# A Triad of Driving Forces Behind FDI Patterns

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**Abstract**
*The research aims to contribute to identifying the contemporary driving forces having an impact on FDI patterns. The study attempts to introduce a new way to think about the FDI drivers to overcome research limitations concentrated on economic factors. Among a range of factors that can affect FDI, the paper explores a capitalist system, humans' attitudes, and digitalization (CHD). There is evidence of complex and nonlinear interrelation between them, resulting in some synergy - the CHD triad. The FDI patterns are no longer designed solely by multinational firms but in interaction with governments, populations, and technological pressure. While the research started far before the global crisis caused by coronavirus infection, the pandemic intensified a chain of systemic, human, and technological reactions and confirmed our hypothesis. High bio-political uncertainty, human risk aversion with growing awareness, and expanding digital capitalism maintain profound social, economic, and technological changes, resulting in new FDI patterns.*

**Keywords**: Foreign Direct Investment (FDI); CHD triad; variety of capitalism; institutions; risk aversion; digital economy; coronavirus pandemic (COVID-19);

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## 1. Introduction

The FDI issue is under rapid evolution, but there is no single approach to explain FDI patterns and behavior (Blonigen, 2006). The foreign investment process's complex nature has led to the emergence of many approaches to its study and explanation of FDI patterns. Failures to describe FDI theoretically are partially related to a permanent issue complication. Most approaches to explaining FDI patterns use economic reasoning (Vintilă, 2010).

Economic reasoning mainly concentrates on the different aspects of multinational firms' incentives to invest abroad but not on the global environment within which they act. By global environment, we mean a capitalist system with corresponding political and social institutions. There is an evident and reciprocal relationship between the environment and FDI patterns. Human activity as a core of such an environment can boost, restrain, or even turn some economic and political processes in the opposite direction. According to Piketty, "*The truth is that economics should never have sought to divorce itself from the other social sciences and can advance only in conjunction with them*" (Piketty, 2014).

As a primary form by which the local economies are internationally interrelated, two factors accelerated the FDI growth. The first factor is the creation of new destinations and access to them for foreign investors. Historically it was possible thanks to the dismantlement, in the years after World War II, of the colonial empires and then the dissolution, in the 1990s, of the world socialist system. The second factor is related to the digital technologies progress that significantly facilitated technical aspects of cross-border capital transactions. Thus, whereas a capitalist system promotion and technological advances create exogenous FDI drivers, foreign investors' decision to invest and social attitude to investment inwards, and system mutations represent endogenous FDI drivers.

Political and technological factors triggered growing capitalism promotion over the past few decades through the FDI. FDI is simultaneously a product of the capitalist system and a mechanism by which capitalism is expanding and transforming worldwide. The capture of interdependency between both these sides of FDI can highlight a large part of FDI patterns and trends. World capitalism expansion facing different local conditions is resulting in a variety of capitalist systems. Factors that cause systemic capitalist mutations establish particular for each location “rules of the game” primarily manifested in the government's degree of economic and social intervention. The reaction of foreign investors to the local rules is complex and not always unambiguous. Usually, an investor adapts to local rules by creating a new FDI pattern. However, an influential investor from a democratic economy can also encourage and motivate the local government and population to systemic democratic reforms.

Conversely, an influential investor from an undemocratic economy may be interested in maintaining the local business environment opposite to a democratic one. A society aware of the risks involved may or may not approve government policies and foreign investors' actions. Thus, instead of just a foreign investor, we deal with three agents of FDI pattern formation: investor, government, society. Behind FDI, we find very complex and multiple interactions between, on the one hand, the institutional investors, the equity investors, the lenders, and, on the other hand, between the population, institutions, and government. The fundamental properties of the human component of FDI are incertitude and non-linearity. That would mean FDI in some sense is the expression of individual and social conscious patterns.

Uncertainty and non-linearity are, at the same time, a reaction to political and economic risk and a risk factor. FDI behavior stays highly uncertain because of human stances and their interrelations. That would mean FDI in some sense is the expression of individual and social conscious patterns.

Classic strategies to reduce the risk of international investment, such as diversification, complex organizational structures of multinational groups, country risk premium, international business insurance, cannot compensate for the growing systemic risk, which today takes a form of global risk. Modern technologies, especially digitalization, have given a fundamentally new sound for risk management, providing businesses with new protection tools. There is evidence of an unprecedented digital phase shift in the multinational companies' strategies to do business and invest.

