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FOREIGN DIRECT INVESTMENT AND SUSTAINABLE DEVELOPMENT IN RESOURCE-DEPENDENT ECONOMIES: A SYSTEMATIC REVIEW OF THE LITERATURE

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Abstract

The following research is contradictory with regard to the impact of FDI on sustainable development in resource-based economies. Mediators of such heterogeneity in economic, social, and environmental repercussions are summarized in crucial intermediary variables like the quality of institutions and the absorptive capacity of host countries. The present study is conducted in order to carry out a systematic synthesis of the existing academic research on the FDI-sustainable development nexus in order to identify knowledge gaps. Unlike quantitative studies, this paper uses a qualitative analytical methodology that is focused on a review and an analysis of peer-reviewed academic material and international organizations' documentation. The study concludes that the FDI-sustainable development nexus is not deterministic, rather it depends mostly on quality of institutions and governance in host country. The paper highlights three main gaps in knowledge: the relative underattention to the social dimension of urban development, the geographic bias toward certain regions and a lack of comparative sectorial analysis. The study gives primacy to the necessity of moving towards policies not only for attracting investments but also governing and orienting them strategically to meet national development purposes. It proposes a forward-looking research agenda that aims to concentrate on the social dimension, extend the geographical reach and carry out detailed sectoral analyses in order for these gaps to be overcome.

Keywords: Foreign direct investment; sustainable development; investment determinants; qualitative analysis.

1. INTRODUCTION

In the recent global economic system, foreign direct investment (FDI) is recognised as a major source of growth and development. While the mechanism evolved from a simple one of transferring capital to an integrated process of technology and management transfer being part of cohesive organizational practices, for all it matters [1], it outlived its capital basis. At the same time, there has been a growing worldwide attention to the paradigm of ‚sustainable development', well-defined in the United Nations' 2030 Agenda, and its seventeen Sustainable Development Goals (SDGs).

This model other than realizing that the needs of younger league cannot be met if the higher one does fill its, this model also give a comprehensive concept and vision by recognizing three interconnected aspects to establish harmonized balance between economic growth and development, prosperity equity, social fairness (social justice), and ecosystem conservation [2]. The intersection of these visions raises a fundamental and difficult question: how can flows of FDI, which are heavily influenced by considerations of profit maximization, be induced to contribute to the complex range of sustainability objectives? In these studies, there is no single or straightforward response from academic writings, but rather a dialectical relationship between the parties which gives rise to evident contrasts depending on the economic and institutional design of the host country.

This nexus of debate is extremely complex in resource-based economies like the Sultanate of Oman and other Gulf Cooperation Council (GCC) countries. These countries, whose development model was always a reflection of their oil wealth, now find themselves facing an existential threat: the need to diversify economically in order to break free from the resource curse (coincidentally), where resource abundance results in perpetual economic underdevelopment [3]. As a result, these countries have made it a strategic goal to attract FDI into non-oil industries in order to ensure the fiscal and economic sustainability in the long term. Recent studies of the region confirm a positive effect of FDI on economic growth in the Gulf area, but emphasize that this result depends on several factors at structural level (Hoekman et al., 2008).

Research Background and Significance

The investigation into this connection is presented at times of significant international development. UN reports released by the United Nations Conference on Trade and Development (UNCTAD) say that foreign direct investment flows to developing countries have severely slipped in the wake of COVID-19, underscoring how vulnerable these economies are and how they urgently need not just a quantum jump in investment volumes but quality "right kind" sustainable investments. This contribution is important as it addresses the development obstacles faced by the Sultanate of Oman and beyond. Knowledge on how FDI influences each of the aspects of sustainable development informs the design of policies which would be effective in attracting investments that support national priorities as set out in Vision 2040.

RESEARCH PROBLEM

Although highly relevant, the main research challenge for this study arises because of the fact that despite its vital importance there is a substantial amount of academic literature on FDI and sustainable development which is scattered and quite diversified (5) often leading to contradictory or inconclusive results. So, for example, in the environmental dimension, certain meta-analyses that add together dozens of previous studies show that it is not straightforward to draw conclusive net evidence about how FDI affects carbon emissions: there are studies showing positive effects and others negative ones on the issue, suggesting other mediating effects being crucial when determining the final effect of this variable. This inconsistency and complexity in effects across the economic, social, and environmental categories results into a situation of epistemic uncertainty which hardly allows for generalising robust conclusions. Thus, it is necessary to provide a systematic knowledge synthesis for this fragmented body of knowledge and critically appraise this body of evidence and map the existing state-of-the-art (i.e., core paper of the present study).

