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**THE PHYSICAL, SOCIAL AND ECONOMIC
IMPACT OF INWARD FOREIGN DIRECT
INVESTMENT ON WOMEN IN DEVELOPING
COUNTRIES**

Department of Marketing and International Business

Bachelor's thesis

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It is conventionally believed that investment flowing into communities is good for those living there as it provides new job opportunities, increased tax revenue and economic stimulation. But whether this holds true in an environment with large inequalities, corruption, and an urgency to fill people's needs is contingent on many other factors. The purpose of this literature review thesis is to explore how foreign direct investment (FDI) impacts the well-being of people through the lens of women in developing countries. The review takes a wide survey of factors impacting well-being beyond economic prosperity to explore factors like health, education and other social and systemic structures.

The empirical results differ widely from economic theories with often completely opposite regional impacts. Theories are unable to take into account all the outside factors that are a part of the developing world landscape. The contribution of this review lies in the main underlying themes that explain the contradictory relationships, which I propose to be absorption capacity and existing inequalities. Countries with higher income and better functioning civil society were better able to absorb the positive impacts of FDI. There are also ways of improving the absorption through regulating and creating boundaries for FDI companies, which lead to positive impacts of FDI growing stronger and local industries being protected. Even if the same type of FDI was spread all over the developing world, how FDI impacts women is going to be shaped by the surrounding society, as FDI can easily end up feeding into already existing inequalities.

Key words: FDI, foreign direct investment, women, developing countries.

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Yleisten uskomusten mukaan yhteisöihin virtaavat investoinnit hyödyntävät niissä asuvia ihmisiä, koska investoinnit tarjoavat uusia työllisyysmahdollisuuksia, lisää verotuloja ja taloudellista elvytystä. Mutta voiko se edelleen pitää paikkaansa ympäristössä, jota kiusaa syvät epätasa-arvot, korruptio ja paine täyttää ihmisten tarpeet, on riippuvainen monista muista tekijöistä. Tämän kirjallisuuskatsaustutkielman tarkoitus on tutkia, miten suorat ulkomaiset sijoitukset vaikuttavat ihmisten hyvinvointiin kehittyvien maiden naisten näkökulmasta. Katsauksessa tarkastellaan hyvinvointiin vaikuttavia tekijöitä taloudellista menestystä laajemmin, kuten terveystä, koulutusta ja muita sosiaalisia ja systeemisiä rakenteita.

Empiiriset tulokset poikkeavat laajalti talousteorioista usein päinvastaisilla alueellisilla seurauksilla. Teoriat eivät pysty ottamaan huomioon kaikkia ulkoisia tekijöitä, jotka ovat osa kehittyvien maiden maisemaa. Tämän katsauksen kontribuutio löytyy perimmäisistä teemoista, jotka selittävät näitä ristiriitaisia suhteita, joiden ehdotan olevan sisäistämiskyky ja jo olemassa olevat eriarvoisuudet. Korkeamman tulotason ja paremmin toimivan kansalaisyhteiskunnan omaavat maat pystyivät paremmin sisäistämään suorien ulkomaisten sijoitusten myönteiset vaikutukset. On myös tapoja parantaa sisäistämiskykyä asettamalla säännöksiä ja rajoja ulkomaisille suorien sijoitusten yrityksille, mikä johtaa sijoitusten myönteisten vaikutusten vahvistumiseen ja paikallisten teollisuusalojen suojaukseen. Vaikka saman tyyppistä suoraa ulkomaista sijoitusta virtaisi kaikkialle kehittyviin maihin, sijoitusten vaikutukset naisiin muotoutuvat ympäröivän yhteiskunnan mukaan, koska ne voi helposti päätyä ruokkimaan jo olemassa olevia eriarvoisuuksia.

Avainsanat: Ulkomaiset suorat sijoitukset, ulkomaiset investoinnit, naiset, kehitysmaat.

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1 Introduction

1.1 Purpose

Conventional wisdom states that investment flowing into communities is good for those living there. The idea is that investment will bring in new job opportunities, which will bring in money, which would in turn be spent to further stimulate the local economy. Tax revenues would increase, raising spending on public goods. But does it still hold true in an environment with large inequalities, corruption, and an urgency to fill people's needs? Can investment coming in from outside of the community help those more vulnerable? Developing countries are liberalizing their investment policies and actively trying to attract foreign investment as a tool to help recover their economies. At the same time developed countries are exploring protection strategies to shield their domestic companies from foreign takeovers. (UNCTAD 2022, xiii.) Are developing countries being taken advantage of and more importantly, how is it all affecting the well-being of regular people?

The main purpose of this thesis is to explore how foreign investment impacts the well-being of vulnerable people. I used foreign direct investment (FDI) as it is a more stable form of investment that creates a more meaningful impact in its host country. It also has a computable nature, which means that plenty of literature has used it to explore its relationship with other measures. Economic literature tends to favor the economic viewpoint, but I wanted to get a more humane look at things. I chose to focus on women in developing countries, because they are vulnerable both because of their surroundings and also their gender. Poverty is perhaps the main obstacle that these women face but it is far from the only one. Challenges caused by a lack of funds typically clump together and create vicious circles, e.g. a girl whose parents were too poor to send her to school is more likely to earn less as an adult and not be able to provide for her own children's education. This is why I felt it was important to get a wider view of well-being beyond just economic prosperity and explore factors like health, education and other social and systemic structures.

The reason why I chose to take a closed focus on women in my bachelor's thesis, is because no matter where in the world I look, in the important, life-defining statistics women always seem to be getting the short end of the stick. There are many

categorizations that divide people into groups and predetermine much of their conditions and opportunities, but few are as global and pervasive as gender. Women face worse employment and educational opportunities, have less rights and wealth, experience more gendered violence and are given less political standing to try to change any of this. Achieving gender equality and empowering all women and girls is the UN's Sustainable Development Goal number 5, with 6 outcome and 3 process targets. These targets focus on ending discrimination and violence and ensuring that women have equal opportunities to services, health and leadership through reforms, legislation, and technology. (Sdgs.un.org.) Because women represent half of the world's population and women's lower position in society is such a global phenomenon, the inequalities are widely studied. While women's struggles are unique to women and the cultures they inhabit, they can also serve as a placeholder for other discriminated groups, whose calls for help are left unheard by the political and scientific communities.

Women's equality should be pursued for two very clear reasons. Number one, which may be self-evident, but equality is something that women deserve. Number two, is that gender equality is good policy. Companies and other employers that overlook women are then also overlooking the potential that women bring. Women's employment is a key factor in sustainable growth and poverty reduction. Employment empowers women to make household decisions like directing funds to their children's healthcare and education. Most countries have gender equality as part of their public policy agenda. (Anyanwu & Augustine 2013, 401.) Women's education in particular helps to break the cycle of poverty (Fauzel et al. 2015, 277–278) and ensure that their children survive (Balaj et al. 2021, 613). Women in developing countries are often responsible for the welfare of not only their immediate family, but also for the members of her and her husband's extended family. Empowered women can support their communities in very direct and immediate ways. (Kamruzzaman et. al. 2017, 499.)

In this thesis, I first explore how FDI impacts women's health. FDI is found to affect weight, nutrition, and health care in developing countries. FDI also impacts the natural and built environment that women live in. I focus on how FDI affects various pollutants that have a direct influence on health and touch on the ramifications on climate change. I then move on to the invisible structures that surround us in our daily lives. I look at shared and individual status and growth topics like economic growth, the race to the bottom phenomenon and poverty, as well as education which is heavily tied to poverty

reduction. I look at the economic opportunities that can be realized through employment, wages, and entrepreneurship. I close my thesis by talking about women's perceptions surrounding FDI and the empowerment of women, which is influenced by many of the previous topics, but also various social structures like rights, politics, and corruption.