We argue a complex, dynamic interrelation between the three mentioned categories in the context of their role in FDI evolution: capitalist system, human, and technology (Capitalism, Humans, Digitalization, and - CHD triad). Together, the elements of the CHD triad form iterative loops and produce an effect more significant than a simple sum of their individual effects. As the theoretical basis of such an assumption, we use the Rohatinski idea about the causality of economic, political, and social categories over time (Rohatinski, 2017). A current pandemic of COVID-19 confirmed the CHD triad evidence. Today, we can distinguish four prospective FDI patterns: reshoring, diversification, regionalization, and replication (UNCTAD, 2020). These patterns result from high business and political uncertainty in the triad elements interaction process to mitigate pandemic risks. Intensification of the triad effect in an epidemic leads to a new investment paradigm.

This research aims to contribute to identifying the contemporary driving forces having an impact on FDI patterns. The study attempts to introduce a new way to think about the FDI drivers to overcome research limitations concentrated purely on economic factors. The author is well aware of the depth of the issue. However, the aspects highlighted in this study are just the iceberg's tip, and to understand it better further in-depth research should be undertaken. The paper comprises six sections. Sections from 2 to 4 argue each element in the triad - the capitalist system, human attitude, and digitalization. Section 5 discusses the interactions of the elements within the triad in a coronary virus pandemic. Finally, section 6 concludes the essential findings of the study.

## 2. Capitalist System

The economic and political system is global and, at the same time, a relatively steady CHD triad element, acting on the macroeconomic level and establishing the framing rules for investors. The first vision of capitalism expansion from the developed to less developed countries was a simple market economy features replication with one-side FDI flow direction; FDI incentives and patterns regarded as universal for capitalist countries. Thus, capitalism is equalized to an abstract market economy that can install anywhere thanks to the transition process. In reality, the transition to capitalism is very far from such an abstract theoretical model. Later capitalism theorists, based on recent empirical evidence, have significantly shifted from a classical vision of a transition to a new evolutionary transformation approach. This approach's central idea is a path dependence that considers the historical conditions and experiences that may result in different economic and political capitalist systems (Chavance, 1990, 1992; Zysman and Eichler, 1990; Kolodko, 2000; Stark, 1994).

Evolutionary transformation means nonlinear capitalism development accompanied by the FDI outwards from old capitalist economies and new capitalist economies (with different destinations, including developed countries and less developed countries). Foreign actors' impact and specific local conditions result in different transformation processes and new capitalist systems. In its turn, arising capitalist systems require adaptation measures for the foreign investor that impact FDI patterns. Ignoring a political economics issue and the relation between capitalism and FDI evolution creates a gap in the theoretical background for FDI (Kobrak *et al*., 2017).

There is a large body of academic literature devoted to the modern capitalism stage. First, we can refer to the theory of varieties of capitalism, proposed by Hall and Soskice (2003). Second, the concepts of dependent capitalism and patrimonial capitalism, critical aspects of which are argued by Médard (1982), Aslund (2005), Levitsky and Way (2007; 2010), Schlumberger (2008), Myant and Drahokoupil (2011), Piketty (2014), Robinson (2013), Milanovic (2014), Gregory and Bartosch (2017), should also be mentioned.

These approaches provide a general theoretical framework explaining modern capitalism as varieties of market economies developed under different historical, cultural, political, and economic conditions. Political and cultural heritage following by changes in the environment triggered by FDI causes the transformation process. In line with mentioned above, three large modern capitalist systems can be distinguished: the liberal market economies (LME), the coordinated market economies (CME), and the dependent market economies (DME) with their variety - the patrimonial market economy (PME).

The LME, so-called also Anglo-Saxon capitalism, is a model that emerged in the 1970s in English-speaking countries. The CME captures many features of West European capitalism and Japanese capitalism. A significant difference between the two is the government intervention level in the economy and how the firms interact between themselves and economic, political, and social actors. Coordinated market economies rely more on non-market forms of interaction and significant government intervention. The DME, also known as dependent capitalism, refers to the capitalist system that emerged in many developing countries and transition countries. Such an economy depends on external capital flows of international assistance, international credits, and FDI inwards (King, 2007; Nölke and Vligenthart, 2009; Myant and Drahokoupil, 2011). Its variety, the PME, represents capitalist systems of post-soviet countries and many developing and emerging countries in Asia, Africa, and Latin America.