Research Questions

To solve the above research problem, this research attempts to explore the following central research question:

- What are the key debates and major trends in the literature related to FDI and sustainable development within resource-based economies?
- What areas (numeric, social and environmental) have been more widely addressed in previous studies and what are their most agreed upon findings compared to the most debated?
- What are these knowledge and theoretical gaps that we can outline in this review?

Research Objectives

The Main objectives of this research are conducted first and foremost to accomplish the following:

1. Review and categorise the studies on FDI and sustainable development in resource-based countries which published in academic medium.
2. Assess what can be considered as the main lines of academic discussion of the advantages and disadvantages of FDI?
3. Identify areas where further research is needed and suggest a future research agenda.

The research Procedure

To fulfil the objectives, this study consists of five chapters. Chapter one treats the overall framework of investigation. The methodology is studied in detail in Chapter 2. The findings of the search are reported in Chapter Three. These results are discussed in a critical fashion in the fourth chapter. The fifth chapter finally concluded the study and provides recommendations.

The Limitation of the Study

This study acknowledges its major limitations in the spirit of scholarly honesty, as follows:

- Scope Restrictions: The review was limited to articles available in some databases and only in English or Arabic language. Other studies in other languages or databases might be available.
- Type restrictions: Emphasis was placed on those studies that appeared in peer-reviewed scientific journals, then dismissing other types of literature (e.g. unrefereed organization reports and book chapters) from which important information could have been drawn.

2. THEORETICAL FRAMEWORK

This is a review to the overarching theories and early attempts at explanation (explanation of FDI: foreign direct investment, or analysis of developmental impacts) that create an analytical "lens" through which we can begin to make sense of the complex findings later presented.

2.1. Theories Explaining the Link between FDI and Development

The relationship between FDI/Sustainable developments is a complex one, which has continued to be explored in many works of economic and developmental literature. They can be classified in three main theoretical currents: the theories that explain the motives of FDI, the theories that seek to explain the effect of FDI on development and, those who directly link FDI and sustainability.

1. **Theories of Why Firms Choose FDI:** Numerous theories exist that aimed to address the following question why do firms prefer to invest directly abroad than export or transfer knowledge through licensing arrangements? Theoretically, the most popular and widely used framework in this respect is the so-called OLI model designed by John Dunning (the Eclectic Paradigm). This theory argues that the firm's choice to undertake direct foreign investment is driven by three types of advantages [5]:

A. Advantages specific to a firm: These can include any competitive advantage (not necessarily cost-related) with respect to local firms in the host country, such as patents, technology and brands.

B. Advantages of Location: These include favorable attributes of the host country including natural resources, market size, low wage costs, quality infrastructure and political stability.

C. Internalization benefits: The motives behind why a firm might decide to intentionally use its advantages in-house (e.g., fivefold, developing a subsidiary) rather than outsource and transfer those to put another company's dedicated globalization marketplace: IP-based intangible assets and the ability to lower transaction costs.

2. **Theories of the Impact of FDI on Development:** Here, development thinking meets a distinct split in attitudes towards development between:

A. Modernisation theories: Is championing FDI as a positive force in development. Rural areas from the perspective of the major industrial countries, with foreign direct investment (FDI) theories is the material shortage, production technology and modern management experience, lack of capital corporate website to use FDI in other identity overqualified domestic capital theory that accelerated development, creating jobs for local employment organizations into the network economy.

B. Dependency Theories: This approach is antithetical and based on a critical view, considering FDI as an instrument that reinforces dependency relationships between the "core" (developed countries) and "periphery" (developing countries). From such perspective, FDI does not always imply real development, but rather skewed or dependent foreign-oriented economy; exhaustion of home resources; monopolistic substitution of national companies and widening of social disparities [6].

3. **Theoretical Connections with Sustainable Development:** In recent years, more determinant theoretical bases have been established to understand the impact of FDI in multiple dimensions.-

A. Environmental Kuznets Curve (EKC): This theory assumes a U-shape link between economic growth (possibly powered by FDI) and environmental degradation. Early in the process of development, pollution levels rise, but once a country reaches some level of income it starts to spend money on cleaner technologies and impose tougher environmental regulations so that environmental quality gets better [7].