1.2 Terminology

Foreign direct investment (FDI) can be explained by exploring different dichotomies – home vs. host, inward vs. outward, direct vs. portfolio and greenfield vs. mergers and acquisitions. When it comes to foreign investment, capital flows outward from the home country inward towards the host country. This thesis focuses on the host country's viewpoint. Foreign investment is divided between foreign direct and portfolio investments (FPI). Whereas FPI focuses on simple financial returns on investment, FDI seeks to also form a long-lasting presence in the foreign host country as part of a corporate strategy. FDI does this either by establishing new facilities in the host country, also known as a greenfield project, or by merging with or acquiring an existing business. (Gilpin 2001, 278.) Because FPI does not serve a stable strategic purpose in its host country, it is much more volatile compared to FDI (Datt 2005, 61). This is why FPI is less likely to have a significant impact in its host country and why it is not often used as a variant in studies touching on globalization, including this thesis. There are further dichotomies in FDI such as vertical vs horizontal investment, export vs. market orientation etc. but as these are not utilized in the context of this thesis, I will end the exploration here.

Developing economies have historically received less FDI than developed countries, but their share has been steadily increasing (Figure 1). 2018 was the first year when developing country FDI surpassed developed countries' inflows and from 2020 until the latest UNCTAD figures in 2022, the trend has continued. In 2022 global FDI numbers sank by 12 %, but developing economies saw a rise of 4 %. (Unctad.org a.) Judging by the UNCTAD figure, it seems like FDI flowing into developing countries is less vulnerable to economic volatilities.

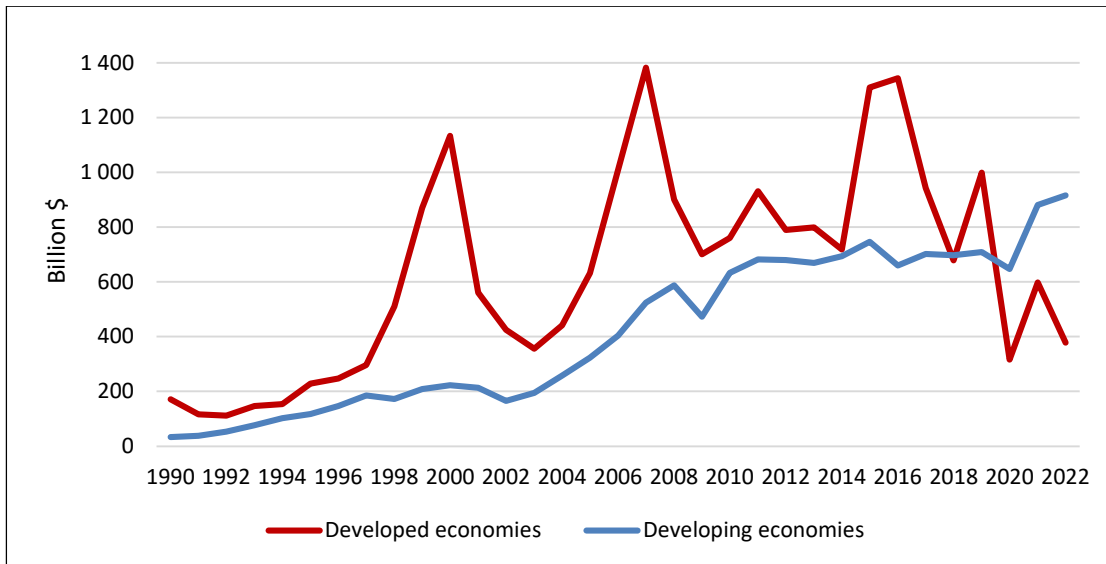


Figure 1 FDI received by economy classification (Unctad.org a.)

“Developing countries” is not a classification with clear, agreed-upon standards.

“Developed countries” typically includes most of Europe, Canada, United States and a few Asian and Pacific countries, with the rest of the world then lumped into the developing category. Global institutions have differing lists and even some countries have created their own classifications to fit their needs. For example, Australia’s Minister for Foreign Affairs has declared a list of 146 developing countries for the purposes of the Overseas Aid Gift Deduction Scheme (Dfat.gov.au). The WorldData.info has a list of 152 developing countries and the list is created mostly based on the Human Development Index (Figure 2). The IMF uses the term “Emerging and Developing Economies”, which includes 155 countries (Imf.org). The UN mostly just uses a list of “least developed countries”, which includes 45 countries, out of which 33 are in Africa (Unctad.org b.), but the UN also publishes a yearly World Economic Situation and Prospects report, which provides several country classifications, including a list of 125 developing countries plus 17 economies in transition (United Nations Department of Economic and Social Affairs 2024). The terms used in this thesis reflect the terminology used in the literature that has been reviewed. On a few occasions, where studies conducted using one of the “developing countries” classifications were not available to discuss a certain subject matter, studies using country income level groupings were used to supplement the data for this thesis. Country income level groupings are maintained by the World Bank (Worldbank.org a.) and these utilizations are clearly noted in text.

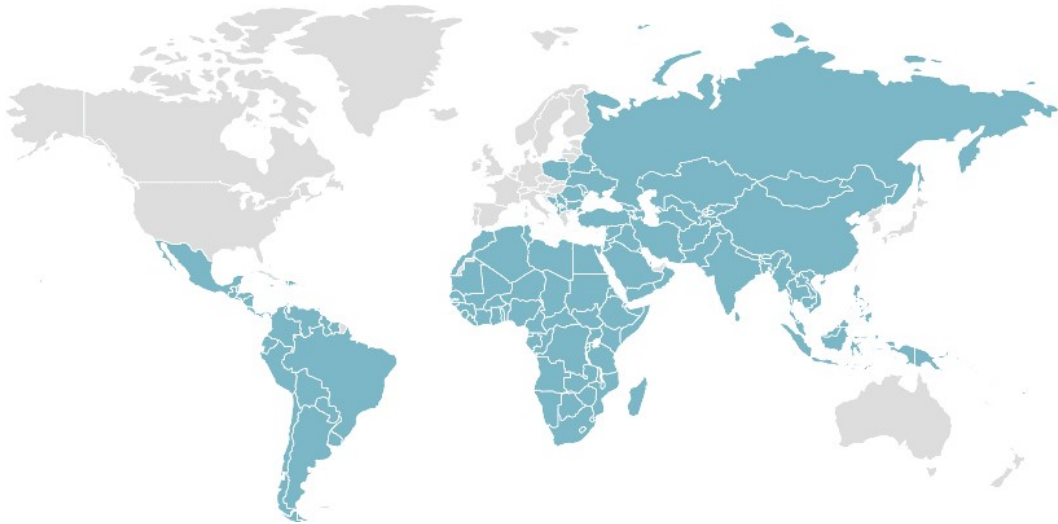


Figure 2 Map of developing countries (WorldData.info)

Another terminology that I believe bears explaining, is when something has positive or negative effects. Throughout the literature used in this thesis, “positive” has been used to describe both an increasing or parallel effect and a morally good effect. For the purposes of this thesis, I have chosen to use positive and negative only in the latter, morally guided way, while recognizing that moral suppositions are molded by individual and cultural values. For example, when I discuss FDI having a positive effect on poverty reduction, poverty reduction goes up, but when FDI has a positive effect on the Political Terror Scale, the scale goes down.

2 Personal and environmental health

2.1 Weight and nutrition

The impacts of FDI on women's weight in developing countries is fairly clear. Country-wide results seem to indicate that FDI has an increasing but not significant effect on women's weight measured in the body mass index (BMI). However, when the developing country's population is divided among those who live in rural and urban areas and those who are more and less wealthy, the effects become clearer. FDI is associated with decreasing BMI in the urban areas and those among the wealthiest 20 % and increasing BMI among those in rural areas and the poorest 80 %. (Neuman et al. 2014, 12; Nandi et al. 2013, e166.) This is contrary to the wider trend of women in developing countries having a higher BMI, if they live in urban areas and the wealthier they are (Subramanian et al. 2011, 5). Countrywide, rising FDI is connected with fewer people underweight and in the rural areas and among the poorest 20 % it means more people overweight. (Nandi 2011, A347; Neuman et al. 2014, 12; Nandi et al. 2013, e166.) FDI would thus seem to have a balancing effect among different weight percentiles. This is again contrary to the wider trend of increasing distribution among weight percentiles as the average BMI of the country rises. The trend is not caused by increasing numbers of people underweight, but instead by obesity growing faster than how fast underweight is decreasing. (Razak et al. 2013, 8.)