Classical capitalism is based not only on private ownership but also on democracy, so the LME and the CME are characteristic of democratic societies. Democracy has emerged and evolved together with the capitalist society. Western democracy evolved from simple direct democracy (or pure democracy) to a representative democracy system, and now we see participatory democracy emerging in many European countries. Thereby democracy is inherent for western capitalism, ensuring such fundamental capitalist features as a right of private property, freedom of enterprise, free competition, freedom of consumption, and human rights.

Some East and Central European DME countries already have adequate democratic mechanisms, whereas the nations of PME developed such phenomenon as political and economic hybridity. The PME market economy presents authoritarianism and lower levels of democracy, often with restricted suffrage. Robinson (2013) distinguishes such patrimonial capitalism features: political leadership that is not subject to democratic constraint; dominating personalist relations; the opposition between formal and informal rules; weakness of laws, which contributes to the business relations personalization and supports corruption; weak competition and trust laws; control of highly profitable economic sectors by elite members; weak social protection; high social tolerance for economic inequality.

Within each capitalism pattern as a global framework for FDI, a country's environment can be fruitful for a home or/and host economy multinationals' activity or escape FDI. Country conditions are a set of features argued by Fainshmidt *et al.* (2016) as varieties of institutional systems (VIS), each of which is influenced by the state's role, financial markets, human capital, social capital, and a position of corporate governance. Overall, democratic societies with developed institutional systems and liberal economic rules ensure investors' favorable environment, motivating FDI inwards and keeping a balance between capital inwards and outwards. In contrast, non-democratic societies with weak institutional systems and ownership limitations lead to a hazardous environment that may escape “good” FDI and attract “bad” FDI. Under the “good” FDI, we mean the inwards from democratic economies with right investors' practice, whereas the “bad” FDI originates from non-democratic economies with non-transparent, often corruption managed.

Ideally, the expansion of capitalism worldwide via FDI should stimulate host countries' economic openness and market liberalization. Nevertheless, the sum of local conditions results in different forms of capitalism in those countries that do not fully correspond to classical capitalism interpretation. Multinational companies adapting to the host country's environment develop specific investment strategies and create new FDI patterns.

## 3. Individual Behaviors and Attitudes

Everything in the economy oscillates around individuals' wills, perceptions, and reactions, so in the CHD triad, human attitudes are fundamental. We can distinguish two large axes in human attitudes and behavior regarding the FDI issue: individuals' attitudes towards investments and individuals' attitudes towards social institutions. People react to a particular choice to invest abroad differently depending on their initial conditions and perception. In its turn, can or not FDI promote such fundamental western capitalist' value as democracy depends on how people change institutions and how the institutions change people in the host country and home country.

### *3.1. Individuals' attitudes towards investments*

Human attitudes and their interactions compose a massive set of very fluid and highly volatile factors. First of all, each potential investor has to choose among such three basic options as available capital, time horizon, and risk appetite. These three options are resulting from investor's attitudes toward the risk associated with market uncertainty. FDI is the fundamental part of an open and successful international economic system (Kurtishi-Kastrati, 2013), and the Investment Theory explored it as a particular case of the investment process. The firm undertakes FDI when its product becomes mature and foreign demand developed; at this product life-cycle stage, the firm may start production abroad. Thus, a firm becomes a multinational while investing abroad. Investing abroad means that the multinational firm faces much more risk than in a home country. A range of different approaches presents the investment theory. Among the modern approaches, the Accelerator Theory, Profit Theory of Investment, Duesenberry's Financial Theory, and Tobin's Q Theory of Investment provide the elements explaining investor's incentive.

The Accelerator Theory and the Profit Theory of Investment propose a vision of foreign direct investment as a dynamic and nonlinear process depending on investors' expectations (Knox, 1970; Steigum, 1983; Baddeley, 2003). Furthermore, the Liquidity Profit Theory states that when the profits are high enough, the cost of capital becomes low, and in such conditions, enterprises prefer to reinvest their extra profit instead of saving them in banks. However, when the profits are insufficient, the enterprises prefer to stop their investment and withdraw some projects. These theories are helpful to argue that the flow of investment cannot be steady and linear because of an imperfect capital market (Bond and Cummins, 2004).