B. Pollution Haven and Pollution Halo Hypotheses: Most academic literature debating the environmental consequences of FDI focus on two beautiful wives—"Pollution Haven Hypothesis (PHH)" and "Pollution Halo Hypothesis"—as diverging views that explain firms' environmentally friendly actions in their host countries.

C. Institutional Theory: This contemporary intellectual current offers a comprehensive frame to reconcile the contradictory results of theories above. Institutional theory suggests that the effect of FDI is not a deterministic (positive or negative) one, but rather depends on the quality of institutions in the host country. The existence of rule of law, protection of property rights, fighting against corruption and strong regulatory capacity influence a country's capability to reap the positive effects and reduce the adverse effects of FDI [8].

Institutional theory is the central analytical lens for this research as it offers the best frame to explain why FDI effects are so different in diverse countries and to analyze how governance can receive substantial benefits from FDI in favor of sustainable development.

4. METHODOLOGY

This includes of reporting the method of research applied, the strategy used in conducting research, the criteria for selecting studies and explanation how data was extracted from the selected studies.

4.1. Research Design

In order to achieve the research objectives and to address its questions scientifically and orderly manner, this study chose a research design based on systematic literature review (SLR) methodology. This approach was also a result of the research problem, which is characterised by being severed and conflicting in academic literature. This is the most systematic way of mapping out a complex knowledge domain in its full scope, without subjective bias. We chose this methodology for three reasons: It accords to scientific rigor, it is more transparent which differentiates with narrative reviews following traditional neutral literature review.

1. **Transparency:** The review was based on a predefined research protocol and clearly set out decisions made by the researcher.
2. **Comprehensive:** The designs attempted to achieve comprehensive coverage of the literature by searching for, or by attempting to include all, studies on the research topic.

3. **Replicability:** All procedures carried out in this research were fully disclosed which makes it possible for other researchers to replicate them.

Such strict methodological criteria, which adhered to the widely recognised PRISMA protocol, ensure that the findings in the review have a high scientific validity.

4.2. The procedure

Several databases were comprehensively and systematically searched based on this study review. This method was developed and implemented on two principal stages:

1. Databases used In order to obtain a complete and fair precision of global and local publications, the search strategy was applied in selected prominent peer-reviewed databases including respectively Scopus, Web of Science (WoS), Dar Al-Mandhumah, e-Marefa.
2. Keywords y Search String The keywords were taken from the main research questions and were articulated around three conceptual axes in order to be adjusted as search terms. Combining the different keywords with Boolean operator AND and OR, we designed the search strings as follows which were subsequently run in the previously mentioned databases:

- **English Search String:** ("Foreign Direct Investment" OR "FDI") AND ("Sustainable Development" OR Sustainability) AND ("Resource-Dependent" or Resource-Rich or Oil Economy)
- **Arabic Search String:** ("FDI") AND ("sustainable development' or "sustainability") AND ("rentier economy" or "oil countries")

4.3. Eligibility Criteria

A distinct set of inclusion and exclusion criteria were utilized to maintain the impartiality and relevance of the review as given in the table below:

Table (1): Inclusion and Exclusion Criteria for Selected Studies.

Inclusion Criteria	**Exclusion Criteria**
Publication Type: Studies published in peer-reviewed academic journals and review articles only.	Publication Type: Book chapters, conference papers, theses, reports, journalistic articles, and opinions.
Publication Language: Studies published in Arabic and English only.	Publication Language: All other languages.
Publication Period: Studies published between January 1, 2015, and December 31, 2025.	Publication Period: Studies published before 2015.
Thematic Content: Studies that clearly link the three themes: foreign direct investment, sustainable development, and resource-dependent economies.	Thematic Content: Studies focusing solely on domestic investment or non-direct financial investment.
Geographical Scope: Studies whose analysis applies to resource-dependent economies.	Geographical Scope: Studies limited to advanced economies or developing economies not reliant on resources.

4.4. Study Screening Process and Data Extraction

Once the search strategy was implemented, iterative levels of scrutiny conducted against the initial results arrived to final selected studies as well as their analysis.

1. **Screening and filtering process:** The screening and filtering process complied with the PRISMA report protocol guidelines, consisting of three-step stages:

A. Stage One (Duplicate Removal): A compilation of all results from the databases followed by deletion of duplicate studies.

B. Stage two (Title and Abstract Screening): The titles and abstracts of the remaining papers were screened, rejecting those clearly outside of the scope of this research.