There are a few things that could help to explain these results. One reason, why those who live in urban areas and those who are wealthier tend to have a lower BMI as FDI increases, is cultural influences. Being heavier is more often considered desirable in developing countries compared to western countries (Prentice 2006) but those who are either wealthy or live in urban areas tend to have more exposure to foreign media, marketing and beauty standards. (Neuman et al. 2014, 13.) One reason for the increasing average BMIs could be the FDI going into the food industry. Agricultural FDI increases food security. (Fajar & Haryanto 2020.) A disproportionately high amount of FDI has gone to selling cheap and highly processed food, making it more available in the host countries' markets. An increase in fats and highly processed foods in people's diets means that diet-related chronic diseases will become more commonplace. (Hawkes 2005, 357; 2007, 12.)

2.2 Access and provision of healthcare

General FDI benefits its host country by bringing in capital and technology, which both have tangible effects on people's well-being through the healthcare system as new and better equipment and processes can be obtained (Outreville 2007, 306). FDI also raises healthcare expenditures both short and long-term, meaning that more people are benefitting from the healthcare system resulting in reduced mortality (Saleem et al. 2019, 14448; Ali & Nishat 2019, 731). FDI also affects people's access to private health plans through increasing per person GDP and female employment. This access increases life expectancy, births attended by skilled staff, the number of hospital beds and reduces undernourishment, maternal mortality and birth rates. (Abraham & Tao 2021.)

A problem regarding FDI into health care, is that the majority of the literature on the subjects deals with theories, assumptions and conjectures. While these can offer great insights, they cannot take into consideration the full effects that FDI might have on health through via healthcare or other outside factors that might influence the results. Existing literature does not often take into consideration, when looking into the effects of FDI into healthcare, the strength of local regulatory environment or the general level of commercialism in the healthcare system. The regulatory environment can determine what impacts the FDI can have, and the level of commercialism can have an even greater impact than the level of foreignness. (Smith 2004, 2317–2319.)

If investments are going directly into the healthcare system as a part of commercialized healthcare, it means more resources are going to be available (Outreville 2007, 306). The increased resources that a country might receive from FDI, are typically found in healthcare goods and technologies, as they account for over 90 % global greenfield FDI projects in the health sector. The remaining amount is comprised of healthcare infrastructure and services, which are both more often handled by the public sector. These resources then help increase capacity and reduce pre-existing shortages that especially developing countries face regularly. (OECD 2020, 5–6, 18.)

Commercialized healthcare can also lead to a situation where people are getting differing quality of care based on their wealth as private funded healthcare institutions might be able to obtain the best human resources and technology through their substantial resources. (Outreville 2007, 306.) On the other hand if the best human resources are being underpaid and there is the risk of a brain-drain, FDIs can help

persuade those people into staying and the more advanced healthcare technologies can lead to spillovers. The issue of unequal healthcare options can be a problem even with locally owned commercialized healthcare. (OECD 2020, 18.)

Ensuring access to quality healthcare is important when it comes to all genders, but those benefits can vary. Globally women have a higher life expectancy than men. Life expectancies from birth for men and women are respectively 63 and 67 in least developed countries and 69 and 73 in less developed countries. (World Population Data Sheet 2020, 4.) Increased FDI is correlated with a higher female life expectancy (Ouedraogo & Marlet 2017, 22). Women also have a longer healthy life expectancy (HALE) at birth, but the difference is smaller. Women's HALE is 58 in low-income countries and 61 in lower-middle-income countries, whereas men's is 56 and 59 respectively (World Health Organization b). This data and the difference between men and women is illustrated in the following two tables (1) and (2). The differences in the expectancies mean that women on average live more years dealing with bad health that calls for the consumption of healthcare resources. It could thus be argued that women would benefit from abundant quality healthcare, more so than men.

Table 1 Life expectancy at birth in 2020 (World Population Data Sheet)

	Male	Female	Female / Male
Least developed	63	67	1.063
Less developed	69	73	1.058

Table 2 Healthy life expectancy (HALE) at birth in 2019 (World Health Organization b)

	Male	Female	Female / Male
Low-income	56	58	1.036
Lower-middle-income	59	61	1.034

In the two tables below (3) and (4) are depicted the causes of death by gender for people over the age of 25 in low-income and low-middle-income economies in 2019. The biggest difference among men and women in both tables is deaths caused by injury, with men leading by 10 and 4 percentage points. This information combined with women dealing with more years of bad health suggest that women would benefit more from preventative and long-term healthcare, which are typically not seen as the priority by economically struggling hospitals and therefore require a higher quality healthcare system. Where public funds are not extensive enough for preventative and long-term

healthcare for all, commercialized healthcare via FDI could be used to supplement it for at least a portion of the population.

Table 3 Estimated deaths by cause in low-income economies in 2019 (World Health Organization a)

	Male		Female	
	n	%	n	%
All Causes	1 536 900	100	1 380 511	100
Communicable, maternal, perinatal and nutritional conditions	387 362	25	378 705	27
Noncommunicable diseases	894 590	58	898 952	65
Injuries	254 947	17	102 854	7

Table 4 Estimated deaths by cause in low-middle-income economies in 2019 (World Health Organization a)

	Male		Female	
	n	%	n	%
All Causes	8 794 911	100	7 438 203	100
Communicable, maternal, perinatal and nutritional conditions	1 403 663	16	1 404 909	19
Noncommunicable diseases	6 410 396	73	5 536 860	74
Injuries	980 853	11	496 434	7

2.3 Natural and built environment

The pollution haven effect supposes that as pollution regulations are tightened, there is a marginal effect on trade and investment flows. There is strong theoretical support for this. The pollution haven hypothesis supposes that lowered trade barriers lead to pollution intensive industries flowing from countries with strict regulations to ones with weaker regulations. The theoretical support for this hypothesis is not as strong, as it does not account for the other possible reasons for changes in trade flows. Though these two hypotheses have their distinctions, they are often not that clearly differentiated in literature. (Copeland & Taylor 2004, 9.) The opposite of a pollution haven, is the pollution halo. These halos occur when investments from more developed countries to less developed countries cause a reduction in pollution levels due to technical spillovers (Eskeland & Harrison 2003). The third prevalent theory on the effects of trade on pollution is the Environmental Kuznets Curve (EKC). With EKC, there exists an inverted U-shaped effect between trade and a country's per capita income and its environmental degradation, meaning that pollution levels initially increase but after a

certain threshold level reached, the levels begin to fall. (Copeland & Taylor 2004, 8.)

The use of the theory has been expanded for other economic factors like FDI.