Duesenberry's Financial Theory integrates the profits theory and the acceleration theory of investment and stresses that the cost of capital plays a crucial role in the investment decision and the choice of available funds (Duesenberry, 1963). This theory is also regarding investor's initial wealth and risk aversion as starting factors in the investment process. There are three principal investment sources: retained earnings, borrowed funds, or equity issues; and, respectively, two groups of stock market agents: institutional investors who seek the funds to invest, and lenders and equity investors who provide their funds to institutional investors. Lenders desire to be paid with interest, whereas equity investors seek dividends and appreciation in their investment value. Thus, borrowed funds are more costly than retained profits because they must be paid back. The market rate of interest for borrowed funds rises as their amount increases. However, the cost of borrowing is due to a rise in the market rate of interest and the inherent risk of increased debt servicing. Equity is the most costly investment source. The cost of equity for foreign countries is the return the institutional investor pays to its equity investors to compensate for the undertaken risk. Duesenberry's Financial Theory introduces the financial basis for investment risk, risk premium, and nonlinear investors' structure. The large multinational firms with many foreign subsidiaries are likely to procure from the subsidiaries' capital to reinvest their retained earnings and avoid the additional risk of debt or equity. It implies immense and complex multinational structures with intermediary financial centers deserving such transactions, in which it is challenging to establish an ultimate investor (Vasyechko, 2012). Meyer and Kuh pointed that firms generally spend more of their retained earnings in recessions, and during this period, a low-interest rate does not affect investment. This finding confirms a very subjective and controversial investor strategy character (Meyer and Kuh, 1960).

Proposed by James Tobin Q Theory of Investment explains a firm's investment decisions by the stock market fluctuations (Bond and Cummins, 2004). Regarding the FDI, except the current capital profitability, its expected profitability depending on volatility also determines the investor's incentives. A fall in the real interest rate on government bonds would induce people to invest in shares than in other forms of securities, increasing the demand for capital and raising capital's market value and investment activity. Information asymmetry about the actual cost and profitability of securities is a source of adverse selection and moral hazard while investing abroad. Additionally, this theory introduces initial wealth as a factor in the demand for capital. The higher level of initial wealth is very motivating for securities purchasing. By considering a dependency on the initial state as an essential element of investment decision-making, the Tobin Q Theory, in line with the Duesenberry Financial Theory, recognizes the FDI structures' chaotic character.

Concluding, we can say that the mainstream of the modern investment theory describes the investment as a dynamic and nonlinear process depending on investors' expectations, in which the potential opportunities and risk aversion form a two-sided determinant for direct investors. Information asymmetry about the actual cost and profitability of securities on international markets amplifies risk aversion becoming a source of adverse selection and moral hazard while investing. Besides, investing process does not rely on the rules that are specified and known in advance. Together with humans' incapability of forecasting the consequences and effects of their acts (every prediction is borne out by experiment), it creates an additional critical source of risk aversion, often resulting in subjective and controversial investors' reactions.

Investing abroad, firms find better opportunities and, at the same time, face a more significant risk than in the home market. Firms' risk aversion, which is a minor factor in the FDI theory, emerges as one of the central determinants of FDI. To reduce international investment risk, multinational companies resort to many methods: diversification, complex organizational structures of groups, country risk premium, and international insurance. Empirical evidence widely supports the risk diversification hypothesis (Rugman, 1975, 1976; Kopits, 1979; Miller and Pras, 1980; Caves, 1996). While classically recognized horizontal and vertical patterns of FDI can be explained well by the transaction-cost approach and the knowledge-capital model, diversified FDI, which is growing in importance, occurs because of multinationals' desire to spread investment risk (Faeth, 2009). In line with Kopits, a deepness of diversification correlates with the groups' organizational complexity allowing them reinvestment and intensive internal capital circulation. Bettis (1981) suggests that firms achieved better performance because of openness to the possibility of differentiation and segmentation based on identified risk factors. Thus humans' perception of risk implies constantly evolving FDI patterns.

### *3.2. Individuals' attitudes towards social institutions*

Classically, the FDI is expected to promote western capitalist' democracy. When entering into an autocratic, non-democratic market, the western investors to preserve their business require institutional changes in a country by that a reforming process can be triggered (Popovici and Călin, 2015). The reforms would help to bring economic structures and institutions into line with those of advanced market economies. In its turn, institutional reforms can change people. The good practices on the society level became a stimulus for the good practices on the individual level.

