

A Model to Evaluate FDI Prospects: Illustrated by Its Application to Three Asian Countries

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Abstract- All foreign direct investment (FDI) projects should prudently be evaluated in terms of a full set of criteria, i.e. holistically, rather than purely on the narrow financial basis which is too often the case. This paper considers a schema or screening device (an 'FDI-screen') designed to deliver such a holistic approach when operated in conjunction with normal financial appraisal tools. Although initially designed for use by firms to evaluate individual projects or project clusters (i.e. looking outwards), it can also be readily adapted for other uses such as host countries assessing their potential attractiveness to would-be investors, or by external agents seeking to gain an overall perspective of a host's desirability for FDI (i.e. an inbound view). The schema is used in this second way, applied to data from three developing countries, China (the PRC), Pakistan and Burma. The paper thereby both illustrates the summarising and presentational power of models such as the FDI-screen, a fairly simple multi-criteria decision making model, and also highlights just how varied the picture may be for differing developing (or even LDC) economies.

Keywords- *FDI; Evaluation; Holistic; Developing Economies; Asia*

I. INTRODUCTION

All FDI projects should prudently be evaluated in terms of a full set of criteria, i.e. holistically, rather than purely on the narrow financial basis which is all too often the case, see Foster [1, 2]. Only by so doing will unwelcome surprises be avoided and/or implementation barriers be circumvented or recognised as un-bridgeable were that to be the case. Foster [2] developed a schema or screening device to operate in conjunction with normal financial appraisal tools. This so-called Foster's FDI-screen has been tested out in number of contexts, see e.g. Foster and Alkan [3], Foster and Wang [4] and Foster and Song [5].

The FDI-screen comprises six factors as follow:

F1: Infrastructure adequacy (of proposed host venue for this and other factors)

F2: Power supply adequacy

F3: Labour adequacy

F4: Culture Difference/Distance from investor's home culture

F5: Market potential

F6: Country (i.e. Political and Social) Risk.

When the schema is used as it was originally designed in the context of appraising individual projects or clusters proposed by one investor into a given potential host country, it is also clear that an additional factor may prudently be required, when it is used in that way, viz, F7 = Compatibility of proposed project/s with the company's existing portfolio.

Although the screen was originally designed for use as noted, it became clear, while conducting several projects, that it could also be used in other, slightly different ways, e.g. 'from the other end of the telescope' by host countries, to assess their potential attractiveness to would-be investors from countries other than their own, or by external agents seeking to gain an overall perspective of a location's desirability for FDI. It is from this last specified perspective that we use the screen here in this short paper which looks at three developing countries 'through the eyes of the screen'.

At a conference in July 2012, a listener asked, in essence, how the Foster FDI-screen compared with AT Kearney's FDI Confidence Index (FDICI), see for example Kearney [6]. The answer is in three parts. Firstly, the FDICI is an index based on the perceptions of business wo/men and is updated annually, based on a reasonably large sample of respondents and they are asked for their view of the likelihood of each country attracting FDI across all sectors. Hence, were a potential investor to use the latest FDICI as a guide to their decision making they would be taking a composite, single-point view, which lacked specificity to their own industry, as a guide for their specific context: this may not be wise. Secondly, there is the question of how 'fine-grained' the instrument is. To be sure the FDICI appears to be based on a fairly broad list of questions, whereas the Foster screen has six key factors, at first sight. However, as was explained in Foster [2], the six broad factors can be developed by breaking down any given factor into a set of sub-factors – an example of how this might unfold is shown in Appendix 1 to this paper. Moreover, we would argue that this detailed development is best enacted by the individual user who can focus especial attention on whichever factors they deem most important to the analysis of FDI projects in their industry – for example, infrastructure will be less important to some industries and absolutely crucial in others, and hence more detailed

analysis can be generated by firms in the latter class. Finally, although it only appeared in published form in 2002, the Foster screen was first developed around the same time as AT Kearney were developing their index in 1998.