FDI raises carbon dioxide emission (CO₂) levels globally among developing countries, but differences exist between different regions and studies (Dhrifi et al. 2020). Dhrifi et al. (2020) find that FDI raises CO₂ levels in Africa, lower them in Latin America and have an inverted U-shaped effect in Asia. Shao et al. 2019 see FDI lowering CO₂ levels in BRICS and MINT countries. Abubakar et al. (2019) find that FDI raises CO₂ levels in lower-middle income countries and in the Middle East and North-Africa. Halliru et al. (2021) see raised CO₂ levels from FDI in West-Africa, whereas Asongu & Odhiambo (2021) found the opposite in sub-Saharan Africa, with increasing marginal effects. Acheampong et al. (2019) found similar results in sub-Saharan Africa, with also evidence of the EKC. According to Baek (2016), FDI tends to increase CO₂ levels in Association of the Southeast Asian Nations (ASEAN) countries. Hitam & Borhan (2012) find FDI raising CO₂ levels with also evidence of the EKC in Malaysia. According to Chen et al. (2022) FDI increases China's CO₂ emission efficiency. Baek & Choi (2017) confirm the CO₂ pollution haven hypothesis in Latin America, but only in high-income countries. Sapkota & Bastola (2017) find evidence of a pollution haven and the EKC in Latin America, while Acheampong et al. (2019) contrast this using data from the same countries for the same time period as Sapkota & Bastola saying, that they found no clear effect from FDI on CO₂ and only partial proof of the EKC. CO₂ has caused irreversible damage via the climate change (Solomon et al. 2009) and developing countries are the worst affected by it (Swaby, 2021). But CO₂ also has many direct effects on people's health including inflammation (Schneberger et al. 2017), headaches (Law et al. 2014) and decreased higher-level cognitive performance (Hutter et al. 2013).

Climate change is threatening people's well-being through rising temperatures, worsening storms and droughts, rising sea levels, declining food security and increasing poverty and displacement, just to name a few (United Nations). However, climate change does not threaten all of humanity equally. The top 10 countries most affected by extreme weather events in the past decade were developing countries in the Caribbean, South and South-East Asia and East Africa (Eckstein et al. 2021, 13). Women are more likely to be worse affected, due to being poorer and more often getting their livelihoods from natural resources. They also have less capacity do manage the effects of climate

change due to social, political and economic barriers. (UN WomenWatch.) This leads to a comparatively higher increase in the workload for women (Eneji et al. 2021; Ahmad 2012, 9). For women, natural disasters can have consequences like being removed from school, comparatively higher reductions in food intake, higher levels of domestic and outside violence, being married off earlier (Ahmad 2012, 8–11) or being sold off for marriage (Savage et al. 2009, 17). The burden of taking care of family members grows drastically (Enarson 2000, 19) and seeking refuge might not be feasible, due to sanitary, privacy, security (Kabir et al. 2016, 7) or social reasons like not having a male guardian present (Ahmad 2012, 9). Natural disasters lower women's life expectancy more than men's and the bigger the disaster, the bigger comparative effect it has on women's life expectancy (Neumayer & Plümper 2007).

Fine inhalable particulate matter that has a diameter of 2.5 micrometer or smaller (PM2.5) can come about from a wide arrange of causes, but most have their origin in power plants, industries and automobiles. Inhaled, these particles can end up deep in a person's lungs and bloodstream, causing possibly serious health problems. (Epa.gov.) The inflow of FDI substantially increases the level of PM2.5 emissions (Saleem et al. 2019, 14448). The health problems PM2.5 causes include cardiovascular disease, respiratory disease and cancers and they were estimated to have caused 4.2 million annual premature deaths around the world in 2016. Of those deaths, 91 % occurred in low- and middle-income countries. Geographically the worst hit areas are South-East Asia and Western Pacific regions. (World Health Organization c.)

FDI, through increased industrial activities, can deplete the amount of water available and contaminate the quality of what is left. In developing countries overall, FDI increases both organic (Jorgenson 2006, 725) and industrial water pollution (Jorgenson 2009). In China, FDI increases the amount of wastewater (Liu 2018) while also improving China's water efficiency (Chen et al. 2022). A similar situation exists in India, where multinational corporations might seek higher water efficiency and wastewater recycling level than domestic companies, yet FDI still hinders improvements in access to drinkable water. Indian state officials from the Karnataka State Pollution Control Board have mentioned resistance to regulations by multinational corporations, corruption and pressure from the government for leniency as the biggest challenges in regulating water use. These negative effects are weaker in states with more political currency in the form of a smaller middle class and larger marginalized

groups. (Rudra et al. 2018, 373–374, 377.) The existence of environmental ministries mitigates water pollution in developing countries, meaning that alongside more efficient technologies and nongovernmental organizations, political will and pressure are important tools in safeguarding the availability of clean water (Jorgenson 2009).

FDI can also direct some of its resources to developing local infrastructure that can also benefit locals, like improvements in the electricity grid. Reasons for improving the local infrastructure can be to secure regular business activities or, especially in the case of FDI from institutionally weaker home countries, to acquire legitimacy among stakeholders. Aggregate FDI supports increased access to electricity in sub-Saharan Africa, with better results the weaker the home and host countries are institutionally. (D'Amelio et al. 2016.) Governments in developing countries might not have the resources needed upfront for infrastructure projects, leaving either the government in fiscal deficit or the project undone. When available, FDI provides a beneficial alternative that outperforms government funding. (Germaschewski 2016, 1523; 1526.)

3 Economic, institutional and social structures

3.1 Shared and individual status and growth

According to exogenous growth theory, long-term economic growth can be the result of external factors such as technological progress and population growth. FDI as an internal factor could then only have a short-term impact, with its effect diminishing over time. Through permanent technological shocks, FDI could have a lasting impact on growth. Endogenous growth theory holds that internal factors are the main driving forces behind economic growth and as such FDI can have a diverse impact: value-added content of FDI-related production, productivity spillovers, capital accumulation, increased efficiency in local companies because of higher competition, human capital augmentation and technological change – especially in developing countries. Economic growth can also create an investment-friendly environment that attracts FDI, so the direction of causality is not always clear. (De Mello Jr 1997, 8–29.) Conditions in the host country that support FDI's positive impact on growth include lack of civil conflict, lower ratio of resource rent as a share of the economy, trade openness, domestic investment, human capital, infrastructure development, financial market development, institution quality, which are typically in a worse state the less developed the host country is, thus stifling a developing country's ability to reap the benefits (Chih et al. 2022; Elboiashi 2015).

When examining the benefits of the economic growth that a company may create with its FDI, it is crucial to look more closely at exactly where the benefits are being reaped. If FDI creates economic growth measured in gross domestic product, there are no guarantees that the growth manifests itself through growing wages, rising education levels, better infrastructure, higher quality health care, etc. (Kosack & Tobin 2006, 207.)

That does not mean that there would be no correlation between economic growth and human development. According to theory by Ranis et al. (2000, 198–203) growth can affect human development through two different mechanisms. First, it can increase household income, which is then used to get things like better education and health services. The scale of the impact that can be had through this first mechanism depends on income distribution. Second, economic growth can increase government revenue especially through taxes. How that increase in revenue will affect human development

is then up to policy preferences. Investing into education and healthcare systems is likely to increase the human development unlike investments into things like warfare. The impact between growth and human development is not necessarily a one-way street but rather a cycle, as human development can create a healthier and better educated working force, which can then in turn produce an output with more range and complexity.

Every developing country faces its own challenges that may have an effect on whether or not the previously mentioned positive cycle between economic growth and human development can function. A study conducted on 77 countries, both developing and developed, around the world found no relationship between FDI and economic growth and in the case of countries with less human capital, which is what developing countries typically are, FDI was found to even slow down human development. On top of that the same study found that while increasing economic growth attracted FDI, increasing rate of human development did not. Though these results are not representative of all developing countries, it does mean that countries around the world are failing to create the previously mentioned positive cycle between economic growth and human development with FDI. Either one or more of the mechanisms are failing: FDI is not improving human development through increased household income and government revenue or more complex output is not appealing to investors. (Kosack & Tobin 2006, 220–236.)

One common concern with FDI, is its possibility to encourage a “race to the bottom”. As countries compete for FDI, they offer efficiency incentives for foreign companies and run the risk of one-upping each other to a worsened well-being for the people. There are increased pressures to provide cheap labor (Amaro & Miles 2006, 12; Mehmet & Tavakoli 2003), lower taxes and special regimes like tax holidays, temporary rate reductions and investment allowances (Abbas & Klemm 2013). The problem with special regimes is particularly strong in Africa, where the regimes can result in an effective tax rate of near zero (Abbas & Klemm 2013). There are studies pointing to both a positive (Kucera 2002, 62; Busse 2003; Blanton & Blanton 2012, 288) and negative (Olney 2013; Blanton & Blanton 2012, 288) effect on labor rights and regulations.

