

# Development of Foreign Direct Investment and Recent Economic Blocs in Emerging Countries

**Mahmoud Abdelaziz Touny<sup>1</sup>; Mostafa Ahmed Radwan<sup>2</sup>; Amr Nazieh Ezat<sup>3</sup>;  
Khaled Alsaeed Qamar<sup>4</sup>; Mahmoud Hussein Alayis<sup>5</sup>; Fatma Yousef Elshinawy<sup>6</sup>**

<sup>1</sup> *Corresponding author. Professor of Economics, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

<sup>2</sup> *Assistant Professor of Economics, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

<sup>3</sup> *Assistant Professor, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

<sup>4</sup> *Assistant Professor, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

<sup>5</sup> *Assistant Professor, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

<sup>6</sup> *Assistant Professor, Faculty of Applied Studies & Community Service, Imam Abdulrahman Bin Faisal University, Dammam 31441, P.O. Box 1982, Saudi Arabia.*

## Abstract

The global economy is witnessing major changes and developments in the field of foreign direct investment and its motives and trends among developed countries and developing countries, especially those emerging economies. On the other hand, there are significant changes in the pattern of recent economic blocs that have a significant impact on the future of existing economic blocs and on the theories that explain and justify the existence of these blocs and the gains and losses of these blocs and the conditions for their realization. The objective of this study is to analyze the most important recent trends in FDI and its determinants and to provide a vision that helps to understand and analyze these trends. This study also examines the most important current developments in existing economic blocs and their patterns, how the gains and losses of member states can be recalculated, and the new patterns of integration that can prevail in international economic relations.

**Keywords:** FDI Motivations, Economic Blocs, Economic Integration, BRICS Nations, Mega-Regional Blocs.

## INTRODUCTION

The global economy is undergoing major changes in recent years in terms of foreign investment movements and trends, host countries, exporting countries and their determinants, and the role of multinational corporations in directing foreign

investment. One of the most important of these changes is the increasing trend in outward foreign direct investment (OFDI) from developing countries and economies in transition. Many studies indicate that enterprises in developing countries, including small and medium-sized enterprises (SMEs), participate in OFDI, but these institutions face a number of challenges in the area of investment abroad. Evidence also suggests that OFDI can play an important role in enhancing the competitiveness and efficiency of developing country institutions. It is noted that the theories of foreign direct investment vary according to the diversity of angles to which they are viewed. However, do these theories serve to explain the motivations that multinational corporations from emerging countries are currently required to invest abroad?

On the other hand, the global economic blocs in recent years have witnessed major developments in terms of their objectives, the gains achieved and the conditions for their realization. In light of the current international economic changes and the experiences of some economic blocs and the change in the pattern of international production, new variables have emerged that impose themselves on the future of the existing economic blocs and on the theories that explain and justify the existence of these blocs and the gains and losses achieved by these blocs and the conditions for their realization. This requires new thinking and new theories that explain these changes and recalculate gains and losses from existing

economic blocs and new patterns of integration that can prevail in international economic relations.

Therefore, the problem of the study can be formulated in the following questions:

Are traditional theories about the determinants of OFDI adequately explaining the internationalization of companies from emerging countries? Does the changing conditions of space and time, the internal conditions of the host countries, the characteristics and structures of production, the rate of development and technological development in the countries exporting the foreign investment change the motives and determinants governing the movement of foreign investments? Given the emergence of recent major regional blocs, how can the gains and losses of the bloc's member states, which include countries with large disparities in economic development and disparities in their productive structures, be recalculated?

The objective of this study is to analyze the most recent trends in FDI and its determinants, and to provide a vision that helps to understand and analyze these trends. In this study we will also examine the most important current developments in the existing economic blocs and the new patterns of blocs that have emerged recently, and how to re-calculate the gains and losses of member States in the bloc and the new patterns of integration that could prevail in international economic relations.

The study is based on a comparative analytical approach that highlights similarities and differences in the study of the phenomenon in order to present a vision about the future of international economic relations between developed countries and emerging economies in light of the current changes in the pattern and direction of foreign investments and the patterns of new economic blocs.

Accordingly, the first part of this paper examines the main determinants and motivations of foreign direct investment in light of the current international changes. The second part deals with the analysis of economic blocs and theories of integration in the light of current developments. Finally, we present a critical vision on the future of economic blocs in light of the current situation.