The formation of civil society with its participation in the reform process initiates new, more progressive institutional changes. Significant institutional improvements create a positive signal for foreign investors. The processes become dynamic. People shifting attitudes and behaviors ripple through the social institutions, which adapt and evolve accordingly. Furthermore, as those institutions evolve, society members adjust their behaviors to the new rules in a constant interplay of people changing institutions and institutions changing people (Murphe, 2018). How FDI is changing institutions in the host country depends on how institutions change people and how people, in turn, are changing institutions. The better the institutions are, the more significant FDI inwards is. Dynamic society replaces static society (Kecskemety, 1966).

However, the supposed general convergence among advanced capitalist democracies and institutional change in developing and transition countries is not necessarily a one-direction movement (Berk and Galvan, 2009). First, FDI can or not trigger the reaction to needed reforms because of unpredictable social interaction. As Galiany argues, people can change institutions by changing their behavior or coordinating with other people through social interaction norms (Galiany, 2014). Whether these institutional changes persist depends on the dynamics of social interaction. For example, according to Polányi post-socialist development is driven by conflicts and compromises between two organizing principles in society: economic liberalism guiding the establishment and institutionalization of markets, and social protection aiming at the conservation of man and nature as well as productive organization (Polányi, 1957). Thus, Knightian uncertainty stems primarily from the unpredictable nature of social dynamics (Galiany, 2014). Second, FDI inwards to the less developed economies can be originating both from democratic and non-democratic states. It also means that dependently on foreign investors' origins, the required business environment with corresponding institutional reforms can differ significantly. Investors from non-democratic states are not as demanding and rigorous as investors from western democratic countries (Li and Lu, 2014). They look not for democracy but rather for an autocratic government that is pragmatic enough to support some development, allowing foreign investors to enter. Multinational firms can efficiently manipulate such a government because structural corruption eroded all state institutions. Moreover, investors from non-democratic economies are more likely to enter and dominate similar to their market (with the same rules).

Institutions in the investor's home country can also play a crucial role while investing in a country involved in a local military conflict that is the case for many less developed countries. Firms from countries with relatively strong democratic institutions are less likely to engage in conflict. Instead, firms from non-democratic countries are more likely to invest in conflict regions supporting a conflict situation. (Driffield *et al.*, 2012).

FDI patterns depend directly on capitalism's capacity to support democracy. However, not only new market economies are the source of capitalism transformation. There is significant evidence of growing social scepticism expressed in developed countries' societies toward the existing model of entrepreneurship. A capacity for job-generating, society improvement, innovation, human rights, and environment protection progressively displaces from the pedestal the classical business priorities as profits, efficiency, and sales. The business mission mutation directly impacts the FDI patterns boosting investment in the areas that carry societal benefits without sacrificing returns (Lane, 2019).

## 4. Digital Economy

Earlier investigations concentrated solely on the empirical evidence of the FDI spillover effects in knowledge and technology transfer (Koroci *et al.*, 2016). However, the FDI being crucial for new technologies, in its turn, is influenced by technology advances itself. In particular, the Internet and digitalization change the FDI landscape drastically. The expansion of cross-border financial flows has been facilitated and accelerated by digital innovations (OECD, 2008). In recent years, international financial transactions have increased several times, and this trend is constantly intensifying, powered by the spread of the Internet and digital technologies (Manyika *et al.*, 2014). Research shows the digital market's significant potential in reducing costs and barriers for customers and firms (*EC Study on Reducing costs and barriers for businesses in the Single Market*, 2016). Digitalization also changes the international market's economic structure, boosting new products, services, and industries and also allowing small firms and micro-enterprises to enter the international market as foreign direct investors.

The FDI patterns, in turn, are constantly changing because of digitization. Thus, there is a chain reaction when changes in digital and tech multinationals affect traditional multinationals' industries. It means that the rising number of digital and tech multinational firms changes the mode of business internalization, transforming the international operations into entirely new business models and FDI integration patterns. Primarily those changes touch digital and tech multinational firms themselves. Already in 2017, UNCTAD identified the following global trends regarding digital and tech multinationals: limited international asset footprint, large cash reserves kept overseas, and concentration of productive investment in a few developed economies (UNCTAD, 2017).