In short, our argument is that the reason for developing the FDI-screen was to enhance decision making by individual foreign direct investors for specific projects or clusters of projects. Hence, control of its detailed implementation resides best with the strategic decision makers (SDMs) in a given firm or decision making unit. By their retaining such control it is believed that there will be better ‘buy-in’ to the resulting investment decisions.

Turning our focus to countries, or groups of countries, which may be evaluated as possible FDI locations, it is perhaps easy to imagine that the main divide in FDI flows, in terms of investment targets, is between developed and developing countries. It is a distinction made, for example, in the UNCTAD World Investment Report (WIR) statistics, see e.g. WIR [7]. However, as we shall see, there can be huge differences in the attractiveness of countries within the latter group as we illustrate by examining China, Pakistan and Burma (Myanmar). These three countries were chosen as examples for evaluation as possible FDI sinks for several reasons. First, all are developing countries in the Asian region of the world. Second, they each have their own special significances as follow: China is simply very big and will likely be one of the key drivers of the global economy for the foreseeable future; Pakistan is a country of some size which has failed to develop very well of recent times; and Burma is very new in the field of development as an open economy. Hence they appear to provide a range of possibilities. Given that how clearly would the FDI-screen show a picture?

The paper then has two objectives:

- ♦ To illustrate the summarising and presentational power of models such as the FDI-screen, which in essence is a fairly simple multi-criteria decision making (MCDM) model with associated, subjective scoring scales, see Keeney and Raiffa [8] and Moore and Thomas [9] – it can be viewed as a kind of ‘soft’ OR model or as a decision support system; and
- ♦ To illustrate just how varied the picture may be for differing developing (or even LDC) economies, using China, Pakistan and Burma as examples.

Before moving on to the countries and their potential profiles, we note that the screen was posited to include a scoring scheme made up of a Likert scale for each factor, the length of the scale to be chosen by the user but typically 1 to 5 or 1 to 7 with 1 being weak performance and 5 or 7 representing true excellence – we use 7 here. In order to make the end scrutiny or assessment of the scored profiles more easily ‘readable’ it was further proposed that for factors F4 and F6, the scoring would normally be of their complements (or inverses). Taking as an example of F4, cultural distance, and the situation wherein a UK company considers an FDI project in Iran, it might be perceived that the score on F4 for such a project might be 6 or 7 out of 7. By scoring the complementary variable F4c, this assessment of the Iranian as a difficult culture to work with would become a score of 2 or 1. Hence there is a consistency whereby low scores are always indicative of potential or actual problems and vice versa. This enables emotive visual profiling to be conducted with groups of SDMs, who while being exactly that (i.e. SDMs) may not be very ‘modelling literate’ The actual scoring for this model could be undertaken by any of a number of parties, including the analyst undertaking the work, those with expert knowledge of the countries under consideration, or, if used in the first mooted sense, persons representing differing facets of the company making the FDI decision. In this paper, cultural distance will be assessed and shown, for each country, relative to the UK (i.e. relative to a potential investor from the UK).

II. THE SAMPLE COUNTRIES ASSESSED

The use of the screen is now illustrated by considering our three, chosen Asian countries which might be of potential interest to some investor/s. The three countries are very different, of hugely different scales, all with ‘issues’ of one sort or another. Interestingly, Burma and China share a common issue, that of perceived human rights abuses, but the economic responses of the international community are very different as is clearly illustrated by the summary Table 1 below. Maybe Burma is small enough to be ostracised but China trade is now so important in the global economy that countries, even such as the ‘mighty’ US, feel they would prefer to keep trading rather than making a stand on the point of principle?