### The determinants and motives of FDI in Emerging Countries

In recent years, foreign investment flows have been growing rapidly, outpacing international trade flows. Notably, recent years have witnessed an increase in the share of developing countries, particularly Emerging Economies, in attracting more foreign investment at the expense of developed countries as well as an increase in the share of emerging economies as a source of outward FDI flows and a change in the sectoral distribution of FDI for the services sector at the expense of the manufacturing sector. In this section, we will try to highlight the most important recent trends in FDI and its determinants and provide a vision that helps to understand and analyze these trends.

In recent years, FDI to emerging countries such as India, China, Brazil, Russia, Taiwan and Hong Kong has been increasing at the expense of developed countries. According to UNCTAD data, the proportion of FDI inflows in emerging countries out of total FDI inflows increased from 15.99% in 1990 to 36.17% in 2016. The share of BRICs countries in global foreign investment inflows increased from 2.26% in 1990 to 15.85% in 2016. In contrast, developed countries' share of global foreign investment flows declined from 83.06% in 1990 to 59.11% in 2016, reflecting the recent trend of foreign direct investment from developed countries to developing countries, particularly emerging economies and the BRICs. (See Table 1)

On the other hand, outward FDI flows have seen a marked change in recent years as developing countries, especially emerging economies and the BRICs, have increased as a source of outward FDI out of the global foreign investments at the expense of developed countries. Table (1) shows that the proportion of FDI from emerging economies increased from 5.29% in 1990 to 26.52% in 2016. In the BRICs countries, the ratio increased from 0.61% in 1990 to 14.21% in 2016, whereas the share of developed countries fell from 94.62% in 1990 to 71.87% in 2016, which confirms the shift in the map of outward FDI, partly from developed countries to emerging economies.

**Table 1:** The ratio of inwards and outwards of FDI in several groups of countries to global FDI

Groups of Countries	Direction	1990	1995	2001	2005	2010	2016
Developed countries	Inward	83.06	64.35	70.90	61.30	48.96	59.11
	Outward	94.62	85.17	90.99	83.78	69.38	71.87
Developing countries	Inward	16.91	34.48	28.03	35.47	46.44	36.99
	Outward	5.38	14.66	8.64	14.07	26.98	26.40
Emerging economies	Inward	15.99	36.30	28.06	37.24	45.11	36.17
	Outward	5.29	14.73	8.79	15.13	29.24	26.52
BRICs group	Inward	2.26	13.87	10.92	12.11	18.88	15.85
	Outward	0.61	1.77	0.78	4.21	10.67	14.21

Source: These figures were calculated by the researchers relying on UNCTAD data on FDI flows available at: <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

Previous theories (product lifecycle theory, market imperfection theory, corporate internationalization theory, location theory, organization theory, protection theory, selective theory) have been used to explain the motives of outward FDI to developed countries. It is noted that the theories of outward FDI vary and diversify according to the diversity of angles to which they are viewed. However, are these theories suitable for interpreting the motives that multinational companies from emerging countries are currently required to invest abroad?

Recent studies on the determinants of outward FDI in emerging countries suggest that traditional theories do not adequately explain the internationalization of firms from emerging economies. In a study by Bruhn et al. (2016), which aimed to explain why some companies in developing countries invest abroad, their findings indicated that prevailing FDI theories are appropriate for developed economies. However, some important theoretical adjustments and improvements to these theories are required to better interpret the internationalization strategies of multinational corporations from developing economies. Banik and Das (2014) also noted that the interpretation of cross-border investment in developing countries involves a complex interaction of several factors as well as company and industry factors, including country-specific factors and the institutional and political environment. Buckley et al. (2010) shows that flexibility and the ability to work with limited resources or the ability to establish cooperative networks and the capacity acquired by firms to deal with the conditions of the country of origin enable them to benefit from a competitive advantage in similar markets abroad. The study also suggests that the institutional factors of investment-exporting countries are also important determinants of FDI flows in any country, but it must be borne in mind that these institutional factors are dynamic and change over time. In another study, Buckley et al. (2007) noted that multinational companies from emerging countries have developed some specific advantages that allow them to operate better than local firms in certain specific activities in international markets. Some studies also focus on the influence of institutional factors of the country of origin such as political liberalization (Goh and Wong, 2011), government changes (Kalutay and Sulstanova, 2010), political transparency (Salehizadeh, 2007) and government incentives (Wang et al., 2012).