In countries trapped in the race to the bottom, FDI can lower household and government income through depressed wages and special regimes (Kosack & Tobin 2006, 236). This leaves less money to fund healthcare and education, both of which could attract further investment (Hecock & Jepsen 2013). As FDI follows cheap labor, the global job market grows more elastic and creates uncertainty for workers (Mehmet & Tavakoli 2003, 152). Instead, governments could attempt to create the efficiency to attract FDI by investing more into infrastructure (Amaro & Miles 2006, 12).

Little research exists specifically on FDI's impact on women's poverty in developing countries. According to UN Women's 2020 report on gender equality after Covid-19, in 2021 there were estimated 118 women in poverty for 100 men (Azcona et al 2020, 7). Pictured in Figure 3 are the rates of global extreme poverty by sex and age. Extreme poverty is defined as a person living on less than \$1.90 a day. As the figure illustrates, the difference between female and male poverty is largest in the 25-34 age group. This goes hand in hand with the other fact illustrated by the figure – children are the most likely to be poor. Women aged 25-34 are the most likely to be primary caregivers and live in the same household with small children, whereas it is more common for men in this age group to be still living with their parents with no children. (Azcona et al. 2021.)

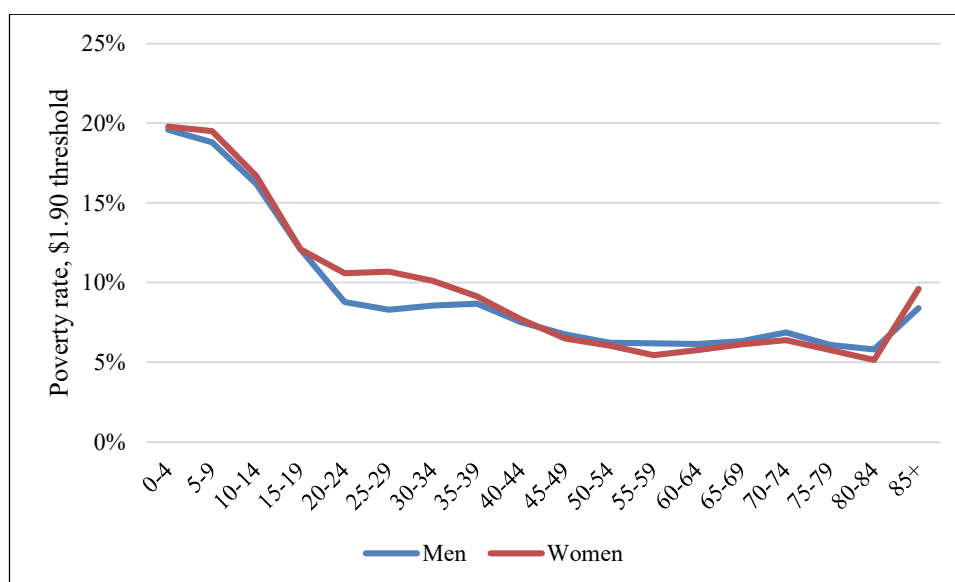


Figure 3 Global differences in extreme poverty rates by sex and age (Azcona et al. 2021, based on GMD data)

Unlike the study conducted by Kosack and Tobin (2006) on 77 countries around the world, a study by Fauzel et al. (2015, 276–280) focusing on Sub-Saharan countries found that FDI did have bidirectional relationship with economic growth. Interestingly FDI also had a positive effect on poverty reduction, though the short-term effect was

found to be very low and the elasticity of the long-term effect low. This presents two arguments: it takes a while for FDI to reach its full impact in mitigating poverty and the impact is reduced due to the benefits of the investment flowing elsewhere. The second argument can be explained by the amount of special regimes that African countries grant (Abbas & Klemm 2013, 612) but also by the resource-seeking nature typical of the FDI that Sub-Saharan countries receive. As such, benefits are not being spread out to local communities but rather they are absorbed by the investing company. (Fauzel et al. 2015, 276–280.) But this situation is not universal and the overall relationship between FDI and poverty is inconclusive. FDI can be good for poverty reduction, if it has a positive effect on employment (directly or indirectly), wages and income inequality. A negative impact can be had on these factors if foreign companies displace employment via crowding out local companies and layoffs or if FDI is focused in sectors requiring only skilled work, thus increasing income inequality. (Sumner 2005, 275.)

Dhrifi et al. (2020, 19) found that FDI had a positive impact on poverty reduction in their sample of 98 developing countries. The impact was positive in Latin American and Caribbean and Asian sub-panels, but the African sub-panel showed a negative impact. Dhrifi et al. suspected that the divergent impact in Africa could be caused by foreign companies crowding out local companies with their superior technology or garnering the best talent due to offering higher wages. Ucal (2014) also found that FDI had a statistically significant poverty reducing effect in his study of 26 developing countries. Unlike Dhrifi et al., Gohou & Soumaré (2012) found FDI to have a positive impact on poverty reduction in Africa and they also found there to be differences among regions; the positive impact was felt stronger in poorer countries than in the wealthier countries. Soumaré (2015, 35) looked at FDI's effects in North African countries and also FDI's inflows. They found that FDI had a strong positive impact on poverty reduction in Egypt, where FDI inflows were diversified across industries. The positive impact became ambiguous over time or when switching variables from FDI/GDP to real per capita FDI in Tunisia and Morocco, where FDI was less diversified. And lastly, they found no effect in Mauritania, where the FDI was flowing mostly into the petroleum sector, from where the benefits would have to be seized and redistributed by the government. In South Africa, Magombeyi & Odhiambo (2018, 524–525) used three poverty-reduction proxies: life expectancy, household consumption expenditure and the

infant mortality rate. They found FDI to not be a significant factor in poverty reduction, as only the infant mortality rate provided a statistically significant relationship, which was negative in the short run and positive in the long run.

Huang et al. (2010, 772) found that in their sample of 12 middle-income countries from East Asia and Latin America, FDI is likely to hurt the bottom quintile population's mean income and that the benefits that FDI might be expected to bring, are most likely gained by those workers already with higher income and skills. Conversely, Uttama (2015) found that in ASEAN countries FDI had a poverty alleviating effect, both in individual countries and in ASEAN as a whole. In Pakistan, Ali & Nishat (2009, 729) found that FDI had no effect on poverty. Going back to Latin America, Calvo & Hernandez (2006) found that the connection between FDI and poverty reduction varied among country groups, with the impact being poverty reducing in some country groups and non-significant in others. Overall in Latin America, FDI's effects were found to be positive.

Education is a key tool in fighting against poverty, as people gain skills and knowledge that enable them to do higher skilled jobs with higher pay (Dhrifi et al. 2020, 17). The payoff from a better education can be greater for women, thus helping to mitigate the gender wage gap (Weng et al. 2016, 217). The benefits are of course not limited to alleviating poverty, as raising the availability of physicians, which demands medical training, and adult literacy are some of the important elements in raising life expectancy in developing countries (Kabir 2008). FDI can improve host country education via spillovers, increased skill demand as foreign owned companies seek high-skilled workers (Weng et al. 2016, 217) and increased public funding from tax revenue gained from economic growth (Ranis 2000). These would however require a certain type of FDI, as investments that are drawn in by low-cost labor and tax incentives, are unlikely to create knowledge spillovers, increase high skill demand and tax revenue. In these circumstances FDI could instead raise the opportunity costs of going to school. (Wang & Zhuang 2021, 3510.) Education regulates FDI's other possible positive effects (Mastromarco & Ghosh 2009) and can be a significant factor in attracting FDI (Escobar Gamboa 2013). As education and FDI can influence one another, it stands to reason that policies regarding the two should be coordinated (Kheng et al. 2017).