TABLE 1 KEY COUNTRY DATA

Country	GDP (2006) at official FX Rate & [PPP basis] in US\$	Pop. (2006) in m	FDI Value (2006) in US\$	FDI/capita; and GDP/capita (both in US\$)	FDI/GDP (%)	Main FDI Industries
China	2787.3bn [5625bn]	1321	72.7bn	55; 2110	2.60	Pharmaceuticals, Vehicles, Oil/chemicals, Textiles, Toys
Pakistan	126.5bn [437.5bn]	165	4.27bn	25.88; 767	3.37	Energy, metals/mining, telecom services, plus textiles
Burma	13.9bn [85.2bn]	50	0.28bn	4.4; 278	1.58	Oil and Gas, mining, invested by China and S. Korea
Ratios - C:P:B	200:13:1 [66:5:1]	26:3.3:1	260:15:1	12.5:5.9:1; 7.6:2.8:1		

Source: created using data from UNCTAD Statistics, World Bank Statistics and Whitaker’s Almanack [10]

Interestingly, the Burmese regime barely even bothers to rail publicly against external denunciation of its repressive tendencies, actions eloquently summarised by Aung San Suu Kyi in the first of her two Reith Lectures broadcast on the BBC on 28th June 2011, Reith Lecture 1 [11]. China by contrast is very sensitive about any foreign criticism of its lack of freedoms for its people, as its then Prime Minister Wen Jia Bao forcefully noted to British PM, David Cameron, during the former's official visit to the UK, also in the final week of June 2011.

In Table 2, we set out the scores which we derived for the three countries using the FDI-screen. The same score data are then also shown, in Fig. 1 below, in chart format. The chart illustrates how one might additionally present the data to a group of busy SDMs, whom it is posited may find such a display with its 'visual clues' very helpful. The weakness of the Burmese profile for example is immediately apparent in this form. Then we shall give a brief account of how we determined the scores for each country as they appear in Table 2 and Fig. 1.

TABLE 2 FDI-SCREEN SCORES FOR 3 COUNTRIES

	Factor scores in sequence and the country average						
Country	F1 Infrastr. Adeq.	F2 Power Adeq.	F3 Labour Adeq.	F4 ^c (Cultural Diff.) ^c	F5 Market Potential	F6 ^c (Country Risk) ^c	Average
China	5/6	5	5+	4	7	6	5.5
Pakistan	4/5	4-	4/5	5	4	2	4.0
Burma	2/3	3-	2	1.5	2	1	2.0

Source: Author's scoring¹

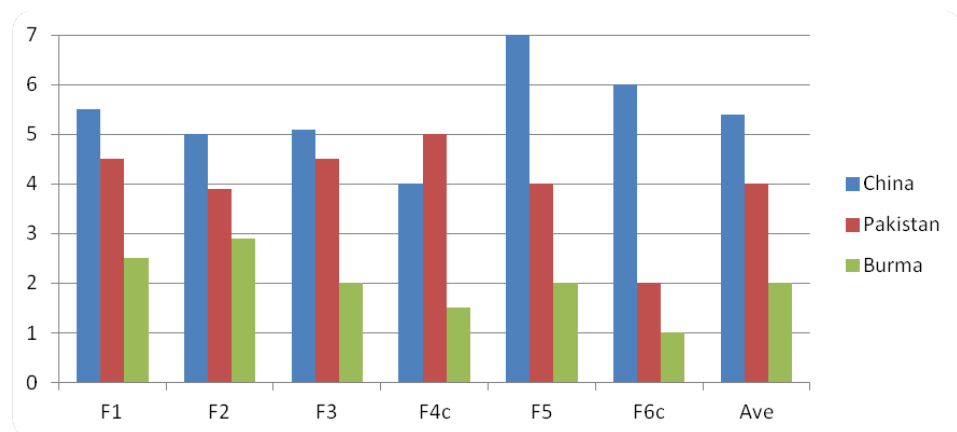


Fig. 1 The FDI-screen scores for 3 countries pictorially

While, as stated under Table 2, the author conducted the scoring, it should be noted that his understanding of the issues was greatly helped by my having supervised graduate students from all three countries all of whom undertook dissertation projects looking at FDI issues related to their home countries.