It is therefore possible to say that the changing conditions of place, time, internal conditions of the host countries, the characteristics and structures of production and the rate of development and technological development in the countries exporting foreign investment lead to a change in the motives and determinants governing the movement of foreign investments. Therefore, it is likely that multinational corporations in emerging countries may have different characteristics and motivations than those in developed countries. This requires further studies, which test whether traditional theories that explain the motivations of FDI from developed countries are also consistent with the motives of those companies in developing countries, or whether new theories or changes in existing theories are needed. Are these motives different among large companies and between small

and medium-sized companies? This is another question that should be examined.

Furthermore, institutional factors such as degree of political liberalization, transparency, government incentives, degree of financial and administrative corruption, and exchange rate regimes in developing countries exporting foreign investment are likely to be important determinants of local SMEs to internationalize their activities in search of a better climate (pushing factors), compared with major corporations, which may be motivated by the attraction factors of the host countries.

Several theories on FDI have pointed to the various determinants that attract foreign investment, which have been concentrated in some traditional determinants such as comparative advantage of countries, market size, cost of assets and inputs, infrastructure, degree of competition, protectionist measures, economic policies and regulations in host countries, and geographical location. Other theories have focused on environmental variables where some studies indicate that foreign investments direct to countries that are less committed to the application of environmental standards (Pollution haven hypothesis) (Touny and Shusha, 2015).

Government policies, administrative corruption, bureaucracy and political stability have also been of interest to some researchers as determinants of FDI inflows. In theory, there were two views of the impact of administrative and financial corruption on attracting foreign investment. The first view is that administrative and financial corruption might be retardant to foreign investment (Grabbing hand hypothesis), where corruption represents an additional cost to the investor, which reduces the expected rate of return on investment. (Wei, 2000; Svensson and Fisman, 2000; Quazi 2014; Qian and Sandoval-Hernandez, 2016). The other view is that administrative and financial corruption could be a factor in attracting foreign investment (Helping hand hypothesis), especially for companies whose cost of time and delays may be much higher than the cost of corruption. (Bardhan, 1997; Egger and Winner, 2005; Subasat and Bellos, 2013; Touny, 2014; Lucke and Eichler, 2016).

On the other hand, corruption can have an impact on foreign investment through the interactive effect of corruption and political stability, where the variable of political stability can have a moderating role in changing the impact of corruption on foreign investment flows. Touny (2016) noted that the corruption index has a positive impact on foreign investment in developing countries with a high degree of political stability (Grabbing hand hypothesis), while the impact of corruption in attracting foreign investment is negative in countries experiencing political instability. It is also likely that the impact of corruption on foreign investment depends on the powers granted to those administering the foreign investment portfolio in the host countries. For example, the corruption of small staff who are clearing the procedures for approving such investments may be limited in cost, especially for companies that value the time in terminating these actions quickly, then such a type of corruption may have a positive impact on foreign investment. The corruption of senior officials however may be relatively high cost, which may push the foreign investor to

switch to another destination and thus have a negative impact on foreign investment.

In light of globalization and international competition to attract foreign direct investment, there is a search for new determinants of attracting foreign investment. One of these determinants is the relaxation of labor standards (such as the right to collective bargaining for workers) to attract multinational corporations, as foreign investment tends to go to those countries to reduce labor costs. This is known as the hypothesis of racing to the bottom as host countries are racing to reduce employment standards (Olney, 2013; Davies and Vadlamannati, 2013). The theoretical and applied studies on this hypothesis are still limited and need further research and study. Is it likely that this hypothesis would attract foreign investment without discrimination or would it depend on the quality of foreign investment? Are host countries' policies in relation to labor protection standards depend on the criteria of other competing host countries which may result in racing among them in reducing employment standards? In this context it is likely that the effect of the relaxation of employment standards will depend on the type of foreign investment. Vertical foreign investment, which is primarily concerned with elements that contribute to reducing the cost of production, is likely to be more responsive, while horizontal foreign investment which is associated with a particular place (aimed at reaching consumers in a given location) may not respond to such employment procedures (Touny and Shusha, 2014). This may contribute to explaining the recent inflow of foreign investment into developing countries at the expense of developed countries, which maintain relatively high standards for labor protection compared to developing countries.