Across developing countries FDI is shown to increase average schooling years (Ouedraogo & Marlet 2017, 22) and have a positive impact on male and female primary education (Wang & Zhuang 2021). The effects found for secondary and tertiary schooling were mixed. Ouedraogo and Marlet (2017, 24) found that FDI across developing countries not only increased secondary school enrollment rates for women, but did so at a higher rate than men's, meaning that it not only had a positive impact on education levels but gender equality as well. Wang and Zhuang (2021, 3509) found that aggregate FDI had a negative effect on women's secondary and tertiary school enrollment and completion, but if only looking at FDI coming in from OECD countries, the effects turned positive. Wang and Zhuang believe that this might be because of OECD countries' higher R&D content causing larger spillovers. In the East Asia and Pacific and South Asia regions aggregate FDI had a positive effect. Middle East and North Africa and Sub-Saharan Africa saw negative effects. Latin America and the Caribbean did not see significant effects either way.

3.2 Economic opportunities through employment, wages and entrepreneurship

If we were to assume that FDI creates economic growth, which benefits local businesses allowing them to expand, women should see a rise in labor demand as the absolute labor demand rises. If FDI is received by industries that are typically female labor intensive, the gender labor participation gap should decrease. (Chopra 2019, 84.) FDI's positive effect can also encourage growth in employment in local companies. (Karlsson et al. 2009). New job opportunities open up for women in labor-extensive export manufacturing, due to women being more cost advantageous. But if a country does not have enough competitive manufacturing sectors, cheaper imports can push local manufacturers, and thereby those working there, out of business. (Seguino & Grown 2006, 1084–1085.) Local manufacturing sectors could be protected by regulating the inflow of FDI and other foreign capital (Anyanwu & Augustine 2013, 416). More advanced technology used by foreign companies could also make job opportunities unreachable for those left behind because of the gender education gap (Siegmann 2006, 125). FDI can increase the demand for more educated workers (Peluffo 2015, 964), which can influence a rare positive occurrence of the lowering of women's labor force participation caused by women spending more time in school before stepping into work

life (Maqsood & Samiullah 2022, 531). But as always, there are regional and industry-specific differences in the empirical results.

FDI improves women's participation in the labor force more robustly in low- and middle-income countries than in high income countries (Hossain et al. 2022; Maqsood & Samiullah 2022). When it comes to larger regions, FDI has a positive effect on female labor force participation rate in developing countries located in Eastern Europe and Central Asia but a negative effect in Africa (Cooray et al. 2012, 20). These two studies contrasted women's overall employment among themselves, but most studies focus on how FDI affects women's employment in contrast to men's employment.

Within Africa, most of the continent experiences a negative effect on gender equality in employment due to FDI, except for North Africa. FDI could be feeding into already existing inequalities, which prioritize male employment as gender equality is higher in areas with higher male employment. (Anyanwu & Augustine 2013, 405; 413.) Shu et al. (2007) found a similar effect in China, where foreign funded companies employed less women, but the rate increased in cities that received more FDI. These cities also had higher labor demand. So, while FDI might bring new jobs and change the already existing ones, Shu et al. presume that who gets to seize these opportunities will still be determined by local culture and gender norms. Going back to Africa, it is interesting that the effect is the opposite if only looking at women aged 15–24, who experience higher gender equality in employment with increased FDI, again except for North Africa (Anyanwu 2016). In Sub-Saharan Africa firms from more gender equal countries employed more, especially high skilled, women, who are better able to bypass restricting gender norms with their aptitude (Hoxhaj & Miti 2020).

In Vietnam, FDI increased employment for all in areas with high technology but lowered it for men in areas with low technology. This shows the cost-incentive that comes with hiring women, who get paid less, to do labor-intensive work instead of men. While FDI increases women's relative employment, it is mostly in the form of lower wage and skill jobs. (Pham et al. 2020.) The same phenomenon can be found in India, where FDI increases the employment of unskilled women more than unskilled men (Sharma 2020) and in Indonesia, where FDI increases women's share of unskilled plantation work, but lowers higher skilled hotel employment (Siegmann 2006, 122).

As women's employment increases, it does not mean that their economic well-being would increase the same way men's well-being does. This is because women tend to have on average worse employment conditions. Women are more likely to work in informal employment without social protection or written contract (Charmes 2012, 116), part-time (Morton et al. 2014, 20), as subcontractors or as home workers (Seguino & Grown 2006, 1086). Employment also increases women's total working time, as they are still in charge of domestic work due to gender norms (Siegmann 2006, 124). In agriculture women are likely to work as seasonal or contract workers. The drawbacks common to the employment opportunities that are available to women can make it impossible for them to demand better wages or working conditions. (Seguino & Grown 2006, 1085–1086.) FDI can have both positive and negative effects on these conditions, for example FDI was found to increase employment for women in the formal sector in Cambodia (Helble & Takeda, 2020) but cause more working condition concerns in the mining sector in Indonesia (Siegmann 2006, 122).

According to the Heckscher-Ohlin model, with open trade countries will export more of goods that require a factor of production that the country has in relative plenty and import goods that require a factor which is relatively scarce for that country. Developing countries tend to have a relative abundance of unskilled workers, and so they are expected to export products that require much unskilled work. As more unskilled-labor-intensive products are exported, their relative price goes up as does the need for unskilled workers. This then should raise wages for unskilled work and lower the skill premium for skilled work. The inflow of FDI is found to directly increase wages by paying more within these foreign owned companies (Siegmann 2006, 122; Lipsey & Sjöholm 2004; Friedman et al. 2011; Peluffo 2015, 964; Helble & Takeda, 2020; Shu et al. 2007, 1324) as well as indirectly in domestically owned private companies, at least up to a certain point (Girma et al 2019; Hale & Long 2011; Braunstein & Brenner 2007). But contrary to the Heckscher-Ohlin model predictions, foreign companies can also recruit more skilled workers than their domestic counterparts, pay much of the increased money in wages to these skilled workers and increase the wage gap between unskilled and skilled workers (Lipsey & Sjöholm 2004; Peluffo 2015, 964; Gopinath & Chen 2003; Herzer et al. 2014). Figini and Görg (2011, 1473) found that among developing countries, FDI's effect is nonlinear with initially increased wage inequality, which is then lowered with further FDI.

Oostendorp (2009) did not find significant evidence that FDI would decrease occupational gender wage gap in poorer countries. This applies to China (Shu et al. 2007) and Cambodia (Helble & Takeda, 2020), where FDI made it more likely for women to be employed into export-oriented manufacturing industries and receive higher wages than before, but FDI did not influence the gender wage gap, as men were still getting paid relatively more. In Brazil, companies with a smaller female labor force and female earnings were more likely to attract future foreign ownership, which is why FDI companies had lower female labor force and earnings, but not necessarily because of the FDI (Davis & Poole 2020, 171). In India the gender wage gap was in fact worsened with FDI, as it had a negative effect on the wages of unskilled women and a positive effect on the relative wages of skilled men (Sharma 2020, 51). In Vietnam, FDI led to increases in wages in areas of high technology and decreases in areas of weak technology, with both changes being more dramatic for men. Men and women reaped the benefits differently, as wage increases for women were emphasized at low end of wage distribution, whereas men's were emphasized at the top. This suggested that FDI would be associated with an increased gender wage gap among top earners. (Pham et al. 2020, 133; 148.) In Africa, where countries have relatively high levels of agriculture (Worldbank.org b.), FDI has the effect of increasing the gender wage gap due to the types of crops that are generally favored in export. Men are more likely to cultivate cash crops, whereas women tend to cultivate crops for their own and local consumption. (Anyanwu & Augustine 2013, 412.)