Before looking at the information used to underpin the scoring in the screen's application, it is worth pausing to look briefly at the elaborated GDP and FDI statistics in Appendix 2. While GDP is seen to be something of a juggernaut moving inexorably forward (apparently at any rate), FDI is a more fickle beast and as the world economy has struggled since 2008 so FDI flows have eased. There are no automatic rights in the global economy. Pakistan has suffered worst which may reflect the continuing risk associated with spillover effects from the Afghan war and their own indigenous issues with Taliban groups in the NW Frontier region particularly. Burma's FDI meanwhile, although still of very modest scale in aggregate terms is on a good upswing from their point of view.

A. China

Market potential as China becomes one of the largest economies in the world is beyond doubt, be it for technology products, general retail consumption or industrial engineering products (F5).

For F1 and F2 the picture is fair but could be better. This was highlighted by the events in early February 2008 when severe weather conditions hit much of China causing major disruption. Such specific episodes and more generally, during the year, excess demand for power, mean that 'brown outs' are not unknown. In terms of the soft infrastructure, while there is, in one

¹For the purposes of this paper the attribute scoring was carried out by the author. A company or government agency using the FDI-screen could enhance its utility and hopefully the reliability of the scorings by using multiple scorers, from inside or even outside the organisation. Engaging multiple actors can also build belief in the eventual strategic decisions to be taken. On the other hand, having a single expert assess multiple entities, as in this paper, does ensure that the model is being applied consistently. An example of the scoring of an entity by multiple raters is shown in Foster and Song [5]. In that case, the entity assessed for its inward-FDI potential was the Guangxi Autonomous Region (GAR) of the PRC. One interesting outcome of the rating was the relatively high degree of consistency across the ratings of private sector industrialists, an officer of the GAR and the authors, acting in the guise of external experts.

sense, a full set of laws, much of the legal and regulatory framework remains 'ill-defined' or loosely drafted and may be fickle in its implementation from the outsider's perspective. E.g. Kingfisher the UK owner of B&Q found that changes in regulations covering relationships between suppliers and wholesaler-retailers such as B&Q (China) caused them non-trivial and unexpected problems starting in 2007, see Foster and Tseng [12].

The recent experience of British retailer Tesco shows that life can still be tough even for acknowledged experts such as them. They saw the potential of the giant China, market (F5), and made good progress initially, before discovering that conditions were trickier than they had thought – those difficulties may have been a result of 'dirty tricks' by their competitors, either acting alone or backed by officialdom (F1 again, when widely interpreted as in the detailed version of the model in the Appendix 1 below). Tesco's solution has been to enter into a large scale JV with a major Chinese company, CRE Holdings, Foster [13], although recent murmurings suggest even that solution may have its tricky moments.

The supply of adequate labour is again fair rather than good, the big growth in education programmes notwithstanding. Many rural migrants to the cities still seek factory work initially with low skills and literacy, while there is also a problem at the other end of the scale with skilled managers able to operate on a stand-alone basis. Many twenty-somethings have qualifications but lack experience and the ability to operate without supervision or to supervise others effectively.

The cultural distance from the UK/EU is non-trivial: more foreigners are gaining an insight in how to operate in China and more, especially younger, Chinese are learning how to deal effectively with westerners but there is still a gap, both at the level of the individual and in the collective mindset and bureaucratic structures of the PRC. Finally, there is country risk. China is certainly less risky than some parts of Africa, South America or the Middle East but problems remain, including human rights issues, theft of intellectual property (both in high-tech industries and in basic consumer items such as CDs/DVDs) and corruption but it is stable which is key for potential investors, so we rate the country risk low at around 2, making F6c be 6.

B. Pakistan

Market potential (F5) is moderate; there is a developing, urban middle class but compared to China or its immediate neighbour, India, its size is comparatively modest (perhaps 15m-25m of the 165m population) and their disposable income will typically be much lower than is typical in Western Europe for example. Also the continuing turmoil in the country (political and religious) does not help the market.

Infrastructure (F1) is adequate rather than good and aspects of the soft infrastructure such as the legal system are open to doubt. The good thing about the legal system is that it is familiar to those used to the English system of law but may as noted lack effectiveness in its application, sometimes the lawyers would suggest by dint of political interference. The special case of power supply (F2) is at best average and away from the big cities less than that.

