. The fixed effects model provides a comprehensive explanation of the behavior of *OFDI*. *OFDI* is positively affected by the size of the source country's market and by the *ER*, where the appreciation of the currency of the source country has a positive effect on its outflows. It is observed that the phenomenon of internationalization of trade is moving in the same direction as that of *OFDI*. Also, the unemployment rate, corporate taxes in the countries of origin, as well as monetary unification in the Eurozone (adoption of the euro after 2002), do not have such a significant influence on the course and trend of *OFDI*.

Table 1. Fixed effects model with OLS estimation during the period (1980–2020)

Variables	*All*
OP	2.124***
	(0.511)
U	-0.006
	(0.032)
ER	0.025**
	(0.010)
lnGDP_real (*Y*)	0.890*
	(0.399)
COR_TAX	0.962
	(2.277)
Euro dummy *(D)*	-0.650
	(0.437)
Constant	-44.449***
	(5.814)
Observations	332
Number of country_id	10
R-squared	0.657

*Note: *** p < 0.01, ** p < 0.05, * p < 0.1. Standard deviation in the parentheses.*
Source: Authors' elaboration based on the data from Datastream (Oxford Economics, World Bank, OECD, University of Groningen) and Worldwide Governance Indicators (WGI) database.

4.2. Discussion of the results

In the fixed effects model, the variables are included cumulatively. The adaptability of the model is considered particularly satisfactory. The overall coefficient of determination is equal to 0.657, while the p-value of the F-test is very close to 0. Therefore, the null hypothesis of simultaneous zeroing of the model coefficients is rejected. Regarding the explanatory variables, this specific model selects as statistically significant: the openness variable (at a significance level of 1%), the effective *ER* index at a significance level of 5%, as well as the logarithm of the countries' GDP at a significance level of 10%.

More specifically, a potential one-unit increase in the openness variable is expected to have a significant impact on FDI. Similarly, the effect of the effective *ER* on countries' FDI is also expected to be positive. If the real *ER* changes by one unit, then FDI is expected to increase by approximately 2.53% on average. Finally, in the case where the GDP of the countries under consideration changes by one unit, then an increase in FDI of approximately 0.890% on average is expected. The *OP*, the *ER*, and income prove to be statistically significant variables with a positive sign, while the *U* is statistically insignificant. Also, the appreciation of the domestic currency reduces the nominal competitiveness of exports, thus increasing the incentive to choose FDI as a way to serve foreign markets. As reported in previous studies, such as Letsou et al. (2025) and Efthimiou (2025), FDI has a significant contribution to the development and growth of each country. FDI is an advantage for countries that include it in their internationalization process, but it is determined by the conditions under which it is received, which are influenced by the economic indicators of each country. The findings show the connection and the relationship between theoretical foundations and empirical application, with a specific sign for each independent variable as mentioned above. In particular, it is found that economic indicators influence *OFDI* trends, playing a key role in economic adaptation to the environment of international markets, and international competitiveness through their interdependence in an economic cycle. In particular, as can be seen from the model of this particular article, OFDI has a positive correlation with several factors of the economic cycle, resulting in their facilitation, which contributes more generally to economic adjustment to the international environment.

5. CONCLUSION

This study investigates OFDI from EU countries, focusing on the various factors that influence such investments. The analysis is conducted both on a country-specific basis and in aggregate across the EU. Based on the relationship between OFDI and its influencing variables, the study aims to draw significant conclusions relevant to the economic policies governing FDI within EU nations. While the majority of FDI-related literature primarily examines inward FDI and the factors that drive it, this research shifts focus to outward flows. In the broader international literature, numerous definitions of FDI exist (Letsou & Pantelidis, 2020). Despite these variations, it is important to note that most definitions share a common theme, describing FDI as a long-term, cross-border movement of capital, accompanied by the transfer of knowledge, technology, and managerial expertise, all of which impact business activities and their governance (Efthimiou, 2024). Some authors argue that FDI differs from simple foreign portfolio investment since it has a different impact on control and long-term effects on the firm. Portfolio investment is only applied to the company's stock market, rather than managing it. It should be emphasized that, in terms of economics, FDI is similar to domestic investment, although the two have different origins (Thetlek et al., 2024). FDI can manifest in various forms, including full or partial participation in an existing enterprise or the establishment of a new business venture. The impact of FDI on a country's balance of payments can be assessed through a comprehensive record of all transactions conducted by the host nation with external entities. FDI inflows play a crucial role in shaping the host country's *ER* and interest rate policies. In practice, higher interest rates may attract foreign investment, yet they can also negatively influence domestic investment activities. FDI has the potential to positively affect a country's balance of payments by fostering foreign capital inflows, improving the external balance, enhancing trade, and encouraging import substitution. However, it can also generate adverse effects, such as the crowding out of domestic investment, increased imports, and the repatriation of profits to the investor's home country (Letsou et al., 2025). The current global economic landscape, as previously noted, is heavily shaped by the forces of globalization. Key drivers of this process include a country's involvement in international capital flows and its role in the advancement of new technologies. It is important to recognize the interrelationship between these factors, as technological development is often contingent on the availability of capital. Technology transfer in the context of FDI is multifaceted, frequently involving the use of so-called "technology packages". These packages typically encompass human capital, physical capital, intangible assets, and various forms of cooperation. This study offers a detailed account of the economic indicators that influence European OFDI, delineating indicators such as real income, ER fluctuation, economic openness, and overall European monetary integration. These economic indicators influence not only economic growth and

the direction of OFDI but also the general economic adjustment to the international environment. Through the empirical findings of the analysis that reflect the positive correlation between the level of real incomes and the OP with OFDI, it emerges that developed countries show greater participation in FDI, but also that the formulation of economic policies aimed at trade liberalization enhances not only the growth of the economy of each country but also its internationalization. ER volatility and monetary policy diversification have opposing contributions to international investments. These findings facilitate the selection of effective policies and strategies aimed at economic growth and increased investment activities. OFDI has a positive correlation with the aforementioned objectives, with the result that this correlation leads to the need for policies by EU countries that will facilitate investment prospects. The contribution of this study lies in examining the factors that influence OFDI and specifically factors that concern the countries of origin of FDI (home countries). Despite its contribution, this research has limitations such as the time period and geographical location of the countries under consideration. Future research could explore countries outside Europe or from different regions around the world. It could also study the adaptation of FDI to the diversified economic environment according to new economic challenges, technology levels, digital transformation, and climate change.

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