This process starting from digital and tech sectors, rapidly expanded outside typical digital markets, resulting in a digital economy and digital society. There is evidence that digitalization already affects many processes in the supply chain and business coordination (UNCTAD, 2017). A factor that amplified the issue dramatically is the rapid development of artificial intelligence reshaping global manufacturing (Westerman *et al.*, 2014). The interaction between FDI and technological progress is the complex chain of events that reinforce themselves through feedback.

Technologies, especially the Internet and digitalization, also provide new tools for risk management. Classic strategies to reduce the risk of FDI, such as diversification, complex organizational structures of multinational groups, sophisticated methods for country risk premium computing, and international business insurance, cannot protect foreign investors against the growing systemic risk. Digital technologies and artificial intelligence present incomparable to human ones advantages in collecting and processing data to identify potential global business risks and develop and test multiple scenarios. As a result, we witness an unprecedented digital phase shift in the multinational companies' strategies to do business and invest.

## 5. The CHD Interaction in the COVID-19 Pandemic

A current pandemic of coronavirus infection seems to confirm the CHD triad evidence. Since the beginning of the pandemic COVID-19, high uncertainty, human risk aversion trigger and maintains the mechanism of profound changes in the capitalist system and influence FDI patterns. The epidemic highlighted society's general propensity to approve restrictive government initiatives at high risk to public health and life. The population accepts significant limitations on civil rights and freedoms in favor of possible gains in public safety even if excessive state intervention in the social life and economy has devastating consequences. With the broad support of the population, the state's intervention has radically changed foreign investors' game rules. The business faced a choice: either ruin or a radical revision of the business paradigm. Multinational firms must significantly restructure their global organization. Among others, digital technologies have become critical guarantees of business survival and have reached unprecedented proportions in 2020. The business' digitalization is closely related to society's and the state's digitalization contributing to the social and capitalist transformations. Personal data has become a new and crucial resource. Big data monitored and gathered by the state and businesses empower them. The competition for access to big data is getting tougher. The cooperation of the state with businesses in big data leads to new capitalism and new investment patterns. Consider each of the above interactions.

Managing the Covid-19 pandemic is under intense human attitudes impact: collective and individual (Kelman, 2020). The main decision-maker is the government, which embodies the dominant system with its respective economic and democratic (or non-democratic) foundations. The pandemic has contributed to a new type of governance, bio-political governance, involving an arbitrage between life and death, and Covid capitalism emergence (Dale, Bhattacharya, 2020). The pandemic can be considered as a turning point away from neoliberalism. Under high health and life risks, the population widely accepted government policy from limiting population mobility, gathering sizes, and closing businesses or educational institutions to stay-at-home orders (Brauner *et al*., 2021). The coronavirus threats offer a collectively shared orientation, which Nancy defined as a communovirus (Nancy, 2020).

Dimensions relevant for policymakers when deciding between voluntary and enforced measures vary over the world. The population's propensity for voluntary restrictions or enforced measures varies on the type of state, i.e., a system. However, in most countries, the population agrees with the significant restrictions imposed by governments' anti-epidemic policies (Schmelz *et al*., 2021). Government coronavirus intervention has a two-sided effect. The country's leaders are trying to curb the spread of the epidemic, protect the most vulnerable, and reduce the national health care burden (Brauner *et al.*, 2021). However, the anti-epidemic measures are devastating for the local and global economy and significantly changed the game rules for international investment.

Changing the rules of the game for foreign investors has significantly reduced the inflows of foreign investment. There is over-world evidence that foreign investors continuously withdraw money due to anti-pandemic policy (Mehta and Shiv Swaroop, 2020; Takahashi and Yamada, 2020). Like the population, foreign investors show self-herd behavior that contributes to forming a global response of foreign investors to the crisis (Khanthavit, 2020). The reaction of foreign investors as a sharp reduction in investment, sale of stocks, and withdrawal from the markets is a natural human risk aversion caused by the high uncertainty and observed during all major crises (Karolyi, 2002; Bertaut, 2009; Anuchitworawong and Thampanishvong, 2015) and epidemics (Lee and McKibbin, 2004). The countries of Dependent Capitalism are most negatively affected by the pandemic due to more significant reliance on foreign capital in the global value chain (UNCTAD, 2020), and, as a result, the incapacity of their governments to provide support to domestic businesses and the population during forced unemployment.