Labour adequacy is fair. There is an educated 'officer class' but in the rural areas there is still much to be done to improve early years/junior secondary education. Moreover, there is a tendency among some junior or middle management personnel to be unwilling to undertake 'hands on' duties with which their European or US peers would have no problem in the 21st century.

Cultural distance is not too big issue in one sense partly because of the country's British colonial heritage, the many intra- and inter-familial links between Pakistan and the UK's British Asian community and, not least, the widespread use of English by educated Pakistanis. But on the other hand there are tensions between Muslim communities and others, including Judaeo-Christian communities, especially as the Iraq and Afghanistan 'wars' continue.

Country risk (F6) is arguably the major issue for would be investors to Pakistan. The political situation is currently still volatile in the wake of Benazir Bhutto's murder in December 2007 and there is the explicit security threat linked to the Afghan war and the role the NW frontier territories of Pakistan play as an arms clearing house, terrorist training area and 'safe haven' for insurgents retreating temporarily from the Afghan theatre. The killing of the Pakistan Taliban's leader, Hakimullah Mehsud, by a US drone strike, on 2nd November 2013, 'kept the risk pot boiling' (see BBC News Asia [14]). Hence a low score on F6c is clearly indicated.

C. Burma

Even F5, the market potential, is very weak in Burma as seen in terms of people's ability to make purchases today – the long term potential may be greater as and when the political and allied human rights issues are resolved (for now these issues dealt with under F6 in the screen are the main determinants of or constraints on all other factors for Burma.) The weakness of the market may be seen by considering the GDP per capita datum, just \$278 per annum or about \$0.75 per day. Even viewed through the PPP lens, per capita purchasing power is still less than \$5 per day.

Infrastructure (F1) is weak with the possible exception of roads around the principal cities. Power supplies are also weak: in fact it has recently been reported that there is a chronic undersupply even for the modest level of industrialisation currently obtaining – most workers are in the agriculture sector, currently some 70 percent of the labour force are employed in the sector which accounts for 43.1 percent of GDP, see Whitaker's Almanack [10].

Labour adequacy is low from the MNC perspective: post secondary level participation levels are very poor even compared with other ASEAN countries. Of course there are well educated people but nothing like enough to sustain significant, short-term development were political pressures and their related isolation relieved to enable economic development to kick on.

The cultural gap from the west is huge despite the pre-war British administration: in a sense time truly has stood still in Burma and so the gap to be bridged would be large.

Finally, the political and social risks must be ranked as severe. At present Burma is effectively a military dictatorship^{*} with whom most of those outside ASEAN (of which it is a relatively new member) and China are reluctant to deal. Not only is it a dictatorship but it is generally viewed as being other than benevolent. This is in a sense ironic since the prevailing religion is Buddhism with all its attendant virtues of tolerance and acceptance of differences. Until very recently, there were sanctions in place primarily by the US (since 1988, strengthened in 2003) and the EU (whose most recent steps sought to freeze the external assets of and the movement to their countries of members of the military regime).

At present the main external investment is in the oil and gas industries – there are major assets in offshore territorial waters in the Andaman Sea. Those currently investing are the South Koreans and Chinese, although there is still a Total (French) operation. Interestingly, it was reported recently on the BBC (Simpson [15]) that in the 7 months since Aung San Suu Kyi's release from house arrest in November 2010, there had been a sudden and visible spurt in building work in Rangoon, driven by Chinese monies, according to his report. The Chinese are really not too particular about the broader 'acceptability' of a régime if there is a dollar to be earned goes the argument.

[*The 2010 election (10th Nov) saw the installation of a supposedly civilian government but most commentators agree the new government is just (ex)-generals without their uniforms carrying on the old regime. The one possibly significant change is that the junta's long time leader Than Shwe has, formally at least, stepped down and the new President is General Thein Sein, who appears in public in a suit and is regarded by the regime as 'its acceptable face' – time will tell. But neither of them is Aung San Suu Kyi, 'The Lady', although she is finally free once more.]