C. Stage three (Full-Text Review): The full texts of articles that passed stage two were reviewed and a final decision was made regarding inclusion. This process led to the final identification of a sample of 20 studies from which this review has been developed.

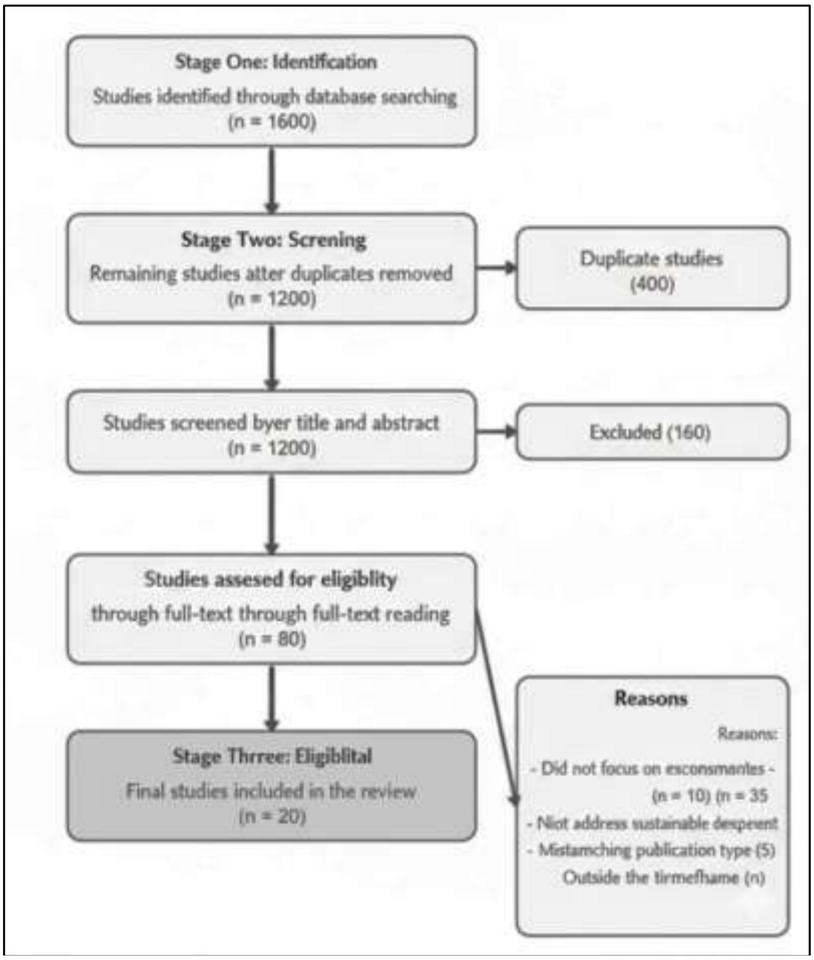
2. **Qualitative Data Extraction**

In order to have the uniform and systematic data gathering, a "Data Extraction Form" were used which had already designed in advance. For each of the 20 included studies, this form was filled out in order to distill qualitative insights, arguments and findings which are pertinent for answering the research questions as input for chapter 6 (the analysis / synthesis part).

5. Data Analysis

After the systematic review process conducted and described in the previous chapter, a list of peer-reviewed academic articles was selected that constitute a base of primary material for this research. The objective of this chapter is to display what was found across these studies, not by summarizing them one-by-one but by connecting main problems and arguments in thematic axes (i.e., Thematic Analysis) with which would be easier to articulate the entire configuration that constitutes knowledge about such an area. From hermeneutic thematic analysis and general characteristics of the studies included in this review The next section of the paper that follows will be on the results before we write a conclusion.

Figure (1) The PRISMA flow diagram depicting the stages of study selection.



1. **General Characteristics of Included Studies**

Following the application of inclusion and exclusion criteria to the preliminary results gathered from databases, finally 20 academic studies were included, which are as suchitial source base that have been included in detail scrutiny in this review. (Full details of the selection procedure will be provided in a PRISMA flowchart at the start of this chapter). Temporal distribution of this sample of 20 studies is representative for the broad trend in literature, indicating a steadily increasing interest into this topic over the past years. Most studies were published after 2018, further supported by broader bibliometric analysis indicating that the year 2019 was indeed a turning point regarding the annual number of publications in this domain. In publication outlets, the 20 studies selected are published in a number of top scientific periodicals focused on sustainability, environment and energy economics. This agree with the results from general reviews where journals like Sustainability, Journal of Cleaner Production and Environmental Science and Pollution Research are acknowledged as a main publication channel in this area. From the geographical perspective, the papers indicate a profound concentration on the Asian territory, and then followed by that of African interest (both with a preponderance of resource-based economies), rendering this sample particularly relevant to our study issue. These overall characteristics of the sample emphasise not only the novelty but also the relevance of the topic, providing the background to a closer thematic analysis of content in the next paragraphs.