The worst thing in this situation is that the governments have no confidence in their future epidemic policy. The level of global uncertainty in politics is now higher than ever before. In terms of FDI, the governments' double objective is to ensure epidemiological restrictions and attractiveness to foreign investors. A choice between protecting domestic businesses and promoting foreign investment complicates challenges. According to UNCTAD, many countries have arbitraged between the measures to mitigate the negative effect on FDI or shield domestic industries from foreign takeovers (UNCTAD, 2020). Domestic industry protection contributes to transforming the classical foundations of capitalism as a system open to global investment into so-called Economic nationalism. Economic nationalism aims to survive local businesses by protectionism. As a result, local companies gain significant benefits, especially in strategic areas that change foreign investors' game rules (Fetzer, 2020). As a result, many early flourishing sectors such as tourism, international transportation, restoration, hostelry, and entertainment seriously weakened, and many economic actors have disappeared. Instead, businesses directly involved in the anti-pandemic fight, such as large pharmaceutical companies and medical equipment companies, have benefited significantly.

Restrictions caused by epidemiological measures require foreign investors to seek new forms to invest internationally and do business abroad. As a result, the role of technology is enhanced, becoming crucial. Robinson points the “fourth industrial revolution” was triggered by a high level of global incertitude (Robinson, 2020). UNCTAD distinguishes three key technology trends shaping international production: robotics-enabled automation, enhanced supply chain digitalization, and additive manufacturing (UNCTAD, 2020). In addition to overall efficiency gains, each trend aims to reduce global risks for international investors. The decisive factors for the spread of new technologies are the investment policy's further shift toward interventionism and protectionism and a shift from multilateral to regional and bilateral investment agreements, that is, on the extent of Economic nationalism. Another important group of factors, according to UNCTAD, is sustainability concerns, which comprise, among others, social standards, government standards, and environmental standards that are the society's interaction with the state.

Within the above technological trends, businesses shifted toward a new business paradigm based on unseen before information technology use. In business, the winner now is the one who can involve digital investment strategy faster and to a greater extent, which significantly facilitates financial transactions and logistics and enhances the financial sector's influence (LaBerge *et al.*, 2020). Forced measures to limit human physical contact and favor social distancing have provided enormous benefits to businesses that support remote human activity conditions, such as online platforms for business, learning and health care, e-commerce with related logistics, delivery services, and packaging materials. Some authors already adopted the term ”socially distanced capitalism” (Cline-Cole, 2020). A new conglomerate of transnational capital, the core of which is formed by leading IT companies, financial groups, pharmaceutic companies, and the military-industrial complex, will dominate the post-COVID investment process (Robinson, 2020).

Technological advances accelerate systemic changes. An underdeveloped institutional system is a factor of the inefficient investment process that leads to a slow change in transition and developing countries. *Non-transparent and non-stable government incentive policy* vis-à-vis the foreign investors amplifies *this phenomenon (*Tuomi, 2012). Recent evidence of many transition countries shows that society and the economy's digitalization significantly facilitates systemic changes by improving quality, transparency, and access to institutional services and all needed information for the citizens (consumers) and investors. It creates better business conditions and a strong incentive for the investors. Digitalization contributes to the transparency and public control of the administrations and, as a result, strengthens the motivation for governments and the population to pursue structural reforms. FDI attracted by the positive changes accelerates, in its turn, the reform process. Thus, digitalization can be some catalyst for progress and systemic changes in old and new democracies.

On the other hand, the digitalization of the economy and society has received a new impetus and provided unprecedented opportunities for both businesses and governments giving them unprecedented access to personal data. To some extent, excessive government intervention justifies large firms' actions to collect big data and use them in their business interests. Measures and software applications to monitor epidemic clusters, peoples' mobility, and the infection spreading significantly interfere with citizens' freedom. The polarization of society between those who tolerate excessive state control and those who oppose it suggests a rethinking of a democratic society's fundamentals and the strengthening of the surveillance capitalism gradually replacing production capitalism (Galič *et al.*, 2017). The pandemic has given a new sound to concepts such as techno-capitalism, digital capitalism, and surveillance capitalism to describe controversial society transformation from massive digitalization (Foster and McChesney, 2014; Suarez-Villa, 2012; Daum, 2015; Betancourt, 2016; Zuboff, 2019). Techno-capitalism is the broadest concept within which digital capitalism has acquired the most remarkable development with the apparent surveillance capitalism features in a pandemic condition.