The story moved on when, in September 2012 and April 2013 respectively, US and EU economic sanctions were formally relaxed². This will undoubtedly improve the rather negative profile of Burma as shown above but time must pass before a major change in the ratings would seem to be merited, not least because some commentators saw the EU's blanket lifting as at best premature, Leicht [16]. By contrast Aung San Suu Kyi had welcomed the easing of US restrictions on a visit to New York in September 2012, United Nations Radio [17].

At an anecdotal level, a British businessman who had relocated to Bangkok from Burma in early 2013, reported that the opening of markets in Burma did not by any means connote plain sailing for the foreign firm, primarily because the inertial dead-hand of corruption is pervasive and leaden.

D. Comment on Scoring the Countries' Risks

One of the interesting features of the scoring, delivered in the light of the information in the three 'country profiles' above, is the dissonance in country risk scores detailed; Burma and Pakistan's scores are markedly different from China's for the factor F6. It is worth seeking alternative, independent evidence which may corroborate that dissonance (or not). One possible source of such evidence is the data in Transparency International's Corruption Perception Index. Data from a sequence of CPIs are shown in Table 3.

TABLE 3 CPI SCORES 2008-2013 (BASED AGAINST 2001)

2001	Country	2008	2009	2010	2011	2012	2013	6-year Ave
n/a	Burma	1.3	1.4	1.4	1.5	1.5	2.1	1.53
3.5	China	3.6	3.6	3.5	3.6	3.9	4.0	3.7
2.3	Pakistan	2.5	2.4	2.3	2.5	2.7	2.8	2.53

Source: Transparency International CPIs for the noted years [18]

The data in this table seem to show clearly that, on a scoring scale which runs from 0 to 10, where 10 is good and close to zero deeply unsatisfactory, the three countries are all comfortably below the mid-point of the scale throughout the period presented, although some modest improvement may be seen over the last two years. Furthermore, although Pakistan is rated as 'less bad' than Burma, there is still a clear gap between Pakistan and China. This supports the picture from the (subjective) scores worked up for inclusion in the FDI screen's factor F6. These scores are of course about perceived levels of corruption in a given country. The other matter which might be seen to pull Pakistan back towards Burma, so to speak, in terms of overall level of country risk is the regular bombings and other acts of insurrection in Pakistan. They include: Taliban attacks on official compounds in retaliation for official cooperation with US military authorities; Muslim versus Muslim outrages, where

²It was reported, CBS News, 27th September 2012 [19], that the then current US Secretary of State, Hilary Clinton, had the previous day formally announced that most economic sanctions on Burma would be immediately lifted and in particular imports to the US would no longer be banned.

hardliners bomb mosques offering worship facilities for people they allege to be following 'the wrong kind of Islam'; and attacks on Christians for the 'sin' of being such.

III. DISCUSSION AND CONCLUSION

The profiles in Table 2 and Fig.1 show several things quite clearly:

- There is a clear difference between the profiles of the three case countries and the table shows up in 'mapping form' the distinctions which an impressionistic preview might have suggested. By explicitly profiling the issues, it conveys a wealth of perhaps otherwise latent meaning.
- There is a clear ranking among the 3 countries in terms of their desirability measured by their average screen score, or indeed the score profile.
- For Burma the scores show clearly where the biggest issue lies – country risk, in fact, crucially, political risk because of the regime itself whose legitimacy is in question across much of the world. In addition, the bar chart representation of Table 2 shows very starkly just how far Burma is perceived to lie behind even another developing country like China in terms of Labour adequacy (F3), cultural distance (F4) and country risk (F6).
- Even for China, who shows up clearly, as the strongest of the three countries in terms of a composite assessment, there is what may be described as 'work to be done'. The table highlights where there is most to do; part of the cultural distance is the language gap, closing as the Chinese embrace the business language of the world, English. And, even where a fairly strong rating is shown, as for F1, there can still be difficulties from the overseas investor's perspective – the difficulties sketched in the country elaboration experienced by Kingfisher and Tesco show that aspects of the soft infrastructure can be testing and may evolve in unexpected (from the FIE's point of view) ways.