### **Recent Economic Blocs among Emerging Countries**

The idea of economic blocs and economic integration is based on a set of theories that illustrate the gains from the integration process and the conditions for achieving these gains. The most important of these theories is the writings of Balasa (1965), Viner (1950), Meade (1955), Lipsey (1960) and others, whose main concern was to highlight the main effects of customs unions on the economies of member states in the region. The Custom Union Theory, or the so-called Viner Law, explains the effect of these unions on the economic well-being of member states in the emergence of two contradictory forces that entail the establishment of a customs union: the trade creation, the trade diversion.

The trade creation indicates to increased intra-trade between the member states of the Customs Union as a result of the removal of all customs and non-tariff barriers and obstacles to the movement of trade and the exchange of goods between them. This means increasing the volume of production and reducing its cost by converting sources of production of goods and services from high-cost and low-efficiency to other sources of low cost and high efficiency. On the other hand, trade diversion refers to converting trade from non-member states of the union with more efficiency low cost to countries within the union with lower efficiency and higher cost as a result of the imposition by member states of a single customs tariff against imports from countries outside the union. Trade diversion

would therefore have negative effects on production and thus the economic welfare of member states.

Therefore, it is clear that there are positive effects and negative effects on the establishment of customs unions. The ultimate impact on economic well-being depends on the net effect of both trade creation and trade diversion. In order to maximize the positive impact of the economic blocs on the level of economic welfare, these theories have developed some conditions, including geographical convergence and homogeneous, symmetrical and integrable production structures in these countries, that is the production structures in member states are competitive so that the customs union leads to maximize the return of the creation of trade, with the coordination of the legislation on economic policies to achieve the greatest possible harmony between the economies of integrated countries.

Another generation of economists interested in regional economic integration, such as Cooper and Massell (1965) and Johnson (1965), raised the question of why the state would accept a reduction or elimination of tariffs on its trade with member states while at the same time giving up Import from more efficient states outside the union? They provided an explanation for the motivation behind the formation of the Customs Union in providing protection for less productive sources by providing protection for sensitive products that are unable to withstand in international competition, and this may be at the expense of converting trade from more efficient countries to less efficient ones. Frankel et al. (1995), Krugman (1991), and Touny (2011) point out that the impact of trade diversion of most regional economic blocs in their current forms is dominated on the impact of trade creation, especially under the assumption of lower international transport costs, resulting in a net loss of economic welfare.

In light of the current international economic changes and the experiences of some economic blocs and the change in the pattern of international production, new variables have emerged that impose themselves on the future of the existing economic blocs and on the theories that explain and justify the existence of these blocs and the gains and losses achieved by these blocs. This requires new thought and new theories that explain these changes and recalculate gains and losses from existing economic blocs and new patterns of integration that can prevail in international economic relations.

The BRICs Group which includes five countries (Brazil, Russia, India, China and South Africa) with the fastest global economic growth is one of the emerging economic blocs and represent a new model of economic cooperation that is expected to bring about a major change in the future of international economic relations. The BRICs group aims to create a balance of international economic relations, end unipolar policy of US dominance of global financial policies, create an effective and real alternative to the International Monetary Fund and the World Bank, and achieve an effective mechanism of contribution among the five countries at a time of economic crisis rather than resorting to Western institutions (Lesame, 2014). But there are major challenges facing the BRICS Group, which is the difference in the economic policies of the countries participating in the group, as well as the cultural

and historical disparities and fiscal policies of each country, and the interplay of several economic systems of varying sizes and currency rates in one economic system (Shah and Ali, 2016; Thompson and de Wet, 2017).