Foster and McChesney (2014) and Zuboff (2018) consider surveillance capitalism as capitalism that monetizes data acquired through online surveillance of the population. Surveillance capitalism perceives a person rather as a resource instead of a client. Access to a continuous flow of big data allows businesses to anticipate and shape consumer preferences and trends. The merging of the state's and big business interests in personal data access and possession creates a fundamentally new environment for businesses and governments with significant intervention in the population's freedoms. Control one's subjection to data extraction leads to a loss of privacy and autonomy, whereas social, psychological, or cultural determinants directly impact the concept of privacy. A private situation depends on the existing norm, whereas privacy management needs data-processing transparency (Wohnhas, 2019).

The digitalization of society and the economy caused by the pandemic directly contributes to the emergence of new FDI patterns. To avoid a risk associated with a physical presence, foreign investors are reorienting s from predominantly manufacturing to a remote activity. Investors also invest heavily in big data collection and treatment to capture the latest consumer trends and individual attitudes. In line with Zuboff, we can suppose that the FDI pattern of surveillance capitalism is a global network that operates remotely, using innovative engineering and comparison dynamics to shape individuals' behaviors and serve its business interests (Zuboff, 2019).

Regarding FDI, the public attitude towards personal data disclosure is essential to balance the population's risks and benefits due to online surveillance and individual data retention by the authorities and multinational firms. How individuals perceive privacy and control information about themselves and how such information is allowed to use by governments and business is an essential driver for capitalism and FDI transformations. Many studies have warned that surveillance capitalism may be the norm in the post-pandemic world that involves a political shift toward an authoritarian system (Agamben, 2020).

Multiple studies have investigated individual perceptions and behavior regarding privacy, internet surveillance, and personal data disclosure. The pan-European study conducted for EU27 shows, among others, robust evidence of significant country-level differences from the average level attitudes towards internet surveillance (Potoglou *et al.*, 2017). This study's findings point out that the history of surveillance and its place in culture play a significant role in public attitudes. Often, the population of the countries where state surveillance was endemic for many years is more likely to express some “indulgence” on this issue (Svenonius *et al.*, 2014) and develop a non-democratic variety of digital economy.

While industrial capitalism developed at the expense of nature, surveillance capitalism developed at the expense of human nature (Rąb and Kettler, 2020).  The realization that the expense of nature has led to the emergence and spread of coronavirus infection is the impetus for rethinking the FDI by businesses, governments, and the population. Today, the population is more aware of human rights in the context of foreign investment (Steininger, 2020). Pandemic management is closely related to the conflict between foreign investment interests and investors' human rights obligations (Diamond and Duggal, 2021). Newly registered and concluded cases in investor-state arbitration and new investment agreements, broader developments, and political discussions on foreign investment and human rights show people's growing impact on FDI patterns.

## 6. Conclusion

This paper explores three contemporaneous driving forces of FDI as the capitalist system, humans' attitudes and behavior, and technological advances that form the CHD triad. The interaction between FDI as a promoter of capitalism and the system's institutional changes in the host countries have an evident impact on FDI. We also find that the human attitude towards investment and institutional changes creates a feedback loop. There is evidence that FDI patterns are no longer formed solely by multinational firms but in interaction with governments and the population. FDI patterns in the host country depend on how institutions change people and how people change institutions. A particular role for today's FDI is playing by digital technology that crucially impacted the way to do business abroad, creating new forms of business organization and new FDI patterns. By triggering a chain of interactions between systemic, human, and technological factors, the covid-19 pandemic fully confirmed the CHD triad phenomenon.

The chain rooted in the individual and society's human risk aversion has given rise to bio-political governance. Bio-political governance has developed a set of measures activating the fourth industrial revolution and revising modern capitalism's foundations within the Covid capitalism concept.

Human attitudes towards the risk manifested in communovirus for population and self-herd behavior for investors. As a result, globalization values have given way to local and regional values in Economic nationalism. The physical presence of assets has yielded to Socially distanced capitalism. The latter became possible due to the progress of Digital capitalism within Techno-capitalism.

High policy uncertainty in the pandemic paved the way for increased state intervention in economic and social life, significant restrictions on human rights and control, directly contributing to Surveillance capitalism. Digital capitalism and Surveillance capitalism have a dual effect on FDI. While multinational firms are massively adopting digital technologies and investing in big data, the population is becoming more aware of the risks associated with FDI in a digital world. During the pandemic, both the state and the population set new rules for foreign investors.

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