Further, the economic summary statistics in Table 1 show the scale of difficulty for would be investors if they are in industries for which they would hope to have a host market potential, allied to any FDI project in Pakistan and especially Burma. Only China of these three economies now has the basic economic motor to guarantee a market for most if not all product types. At a modest level, Burma's economy is now beginning to develop some forward momentum but it is a difficult market in which to operate, not least because of deep-seated corruption which dogs one's every move, as noted above in section II C. My informant reported Thailand to be an easy, new 'business home' by contrast with his recent experience in Burma.

Overall then it can be seen that the two objectives set at the start of this paper have been met: the FDI-screen's diagnostic and presentational compass are clearly illustrated; and, sharp differences in inward FDI potential for a set of developing countries (even) from the same sub-area of the globe could be seen to be readily diagnosed and highlighted. More generally, the FDI-screen around which this paper has focussed can be taken as an example of a wider notion of how relatively straightforward models can assist strategic decision makers by taking on board the often huge pool of latent knowledge available to them, and then organising and presenting that knowledge in a form which will assist them in their primary task as decision makers. That knowledge may come from multiple sources: their own direct knowledge, that of their supporting planning analysts (implicitly the input of my ex-students in this case), that of operations focussed employees across the company or agency (depending from which 'end of the telescope' one looks), or external advisers and consultants.

We focus for a moment on the presentation of technical assessment or evaluation outcomes to senior, but non-specialist, SDMs: this can be problematic precisely because those persons are not technically expert in decision support systems. The reality is that many such SDMs want nice simple choices to be set before them, they are busy people and many are not particularly mathematically clued up. Given a scoring profile such as the FDI-screen produces one can make a choice to 'help them' by compressing the profile into a single point score, e.g. by computing the arithmetic mean of the individual scores. But is this really helpful? The answer is in two parts. If the scores of different subjects (countries in our example here) are systematically different as between the subjects then computing the mean will work quite well. If however, a subject has say three factors rated at 7 and three on a score of 1 then the mean of 4 may be thought quite misleading, for further discussion and guidance of the 'to aggregate or to stay as profile' issue see Dodgson [20] and OECD [21]. Hence, it is suggested that persuading SDMs that viewing and assessing a profile of scores is well worth the slight extra effort because of the richer understanding so gained, aided by making the profiles additionally available in graphic form. Another tactic to maximise value from this type of assessment tool is to persuade the SDMs involved to make their own, intuitive, subjective assessments and then for the group to share their own outputs and compare them with the more technically refined picture of their planning team or consultants. Such activity is found in practice to lead to belief in what is being done, as found for example by the power generating company involved in the study by Foster [1].

As for the exemplar countries, it is probably no surprise to see China highlighted as a favoured potential FDI sink, while Pakistan was shown to be more problematic and Burma, in comparative terms at the very least, has major problems. From the perspective of the SDM in a UK company, with possible investment opportunities in all three of the sample countries, the decision will be easy if we take the screen's analysis on board for a set of projects with similar NPVs. Only if a project in

Pakistan, say, is projected to deliver a much higher rate of return than those in China would one be tempted to keep looking at it.

One final comment on usage of the theory seems pertinent. It relates to the way in which models such as the Foster FDI-screen help to bring out issues which might otherwise lie buried but would be better revealed. Most decision makers and analysts would probably find it easy to concur with the view that Burma is a 'dodgy' location in which to think of doing business, but what about the USA? Most people, I speculate, would reply in words with the sense 'safe as houses', i.e. they would score the country risk factor F6 either at 1 or at worst 2 (the actual variable, not its complement) but are they right to do so?

