Editorial

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Biographical notes: Aristidis P. Bitzenis is an Assistant Professor at the Department of International and European Studies, University of Macedonia, Thessaloniki (Greece). His main research field includes FDI, privatisation, globalisation, European business environment and corporate restructuring in South East Europe. He has published extensively and participated in various conferences in his research field. He has been supervising graduate and PhD students on issues around international business, transition economics, European Union and FDI.

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This special issue of *International Journal of Economic Policy in Emerging Economies* offers a glimpse into the structure and the nature of international markets, especially in the context of the last three decades that have been dominated by rapid technology developments. The deep appreciation of knowledge as a profit-making asset for business transactions has turned the world economy in a somewhat different direction. Investment motives, which host countries offer to receive Foreign Direct Investment (FDI), as well as investment opportunities for Multinational Companies (MNCs), differ throughout time. Multinationals Enterprises (MNEs) invest in specific countries and not in all of them, no matter if all countries are part of the global discourse and liberalise their economies to attract FDI. What derives from the literature review from 1937 up to 2010 is the comprehension of the relativity of each FDI theory: there is no theory that dominates the decision-making process of multinationals regarding FDI. When considering FDI, a company aims to exploit any factor that has stimulated or motivated its management to proceed in investing in a foreign country. The market conditions are always changing as well as the character of the boundaries. Globalisation, the enlargement of the European Union and other developments will definitely create new challenges and opportunities for a company seeking value-adding activities internationally.

The choice of a market entry mode is the most crucial part of international business. Companies employ different modes to cope with changing international markets, and those entering a foreign market can choose among an array of possible organisational modes. In general, there are five main ways to become involved in a foreign country's economic activity. The first is to engage in foreign trade, i.e., to export commodities to a foreign country (directly or indirectly). Engaging in FDI is the second entry mode and there are six alternatives:

1 *Wholly owned subsidiary*: 100% ownership of the assets by a sole company.

2 *Joint venture*: a commitment, for more than a very short duration, of funds, facilities and services by two or more legally separate interests to an enterprise involving doing business in common, the sharing of profits, the sharing of business risk and losses and longevity of cooperation.

3 *Greenfield investment*: the establishment of an entirely new entity, including building production facilities and an organisational structure as well as distribution channels, human resources, etc.

4 *Brownfield investment*: the acquisition of an existing establishment followed by the development of entirely new production facilities.

5 *Other forms of acquisition*: direct acquisition or privatisation of a State-Owned Enterprise (SOE), acquisition majority holding, or even an acquisition stake.

6 *Merger and Acquisition (M&A)*: the merger of two or more companies. Usually, one is larger than the other(s), and the larger company has as its main purpose the dismantlement and restructuring of the small company or companies.

The third entry mode is to engage in indirect (portfolio) investment, which is the transfer of money capital that allows investors to participate in a company's earnings. This entry mode has a short-term goal and focuses on the quick increase in the money capital without interfering in ownership rights, management and voting equity. Instead, in the case of direct investment, the primary goal is achieving a larger market share, the elimination of competition, etc., which should eventually lead to higher profits. Another difference between the two entry modes is the percentage of the financial capital involvement: the minimum equity stake for an investment to qualify as direct should be 10%, according to the recommendations of the IMF/OECD (1999) report on the Survey of Implementation of Methodological Standards for Direct Investment.

The fourth way to enter a foreign market is employed by MNEs when they perceive a strong need to complement and reinforce their knowledge through collaboration with other MNEs to cope with intense global competition and increasingly complex and rapid technological developments. Collaboration can be achieved through participation in a strategic alliance.

The fifth path for foreign involvement concerns agreements that do not involve money transfers on the part of the foreign partner. Instead, the foreign partner contributes knowledge and experience around the investment project in return for a reward, either financial or other (strategic). Such involvement may include licensing and franchising agreements, management contracts and turnkey projects.

After this broad introduction and theoretical framework, let us summarise the five selected papers, which explore the theoretical underpinning of this debate and offer valid empirical findings. The paper by Ioannis A. Tampakoudis, Demetres N. Subeniotis and Efpraxia Dalakiouridou examines the phenomenon of mergers and acquisitions in Greece, taking into account the wealth effects accruing to bidder-companies' shareholders. The empirical results do not appear to robustly support mergers and acquisitions, since the companies being considered gain only marginal positive abnormal returns during the announcement day. Indeed, the returns are not statistically significant, while prior to and after the announcement date the returns show a downturn drift. The level of abnormal returns for the Greek bidder-companies is in line with those in Europe, while the particular diversifying results in the USA cannot lead to direct comparisons. In fact, mergers and acquisitions do not constitute a business panacea and probably the extensive interest for business consolidation diachronically is accountable to the managers' objectives or the hybris hypothesis.

Maria Tsiapa determines the factors contributing to the development of intra-industrial trade. Her findings suggest that determining factors are differentiated with respect to vertical and horizontal intra-industrial trade in two categories. The first category concerns determinants that have a constant influence on both types of intra-industrial trade. The second category describes determinants whose behaviour is differentiated and is analogous to the characteristics and the technological incorporation of each type of trade relations.

Christina Sakali offers a theoretical framework for the analysis of FDI in Bulgaria, during its transition to a market economy. This is done by exploring trends and patterns of FDI inflows in Bulgaria, as well as the empirical research on Bulgarian inward FDI determinants. The analysis points out that the process concerning investment decisions in Bulgaria has been a distinctly dynamic and complex process, which was affected by diverse factors at different stages of its transition to a market economy. Her findings reveal that FDI was almost non-existent in Bulgaria in the first years of transition, as the obstacles to investors seemed to outweigh the opportunities. However over time, and as the transition reforms progressed, some of the location challenges turned into location advantages, that contributed to the attraction of significant amounts of FDI, especially in the last few years before the global economic crisis struck.

Konstantinos Hazakis analyses the competitiveness issue of transition economies in West Balkans from an institutionalist perspective. He argues that the process of competitiveness in West Balkans is fraught with market and institutional imperfections that call for an institutional approach. A suitable policy leading to gains in competitiveness through the institutional lens involves a mixture of exogenous constraints, the reorganisation and build-up of local asset systems, the efficient mobilisation of institutions and a critical mass of social capital.

Vasileios A. Vlachos investigates the effect of international business on labour productivity levels of members of the Investment Compact Programme of South Eastern Europe. His findings indicate that FDI affects labour productivity more than domestic investment associated with international business, and given that domestic access to credit for the generation of investment is limited, FDI becomes vital for the region's economic growth.