In contrast to the BRICs group, a new pattern of economic blocs led by developed countries has emerged in recent years in the so-called Mega-Regional Blocs, one of the features of the current global economic system. The process of developing the new rules governing this type of integration is still obscure and is determined by large multinational corporations to their advantage, where economic and political power is concentrated in the hands of giants. This new pattern of integration focuses on the removal of non-tariff barriers, particularly those related to investment, employment, e-commerce, and environmental and public health standards, which were not included in the multilateral negotiations under the WTO. These new blocs will also remove the distortions caused by multiple free trade agreements among members (such as different rules of origin). With such a large economic bloc, economies of scale can be achieved and technological innovation stimulated, and it is particularly important for global supply chains (Jovanović, 2016; Narayanan et al., 2016). The agreement between the United States and the European Union, Transatlantic Trade and Investment Partnership (TTIP), which aims to establish new terms and conditions for trade, investment and conflict resolution for future generations is an example of this type of mega regional blocs. Another example of mega regional blocs is the Trans-Pacific Partnership (TPP) signed on February 4, 2016, after seven years of negotiations. The bloc includes Australia, Canada, Japan, Mexico, the United States and seven other countries. It has 800 million consumers and owns 40% of the world's GDP, and 30% of world trade in goods and services. This type of blocs includes countries with different economic structures and different levels of development and non-contiguous, contrary to what is common in the other regional blocs. Transport costs between members of mega regional blocs are considered to be an important and significant component, which may represent one of the challenges and obstacles of integration despite the expected opportunities (Jovanović, 2016).

### **The future of Economic Blocs in Emerging Countries**

The BRICs countries account for about 30% of the World land, comprise 40% of the world's population, account for about 24% of world GDP and 17% of world trade and attracts half of global foreign investment (Lund, 2013). Therefore, it is expected to have a significant impact on global economic power centers in developed countries and on foreign investment flows. This bloc is different from the existing blocs as it does not focus primarily on the liberalization of intra-member trade, but focuses mainly on issues of joint investment, attracting foreign investment and the existence of its own monetary institutions that help member countries overcome the economic crises they face. It is worth noting that the BRICs industrialization initiatives are integrative and not competitive. This may be useful for some sectors, such as the automotive sector as some countries specialize in some of their components, while others specialize in other components and hence create job opportunities in most

of the countries of the group rather than focusing on one state of them, which leads to a fair distribution of the fruits of integration.

Add to that, the demographic, economic and political characteristics of BRICs countries are clearly different. This is contrary to what some theories of integration require homogeneity of productive structures among the bloc countries to maximize the return on integration, especially with regard to the impact of trade creation and focusing the benefits of the most efficient countries in producing the commodity.

Therefore, the BRICs group forms part of the rebalancing, a trend in which the center of gravity gradually and partially shifts from the Euro-Atlantic to the Asia-Pacific and from the North to the South. This indicates to a contraction of the role of international economic institutions such as the International Monetary Fund and the World Bank Whose future role is expected to decline and a change in the new world system with the expansion of BRICs group. It is expected that foreign investments and trade among South countries will increase as a result BRICs group that will change the map of world foreign investment. Studies on BRICs group and factors leading to the inflow of foreign investment into this group are still limited and require further theoretical and applied studies.

On the other hand, the mega-regional blocs led by developed countries such as the United States, the European Union and Japan represent a move in response to the intensification of geo-economic power of the North countries against the emerging economies, Which may point to a more divided world in the future and multiple economic polarization (Venhaus, 2013). This new situation requires further theoretical studies, which illustrate the reactions that may arise between these economic poles and their impact on international economic relations and the transformation of power centers and economic gains or losses that may arise as a result of the struggle of these economic poles. Furthermore, the future role of the international monetary institutions and the World Trade Organization is expected to be limited, which entails the development of new theoretical frameworks that attempt to explain the changing power centers and the future role of these institutions in international economic relations.

Analysts expect that this type of integration will lead to the liberalization of a large part of world trade, especially with respect to non-tariff barriers. For example, Transatlantic Trade and Investment Partnership (TTIP) is expected to lead to the liberalization of about a third of world trade and to the creation of new jobs (Plummer, 2016). It is therefore necessary to reconsider how the gains and losses are calculated and how they are shared among the different parties in light of these new blocs, especially in light of the reduced opportunities for trade creation as a result of successive reductions in tariff barriers resulting from the multilateral negotiations under the WTO. In calculating the gains and losses and the impact on the economic well-being of member states, we should take into account the dominance of large multinational corporations in this type of integration, which seek to maximize returns according to their interests. It is also necessary to bear in mind the extent to which this pattern of integration affects the pattern of income distribution within member states and thus their impact on the

level of economic well-being. Wealth is expected to be concentrated in the hands of capitalists, which may negatively affect small countries in the bloc. The differential effects on foreign investment flows are also expected to be more profound, which requires considering these effects when measuring the benefits of such blocs, as the decline in the well-being of trade diversion may partially or fully offset the positive effects of increased opportunities of investment within the bloc. Moreover, theories of economic integration must be developed to take into account the change in comparative advantage over time and its impact on the benefits of integration by measuring the long-term dynamic effects of integration.