Table (2): An overview of characteristics for the 20 included studies in the review

Reference Number	Author (Year)	Geographical Scope of the Study	Methodology Used	Key Finding of the Study (Briefly)
[1]	Dunning (1988)	Global (Theoretical)	Theoretical Review	Presents the most renowned theoretical framework (OLI) for understanding firms' motives for investing abroad.
[2]	Sachs & Warner (1995)	Cross-Country Comparative	Econometric	Establishes the foundation for the concept of the "resource curse" and the link between resource abundance and weak growth.

[3]	Rodríguez-Chávez et al. (2024)	Asia	Bibliometric and Systematic Review	Confirms that the social dimension is the least studied, and that institutional quality is a critical factor.
[4]	Cole et al. (2017)	Global (Review)	Literature Review	Provides a comprehensive review of the debate between the "pollution haven" and "pollution halo" hypotheses.
[5]	Borensztein et al. (1998)	Developing Countries	Econometric (Panel Data)	Demonstrates that the impact of FDI on growth is contingent on sufficient human capital.
[6]	Al-Shayab (2022)	Gulf Cooperation Council Countries	Econometric (Panel ARDL)	Finds a positive long-term relationship between FDI and economic growth in the Gulf.
[7]	Pegkas (2015)	Eurozone	Econometric (Panel Data)	Confirms a positive causal relationship from FDI to economic growth.
[8]	Blomström & Kokko (1998)	Global (Review)	Literature Review	Reviews and analyzes indirect knowledge effects (Technology Spillovers) from multinational firms.
[9]	Figini & Görg (2011)	Cross-Country Comparative	Econometric	Finds that FDI may widen the wage gap between skilled and unskilled workers.
[10]	Ibarra-Olivo et al. (2024)	Southeast Asia	Comparative Case Study	Shows that FDI's impact on skill development varies by sector (positive in services, negative in industry).
[11]	Yuldashev et al. (2023)	Asian Countries	Econometric (Panel Data)	Finds that FDI contributes to reducing income inequality in selected Asian economies.
[12]	Copeland & Taylor (2004)	Global (Theoretical)	Theoretical Review	Presents the theoretical framework for the "pollution haven" hypothesis and its relation to trade and investment.
[13]	Zhang et al. (2023)	China	Econometric	Analyzes the complex relationship between investment, industrial pollution, and economic growth in China.
[14]	Demena & Afesorgbor (2020)	Global (Meta-Analysis)	Meta-Analysis	Concludes that the net statistical impact of FDI on emissions is unclear and heterogeneous.
[15]	Ahouangbe & Turcu (2024)	Cross-Country Comparative	Econometric	Finds evidence of convergence in environmental standards across countries driven by FDI (supports pollution halo).
[16]	Acemoglu et al. (2001)	Cross-Country Comparative	Econometric	Proves that institutional quality (not geography) is the primary determinant of economic development.
[17]	Jude & Levieuge (2017)	Developing and Emerging Countries	Econometric (Panel Data)	Finds that institutional quality is a prerequisite for attracting FDI.
[18]	Asiedu (2006)	Africa	Econometric (Panel Data)	Illustrates that determinants of resource-seeking investment differ from those in other sectors.
[19]	Kolstad & Søreide (2009)	Global (Review)	Literature Review	Links corruption (as a governance indicator) to poor natural resource management, affecting investment.
[20]	Al-Sadig (2009)	Cross-Country Comparative	Econometric	Finds that corruption has a significant negative impact on FDI inflows.