Stolzenburg et al. (2020, 95; 105–107) found that in South Africa, foreign owned companies paid their employees a wage premium, which was 129.5 % larger for women than men. This led to there being a notably smaller gender wage gap in foreign owned companies compared to domestically owned ones. But this seemingly positive effect only holds up until things like education, family status and occupation are controlled for. Foreign companies in South Africa hire less women than their domestic counterparts and the women that they hire are particularly qualified, demonstrating a strong bias against women. When controlling for the background effects, Stolzenburg et al. found that women are actually underpaid, and the gender wage gap is 2.4 percentage points larger in foreign owned companies. This study demonstrates exceptionally well, why there is a need for studies that look beyond the surface level effects of FDI.

Men are globally more likely to participate in entrepreneurship, but the gender gap is narrower in low- and middle-income countries. Women in these countries often turn to entrepreneurship due to having problems finding wage work with job scarcity being the number one reason for starting a business, followed by wealth creation. Women are almost twice as likely to work independently without a partner or employees. Entrepreneurs from low-income countries are on average the youngest and have the highest business closure rates, but the closures have a narrower gender difference. (GEM 2021, 30–31; 33; 48.)

Entrepreneurs in poorer countries tend to be more critical of inflowing FDI than other locals (Harms & Schwab 2019, 637). FDI is expected to influence early-stage local entrepreneurship via two main effects: knowledge spillovers and crowding out. Spillovers occur especially when the entrepreneur has previously worked in a foreign-owned company and gained technological and managerial etc. experience. Entrepreneurs with experience in a foreign-owned company can better discover new business opportunities outside the more traditional products and have less anxiety around their demand (Tachibana 2014). They might run their firms differently, with Liu et al. (2014, 15) finding evidence of better “manager's global vision, firm's oversea sales, firm's patent application, and also advances trust-in-law and staff-motivation practices”, which among other factors can lead to their firms can outperforming other locally owned firms (Liu et al. 2014, 105; Görg & Strobl 2005).

Kim & Li (2012) found that FDI has a positive effect on business creation and that the effect was stronger in countries with weaker institutional support for companies, political stability and human capital, providing otherwise lacking structure and opportunities. Pathak et al. (2015) found evidence for the opposite. They found that FDI crowds out entrepreneurial activity, with the negative effect being stronger in developing countries. Pathak et al. suspect that the opposite results are caused by having different dependent variables: Kim & Li studied all new business creations, whereas Pathak et al., wanting to focus on individual entrepreneurs instead of corporate entrepreneurship, used nascent, new, early-stage, established, and high-growth entrepreneurial activity in their study. FDI was found to negatively affect all examined entrepreneurial activities, worst affected being established and early-stage entrepreneurs. (Pathak et al. 2015, 334–335; 350.) With better education levels and governance quality FDI reduces the necessity entrepreneurship born from quality job

scarcity, but when those country specific factors are worse off, FDI can stimulate opportunity entrepreneurship (Berrill et al. 2020, 1052; Tran & Chi 2019). When FDI does crowd out local entrepreneurs, the effect is weaker for female entrepreneurs (Goel 2016). Overall in developing countries, FDI has an inverted U-shaped relationship with the number of female entrepreneurs, meaning that up until a certain point increasing FDI will increase the number of female entrepreneurs (Misra et al. 2014, 53).

3.3 Perceptions and empowerment

When it comes to the public's opinion on FDI in developing countries, highly educated people hold more favorable views on it. Highly educated people are most likely to experience rising wages with increased levels of FDI, so the favorable view is unsurprising. (Pandya 2010, 389–390.) Lower skilled workers might then be expected to favor labor-intensive FDI, which is likely to increase their wages, but at least in China, this is not the case. They were found to be more concerned about FDI's impact on the local job market and the FDI's home country over their individual gains. More specifically, Chinese workers had unfavorable views towards other Asian countries that had a bad history with China or a corporate culture that dismissed labor and environmental protections. (Li & Zeng 2017, 195; 202.) Despite the higher wages, those working for FDI companies are likely to experience worse job satisfaction on many aspects: general satisfaction, job satisfaction with wage, job security and fringe benefits, compared to those working for local companies (Nguyen et al. 2019, 196).

Women's opinion of FDI in developing countries varies according to different studies. More studies seem to support that women are less likely to be in favor of FDI compared to men (Pandya 2010, 400–402; Mayda & Rodrik 2005, 1402–1404). Mayda & Rodrik (2005) explain this higher level of protectionism among women with gender-based values or labor-market participation and positions, as when a respondent's participation in the labor market and their position in it were controlled for, no gender effect was found. Chia-yi & Mi (2020, 526–527) on the other hand found that women see FDI in a more positive light than men, with the positive view growing stronger as a country's economy globalized and a smaller dependence on agriculture. Chia-yi & Mi suggest that as globalization increases and agriculture-dependence decreases, women become better aware of the benefits that FDI can provide them, like improved employment, wages, working conditions and gender equal norms and values.

There are a few ways of defining empowerment. A couple of these include “a multi – divisional social process that helps people gain control over their own lives” (Chopra 2019, 83) and “processes by which those who have been denied the ability to make choices acquire such an ability”. These definitions outline that those already in power cannot be empowered as no change is happening in their status. (Kabeer 2005, 13.) This makes the term especially important in the context of this bachelor’s thesis as women in developing countries are twice hurt by limited choices in life – due to their gender and economic situation. Gender equality is a state and female empowerment is a process aimed at reaching it (Chopra 2019, 83).

Chopra (2019, 86–87) created a Women Empowerment Index (WEI), which she found to be positively associated with FDI on a global scale. FDI was also positively associated with all of the indicators of Chopra’s WEI, those being: accessing institutions, using property rights, getting a job, providing incentive to work, going to court, building credit and protecting women from violence (Table 5). When the 163 countries covered by the study were divided based on their income, it was found that high income countries were more positively affected by FDI, which indicated that not only do high income countries receive more FDI but they can also better absorb those effects. When the countries were again divided into geographical regions, FDI was found to have a positive effect everywhere else other than the East Asia and Pacific region. Chopra speculates that this exception could be due to FDI going to technology or human physical capital heavy sectors, which are both male-dominated and therefore might benefit male workers more and even discourage female workers.

Table 5 Gender equality indexes (Chopra 2019; Hdr.undp.org a.; b.; c.)

Chopra's Women Empowerment Index						
Accessing institutions	Using property rights	Getting a job	Providing incentive to work	Going to court	Building credit	Protecting women from violence
United Nations Development Programme's Gender Development Index						
Male and female life expectancy		Male and female expected years of schooling		Male and female mean years of schooling		Gross national income per capita
United Nations Development Programme's Gender Inequality Index						
Maternal mortality ratio	Adolescent birth rate	Male and female population with at least secondary education		Male and female shares of parliamentary seats		Male and female labor force participation rates
United Nations Development Programme's Human Development Index						
Life expectancy		Expected years of schooling		Mean years of schooling		Gross national income per capita

Looking at different equality indexes, Ouedraogo and Marlet (2017) find similar results in Gender Development Index (GDI) and Gender Inequality Index (GII) to Chopra's WEI. GDI is comprised of four indicators: male and female life expectancy, male and female expected years of schooling, male and female mean years of schooling and gross national income per capita and GII has five indicators: maternal mortality ratio, adolescent birth rate, male and female population with at least secondary education, male and female shares of parliamentary seats and male and female labor force participation rates (Table 5). As FDI increases GDI rises and GII decreases. FDI had a GDI increasing and GII decreasing effect on all the indicators with the exceptions of the effect on female to male labor force participation rates being insignificant and female to male shares of parliamentary seats being negative. Lower income countries receive less FDI and are less capable of absorbing the benefits, so the effect is smaller.

Geographically the effects were positive on GDI everywhere else except in Southeast Asia, where they were negative just like with Chopra's WEI. (Ouedraogo & Marlet 2017, 18–24.)