These mega-regional blocs and their removal of non-tariff barriers - especially those related to investment, employment, e-commerce, environmental and public health standards - will bring about changes in production structures in member countries and changes in the returns of factors of production that should be taken into account when evaluating changes in well-being, and not only limited to trade creation and trade diversion. It is expected that the gains of major countries with stable production structures will focus on returns from the efficiency of removing barriers to existing economic activities and investment flows and increasing output and savings (dynamic gains). For small countries with unstable production structures, gains are expected to focus on static gains by taking advantage of economies of scale and market expansion.

Regarding the agreement between the United States and the European Union (TTIP), there are clear differences on how the rules of origin are calculated in regional arrangements, since the United States relies on bilateral agreements with states to calculate the maximum value added in respect of rules of origin. In the European Union, however, rules of origin are calculated based on local and imported raw materials used in production. In this context, we should note that the standardization of rules of origin and reliance on cumulative rules of origin between member states in mega-regional blocs will result in lower costs and greater options for companies with regard to inputs used in the production process and thus benefit from the low tariff on these inputs within the bloc, which leads to maximize the economic return achieved by this bloc (Estevadeordal and Talvi, 2016). It is therefore expected that the unification of the rules of origin and using the diagonal accumulation of rules when calculating the economic well-being within the bloc will have positive effects on the economic well-being through the increase in the volume of investment and trade and the creation of more jobs.

Standardization of rules of origin between the European Union and the United States will have positive side effects on other non-bloc countries that deal with them in terms of low compliance costs. On the other hand, environmental and labor standards will represent additional costs for non-bloc countries to agree with, especially developing countries. However, most of the current theories of economic integration do not study how to measure these indirect effects, either positive or negative, and thus do not provide a comprehensive analysis of the impact on economic well-being. Such indirect effects should therefore be included in the calculation of the gains and

losses resulting from the formation of such blocs especially on non-bloc countries.

## CONCLUSION

The recent period has witnessed an increase in the share of developing countries in attracting more foreign investment at the expense of developed countries as well as increasing the share of emerging economies as a source of outward FDI flows. The traditional theories of the determinants of foreign investment do not adequately explain the internationalization of corporations from emerging economies where the changing conditions of place and time, the internal conditions of host countries, the characteristics and structures of production and the rate of development and technological development in countries exporting foreign investment change the motives and determinants of investment movement Foreign.

In light of the current international economic changes and the experiences of some economic blocs and the change in the pattern of international production, new variables have emerged that impose themselves on the future of the existing economic blocs and on the theories that explain and justify the existence of these blocs and the gains and losses achieved by these blocs which requires new thinking and new theories that explain these changes and recalculate gains and losses from existing economic blocs and new patterns of integration. This requires the development of new theories and concepts that reflect the new patterns of international trade and the conditions for maximizing benefits among member states, which focuses mainly on the difference and integration of productive structures among member states and not the homogeneity and similarity of productive structures as exists in the current economic blocs and theories of integration.

In light of these international changes further theoretical and applied studies are required to determine how the benefits are distributed between members of the integration, which includes countries with large disparities in the degrees of economic development and production structures, and the theoretical prerequisites for achieving the static and dynamic gains of this type of integration, and how to calculate the impact on economic well-being, the pattern of income distribution among member states, and how negative and positive indirect effects can be exerted on non-bloc members.

## REFERENCES

- [1] Balasa, B. (1965) "Trade Liberalization and Revealed Comparative Advantage". **The Manchester School of Economic and School Social Studies**, 33, PP. 99-123
- [2] Banik, N., & Das, K.C. (2013) "The location Substitution Effect: Does it Apply for China?". **Global Business Review**, 15, PP. 59-75.
- [3] Bardhan, P. (1997) "Corruption and Development: A Review of the Issues". **Journal of Economic Literature**, 35, PP. 1320-46.