Consider two incidents from the last five years. First, where was the worst of the credit bubble, allied with some risky or even downright foolish mortgage lending to be found in 2008?: the USA. Because of the sheer scale and external connectedness of their economy, their 'economic-flu' hit many more of us beyond their shores. Second, consider the explosion, in the Gulf of Mexico in 2010, of an oil-rig operating under subcontract for BP. The response of the US authorities, certainly their politicians led by Obama, was little short of disgraceful. One might go so far as to say that the way in which they behaved was an abuse of power. It was the sort of behaviour which might well lead a prudent investor to think twice about future investment in a jurisdiction which seemed to be prepared to operate what might best be described as 'kangaroo courts via the media'. In short it might be the sort of risk you could expect to find in a banana republic, but in a supposedly responsible, major, developed economy? The function of the screen here would be /or would have been to make one sit back and ask exactly how risky or otherwise, and in what ways, the USA really is/was.

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APPENDIX 1

An example of the possible elaboration of the FDI-screen factors, as might be developed by a user:

F1: Infrastructure adequacy (of proposed host venue, 'hard' and 'soft' in order)

- Road system
- Rail System
- Air transport
- Internal waterways
- Ports – sea and river
- Inter-modality transfer hubs
- Telecoms/IT networks
- Water supply
- Healthcare: general and hospitals
- Banking
- Regulatory regime
- Legal system/rule of law/IPR protection
- Government incentives
- Tax regime

F2: Power supply adequacy

- Electricity generation and/or distribution
- Power supply available yes/no
- Power supply reliability
- Power rating reliability
- Availability of feedstock if own generation required
- Access to standard tariff where a drawn-down supply yes/no
- Gas supply

F3: Labour adequacy

- Availability of:
 - elementary educated workers
 - high school educated workers
 - relevant graduates (engineers, accountants etc.)
- Availability of good managers
- Availability of technically competent labour
- Perceived willingness to learn/adapt on job of:
 - workers
 - managers
- Degree managers willing to be responsible for decisions
- Diligence of workforce
- Honesty of workforce (all levels)
- Degree of unionisation and/or willingness for flexibility
- Attitudes to foreigners (e.g. UK 'masters' or third party customers).

F4: Culture Difference/Distance from investor's home culture

- Rules of behaviour/cultural mores
- Hostility to Foreigners (see also under Labour)
- Transparency
- Power distance/'respect' for superiors
- Uncertainty avoidance
- Masculinity/femininity balance
- Collectivism/Individualism (latter four sub-factors being Hofstede's)

F5: Market potential

- General GDP etc Trends
- Proportion of population with non-trivial disposable income (if rel. to product)
- Demand trends in relevant industries
- Does host government allow incursion into 'our' industry/ies?

F6: Country (i.e. Political and Social) Risk,

- Risk of government interference including appropriation of assets
- Risk of change of government
- Risk of internal political upheaval, short of civil war
- Internal unrest emanating from class or economic gaps or religious differences, short of civil war
- Risk of civil war
- Risk of external interference in sovereign matters, e.g. VN, Libya, Iraq, Syria
- Corruption, in Government and more widely

(alternatively, one could use a proprietary elaboration such as the Economist's 10 factor, with 67-point maximum, weighted score, see *Economist* [22], plus perhaps the *Corruption Perceptions Index*, see Transparency International [18].)

APPENDIX 2

Updated Economic Activity Statistics for the Sample Countries

Country	Population in m		GDP at official FX rate in US\$bn			FDI in US\$bn		
	2006	2012	2006	2009	2012	2006	2009	2012
China	1321	1350	2787.3	5069.5	8094.4	72.7	95.0	121.1
Pakistan	165	190	126.5	155.7	221.9	4.27	2.34	0.85
Burma	50	55	13.9	32.9	57.8	0.28	0.97	2.24
			GDP (real) US\$bn at 2005 level			GDP @PPP*		
			2006	2009	2012	2012		
China			2573.7	3517.7	4567.4	12,471		
Pakistan			116.0	129.0	143.0	518		
Burma			13.5	18.4	22.5	76 (est.)		

Source: created using data from UNCTAD Statistics (GDP and FDI); *Whitaker's Almanack* (2008 & 2013) (populations); and World Bank (PPP data*)