Human Development Index (HDI) is the gender-neutral version of GDI. Its indicators are life expectancy at birth, expected years of schooling, mean of years of schooling and gross national income per capita (Table 5). FDI does not have a clear general impact on HDI (Srivastava & Talwar 2020), but there are specific circumstances where FDI can

have a positive impact. When a country discriminates against foreign investment in favor of domestic investment and has restrictions on FDI in certain sectors, FDI is found to have a stronger positive impact on HDI. These measures protect domestic industries and limit the amount of harmful FDI. Lower levels of corruption in the host country help to ensure that the advantages of FDI can be felt by regular people. (Reiter & Steensma 2010.) FDI originating from home countries with well-developed institutions can also have a stronger positive effect on HDI, especially if the host area is institutionally weak, as FDI companies can offer better employment opportunities and somewhat compensate for the local government (Polloni-Silva et al. 2021).

Due to FDI's quality of being long-term, there is an incentive for it to contribute to factors that ensure a stable economic and social environment. In countries where there are generally higher levels of foreign economic penetration, governments tend to have more respect for human rights. FDI contributes to this through a beneficial impact on political rights and civil liberties. (Richards et al. 2001, 219; 234–235.) FDI also positively impacts the Political Terror Scale, which is composed of execution, torture, forced disappearance, arbitrary imprisonment, political and religious discrimination metrics (Apodaca 2002, 900).

Neumayer & de Soysa (2006) found no evidence of FDI having any kind of effect on labor rights, when they used the International Labor Organization's metrics of freedom of association and collective bargaining rights. Neumayer & de Soysa (2011) found similarly in their other study that FDI had no effect on women's economic and social rights in developing countries. However, examining 37 types of labor rights violations, Mosley & Uno (2007) found that FDI has a positive impact on labor rights in developing countries and Friedman et al. (2011) found that higher levels of unionization in FDI heavy sectors accounts for a large portion of the wage premium reaped by employees. Blanton & Blanton (2012, 288) looked at the bilateral effects between labor rights and FDI in different sectors. Their analysis found that aggregate FDI's effect on labor rights was actually negative. This stemming mostly from the service sector, as FDI into manufacturing had a positive effect. The primary sector saw no significant effects. Labor rights' effect on FDI mirrored these results with the impact on total and service sector FDI being negative, manufacturing positive and primary not significant. The service sector is traditionally more female-focused, which could be one of the reasons why it experiences this negative bilateral impact.

Globally, FDI was found to increase levels of democracy (Li & Reuveny 2002), reduce escalations to high levels of violence and promote peaceful conflict management in territorial disputes with bilateral investment flows (Lee & Mitchell 2012) and more female members of parliament (Gray et al. 2006, 321). But, as mentioned previously, this global impact runs contrary to how Ouedraogo & Marlet (2017) found FDI to impact female share of parliamentary seats in developing countries. Women in parliament and other leadership positions has a radiating effect on other women and girls, who are then more often talking about politics among their friends, participating in politics (Wolbrecht & Campbell 2007), spending less time doing household chores and closing the gender gap in career aspirations and educational attainment (Beaman et al. 2012). The rise of women in public leadership positions also increased investment in national healthcare and lowered the levels of perceived (Cole et al. 2017) and measured corruption (Dollar et al. 2001).

There exists a large body of research focusing on corruption's influence on FDI, but the reverse is much less studied. Global studies focusing on aggregate FDI by Larrain & Tavares (2004) and Lee & Lio (2016) found that a higher level of FDI decreased the level of corruption in a country. But rapid changes in FDI, whether increasing or decreasing, raise the perceived level of corruption (Robertson & Watson 2004, 393). Lee (2015, 131; 133) looked specifically at Chinese versus Western oil FDI into Sudan and Chad and found that while both types of FDI gave the economy a boost, corruption and political accountability were worsened by Chinese oil FDI. Lee hypothesized that the negative effect could be caused by the combination of a culture of "non-interference" policy adopted by Chinese state-owned enterprises and the weak governance in the host countries. Corruption negatively mediates the wider effects that FDI could have on human development (Reiter & Steensma 2010), but its deteriorating impact can also be felt on an individual level as daily instances of petty corruption have a connection to psychological distress, which is felt more deeply among women (Sharma et al. 2021).

4 Conclusions

The purpose of this literature review thesis was to explore how foreign investment, specifically FDI due to its stability as an investment, impacts the well-being of people through the lens of women in developing countries. I attempted to get a more humane and realistic view, which in practice meant looking at empirical data over theoretical literature. As the challenges that vulnerable people experience rarely exist in a vacuum, instead of focusing on a single area of life, I wanted to cast a wider net in my research to get an overall view of the effects of FDI impacting quality of life.

No matter how one defines the group, developing countries are diverse as are the issues facing they are faced with. This much is clear from the numerous studies utilized in this literature review that show FDI often having completely opposite effects around the world. Clearly FDI can have a positive impact, but when and how? No single theory could explain these contradictory relationships. Theories are unable to take into account all the outside factors, imperfections in systems, volatile changes and variety of life that are a part of the developing world landscape. The contribution of this review is to find the main underlying themes that explain the contradictory relationships, which I propose to be absorption capacity and existing inequalities.

Several studies on several topics from economic growth to poverty reduction and women's empowerment found that countries that had a higher income or better functioning civil society were better able to absorb the positive impacts of FDI. The obvious, but practically infeasible option, would be to improve the income level and civil society of the developing countries. But there are also ways of improving the absorption through regulation. Many of the authors whose literature has been used in this review (Anyanwu & Augustine 2013; Acheampong et al. 2019; Seguino & Grown 2006; Reiter & Steensma 2010) find that when the inflow of FDI is regulated and boundaries are created for FDI companies, positive impacts of FDI grow stronger and local industries are protected. It makes sense that when overly exploitative FDI is weeded out and sensitive economic areas are kept safe, the positive impacts of quality FDI will be more robust. Corruption plays a big role on if this kind of regulation could pass and whether it could be effective, but I would still consider it a smaller challenge than a complete economic and social overhaul of a country.

The second main theme of existing inequalities relates to the fact that even if the same type of FDI was spread all over the developing world, how those effects are realized is going to be shaped by the society in question. Negative effects are likely to impact women more, since women are already in a more vulnerable position. Positive effects are likely to be weaker for women, if men's chances at new opportunities are always prioritized. Women and other vulnerable classes need to be protected from the negative shocks of FDI. Honest discussions need to be had about whether e.g. higher income levels for the few are a net positive, if income inequalities also rise. It also should not be enough that women's well-being increases, but only after scraping the bottom of the barrel that has already been emptied out for men.

I found that there was not much conformity between studies. To a certain extent this is to be expected when the subject is the majority of the world – there will of course be researchers from all over the world from different schools of thought. Just the term “developing country” meant a different group of countries in essentially every study. Some of it will of course be because developing countries are less likely to be able to continuously produce consistent data for scientific purposes. A Swiss cheese of data is to be expected. But when discrepancies grow to “developing countries” being used interchangeably with “the Global South”, meaning that poorer European countries are completely dismissed, or when the experiences of a single developing country are generalized for the entire group, lateral comparison between different studies becomes difficult and longitudinal utilization becomes impossible. Vulnerable people suffer from the lack of sufficient research done into finding solutions, and ambiguous terminology can only make it worse.

How FDI ends up impacting other indicators is going to depend on a multitude of other variants, which is why I believe that there is more need for in-depth FDI research such as the one conducted by Wang and Zhuang (2021). Their research into FDI's impact on education not only looked at both secondary and tertiary school enrolment and completion, but they also looked at aggregate FDI and FDI originating from OECD countries separately. As previously mentioned, research conducted into developing countries is typically not uniform, which makes it difficult for comparison purposes. When the comparable information is found in one study, discovering background factors that can be focused on in further studies becomes easier. Another great example of in-depth research was conducted by Stolzenburg et al. (2020), who discovered that a

seemingly substantial wage premium for women withered away into underpayment, when education, family status and occupation were controlled for. The interconnectedness of FDI's effects need to be truly understood and not just taken at face value. There is also still much room for research focused on women's issues and point of view, e.g. the special challenges caused by pollution.

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