- [4] Bruhn, N., de Alcântara, J., Tonelli, D., Reis, R., & Antonialli, L. M. (2016) "Why Firms Invest Abroad? A Bibliometric Study on OFDI Determinants from Developing Economies". **Global Business Review**, 17(2), PP. 271-302.
- [5] Buckley, P. J., Clegg, L. J., Cross, A. R., Liu, X., Voss, H., & Zheng, P. (2007) "The Determinants of Chinese Outward Foreign Direct Investment". **Journal of International Business Studies**, 38(4), PP. 499-518.
- [6] Buckley, P.J., Cross, H.T., Liu, X., & Voss, H. (2010) Historic and Emergent Trends in Chinese Outward Direct Investment. In P.J. Buckley (Ed.) **Foreign Direct Investment, China and the World Economy**. London, UK: Palgrave Macmillan.
- [7] Cooper, C. A., & Massell, B. F. (1965) "Toward a General Theory of Customs Unions for Developing Countries", **Journal of Political Economy**, 73(5), PP. 461-476.
- [8] Davies, R. & Vadlamannati, K. (2013) "A Race to the Bottom in Labour Standards? An Empirical Investigation", **Journal of Development Economics**, 103, PP. 1-14.
- [9] Egger, P., & Winner, H. (2005) "Evidence on Corruption as an Incentive for Foreign Direct Investment", **European Journal of Political Economy**, 21(4), PP. 932-952.
- [10] Estevadeordal, A. & Talvi, E. (2016) **Towards a New Trans-American Partnership**.
- [11] [https://www.brookings.edu/wpcontent/uploads/2016/07/TAPVersionFinal\\_April-8-2016.pdf](https://www.brookings.edu/wpcontent/uploads/2016/07/TAPVersionFinal_April-8-2016.pdf)
- [12] Frankel, J., Stein, E., & Wei, S. J. (1995) "Trading Blocs and the Americas: The Natural, the Unnatural, and the Super-natural", **Journal of Development Economics**, 47(1), PP. 61-95.
- [13] Goh, S.K., & Wong, K.N. (2011) "Malaysia's Outward FDI: The Effects of Market Size and Government Policy", **Journal of Policy Modeling**, 33(3), PP. 497-510.
- [14] Johnson, H.G. (1965) "An Economic Theory of Protectionism, Tariff Bargaining, and the Formation of Customs Unions", **Journal of Political Economy**, 73, PP. 256-283.
- [15] Jovanović, M. (2016) "Emerging Mega International Blocs: Limits and Prospects", **International Economics**, 69(4), PP. 266-312.
- [16] Kalotay, K., & Sulstarova, A. (2010) "Modelling Russian Outward FDI", **Journal of International Management**, 16(2), PP. 131-142.
- [17] Krugman, P. (1991) The Move Toward Free Trade Zones, In: **Policy Implications of Trade and Currency Zones**, A Symposium Sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, WY., Aug., 7-42.
- [18] Lesame, Z. (2014) "Technology Transfer and Business Partnerships in BRICS: Development, Integration and Industrialisation", **Mediterranean Journal of Social Sciences**, 5(7), PP. 284-293.
- [19] Lipsey, R. G. (1960) "The theory of Customs Unions: A General Survey", **The Economic Journal**, 70 (279), PP. 496-513.
- [20] Lucke, N. & Eichler, S. (2016) "Foreign Direct Investment: The Role of Institutional and Cultural Determinants", **Applied Economics**, 48(11), PP. 935-956.
- [21] Lund, T. (2013) "Trading up: The Brics Bloc Wants Deeper Trade and Investment Ties to Underpin its Alliance", **Financial Mail**. March 15-20, PP. 30-37.
- [22] Meade, J. E. (1955) **The Theory of Customs Unions**. Amsterdam: North Holland.
- [23] Narayanan, G. B., Ciuriak, D., & Singh, H. V. (2016) Quantifying the Mega-regional Trade Agreements: A Review of the Models. In: **TPP and India: Implications of Mega-regionals for Developing Economies**, Chapter 3, H. V. Singh (Ed), New Delhi: Wisdom Tree, PP. 93-131.
- [24] Olney, W. (2013) "A Race to the Bottom? Employment Protection and Foreign Direct Investment", **Journal of International Economics**, 91, PP. 191-203.
- [25] Plummer, M. G. (2016) "Mega-Regionalism in Asia and Its Implications for Europe", **Asian Survey**, 56(6), PP. 1040-1054.
- [26] Qian, X. & Sandoval-Hernandez, J. (2016) "Corruption Distance and Foreign Direct Investment", **Emerging Markets Finance and Trade**, 52(2), PP. 400-419.
- [27] Quazi, R. (2014) "Corruption and Foreign Direct Investment in East Asia and South Asia: An Econometric Study", **International Journal of Economics and Financial Issues**, 4(2), PP. 231-242.
- [28] Salehizadeh, M. (2007) "Emerging Economies' Multinationals: Current Status and Future Prospects", **Third World Quarterly**, 28(6), PP. 1151-1166.
- [29] Shah, M. H., & Ali, Z. (2016) "What Drives Foreign Direct Investment to BRICS?", **PUTAJ – Humanities and Social Sciences**, 23(1), PP. 51-66.
- [30] Subasat, T. & Bellos, S. (2013) "Corruption and Foreign Direct Investment in Latin America: A Panel Gravity Model Approach", **Journal of Management and Sustainability**, 3(4), PP. 151-156.
- [31] Svensson, J. & Fisman, R. (2000) "Are Corruption and Taxation Really Harmful to Growth? Firm Level Evidence", **Policy Research Working Papers**, No. 2485, The World Bank.

- [32] Thompson, L., & de Wet, P. T. (2017) “BRICS Development Strategies: Exploring the Meaning of BRICS ‘Community’ and ‘Collective Action’ in the Context of BRICS State Led Cooperation in South Africa”, **Chinese Political Science Review**, 2(1), PP. 101-113.
- [33] Touny, M. (2011) 14. “The Trade Effects of The Egyptian Antidumping Actions: Trade Depression and Trade Diversion. **Scientific Journal of Research and Business Studies**, Faculty of Commerce and Business Administration, Helwan University, 2(2), pp. 11-45
- [34] Touny, M. (2013) “Investigate Long-run Inflation-Unemployment Trade-off in Egypt”, **International Journal of Economics and Finance**, Canadian Center of Science and Education, 5(7), PP. 115-125.
- [35] Touny, M. (2014) “Macroeconomic Determinants of Banking Sector Development: A Comparison Study Between Egypt and Saudi Arabia”, **Advances in Management and Applied Economics**, 4(3), pp. 139 - 156.
- [36] Touny, M. (2016) “The Interactive Effects of Corruption and Political Instability on Foreign Direct Investment: Evidence from the Middle East Region”, **International Journal of Trade and Global Markets**, 9(4), PP. 370-385.
- [37] Touny, M. (2017) “The effect of Economic Reform Policies on Human Development: Evidence from Egypt”, **Arab Journal of Administrative Sciences**, 24(1), PP. 39-60.
- [38] Touny, M. and Shusha, A. (2014). “The Determinants of The Return of Investment: An empirical Study of Egyptian Listed Corporations”, **Journal of Applied Finance & Banking**, 4(4), PP. 127-139.
- [39] Touny, M. and Shusha, A. (2015) “Efficiency and determinants of pollution control activities of the industrial firms in Saudi Arabia”, **Progress in Industrial Ecology – An International Journal**, 9(4), pp. 390-407.
- [40] Venhaus, M. (2013) The Transatlantic Trade and Investment Partnership as a New Strategy to Marginalize Emerging Powers: A Divided Free Trade Order in The Making? In: **The Transatlantic Colossus**, D. Cardoso et al. (Eds.), FutureChallenges, PP. 59-62.
- [41] Viner, J. (1950) **The Customs Union Issue**. New York: Carnegie Endowment for International Peace.
- [42] Wang, C., Hong, J., Kafouros, M., & Wright, M. (2012) “Exploring the Role of Government Involvement in Outward FDI from Emerging Economies”, **Journal of International Business Studies**, 43(7), PP. 655–676.
- [43] Wei, S. (2000) “How Taxing is Corruption on International Investors?”, **Review of Economics and Statistics**, 82(1), PP. 1–11.