1. General Description of Included Studies

After applying the selection and exclusion criteria to the first search results returned by the databases, 20 academic studies remained for induction. Together, they form the primary source base for the deatiled analysis undertaken in this review. (Full details of this process are reported in the PRISMA flow diagram at the beginning of this chapter). The timing of these 20 studies, however, appears to be in line with the general trend seen in the literature as an indication of emergent research interest over the past several years. Most of the included studies were published after 2018, which is consistent with larger scale bibliometrics (on bioRxiv) signaling that 2019 represents a tipping point in annual output. In relation to publication sources, among the twenty studies selected they are scattered across of some of the most prestigious scientific journals in the area of Sustainability, Environment and Economics of Energy sector. This is in line with results obtained from larger scale reviews which also include the journals: Sustainability, Journal of Cleaner Production and Environmental Science and Pollution Research as most important publication outlets for this field. The studies showed geographical emphasis on Asia then Africa-which contain a good number of resource dependent economies, so the selected sample seems very suitable to the research subject. These descriptives about the sample in general simply highlight the novelty and relevance of the topic, and provide groundwork to interpret its thematic content in subsequent sections.

Table (2) Summary of Characteristics of the twenty Studies included in the Review

Reference No.	Author (Year)	Geographical Scope	Methodology Used	Key Finding (Brief Summary)
[1]	Dunning (1988)	Global (Theoretical)	Theoretical Review	Presents the most famous theoretical framework (**OLI**) for understanding firms' motives for foreign investment.
[2]	Sachs & Warner (1995)	Cross-Country Comparison	Econometric	Lays the foundation for the **"Resource Curse"** concept, linking resource abundance to weak growth.
[3]	Rodríguez-Chávez et al. (2024)	Asia	Bibliometric & Systematic Review	Confirms the **social dimension** is the least studied, and **institutional quality** is a critical factor.
[4]	Cole et al. (2017)	Global (Review)	Literature Review	Provides a comprehensive review of the debate between the **"Pollution Haven"** and **"Pollution Halo"** hypotheses.
[5]	Borensztein et al. (1998)	Developing Countries	Econometric (Panel Data)	Proves that the effect of Foreign Investment on growth is **conditional on sufficient human capital**.
[6]	Al-Shayab (2022)	GCC Countries	Econometric (Panel ARDL)	Finds a **positive long-term relationship** between Foreign Investment and economic growth in the GCC.
[7]	Pegkas (2015)	Euro Area	Econometric (Panel Data)	Confirms a **positive causal relationship** from Foreign Investment to economic growth.

Reference No.	Author (Year)	Geographical Scope	Methodology Used	Key Finding (Brief Summary)
[8]	Blomström & Kokko (1998)	Global (Review)	Literature Review	Reviews and analyzes the **knowledge spillovers** (Technology Spillovers) from Multinational Corporations.
[9]	Figini & Görg (2011)	Cross-Country Comparison	Econometric	Finds that Foreign Investment may **increase the wage gap** between skilled and unskilled labor.
[10]	Ibarra-Olivo et al. (2024)	Southeast Asia	Comparative Case Study	Shows that the effect of investment on skill development **differs by sector** (positive in services, negative in industry).
[11]	Yuldashev et al. (2023)	Asian Countries	Econometric (Panel Data)	Finds that Foreign Investment contributes to **reducing income inequality** in selected Asian economies.
[12]	Copeland & Taylor (2004)	Global (Theoretical)	Theoretical Review	Presents the theoretical framework for the **"Pollution Haven" hypothesis** and its relationship to trade and investment.
[13]	Zhang et al. (2023)	China	Econometric	Analyzes the **complex relationship** between investment, industrial pollution, and economic growth in China.
[14]	Demena & Afesorgbor (2020)	Global (Meta-analysis)	Meta-analysis	Concludes that the **net statistical effect** of Foreign Investment on emissions is unclear and mixed.
[15]	Ahouangbe & Turcu (2024)	Cross-Country Comparison	Econometric	Finds evidence of **convergence in environmental standards** among countries driven by Foreign Investment (**supports Pollution Halo**).
[16]	Acemoglu et al. (2001)	Cross-Country Comparison	Econometric	Proves that **institutional quality** (not geography) is the fundamental determinant of economic development.

Reference No.	Author (Year)	Geographical Scope	Methodology Used	Key Finding (Brief Summary)
[17]	Jude & Levieuge (2017)	Developing and Emerging Countries	Econometric (Panel Data)	Finds that **institutional quality is a prerequisite** for attracting Foreign Direct Investment.
[18]	Asiedu (2006)	Africa	Econometric (Panel Data)	Demonstrates that the determinants of **resource-seeking investment** differ from those in other sectors.
[19]	Kolstad & Søreide (2009)	Global (Review)	Literature Review	Links **corruption** (as a governance indicator) to **mismanagement of natural resources**, affecting investment.
[20]	Al-Sadig (2009)	Cross-Country Comparison	Econometric	Finds that **corruption has a significant negative effect** on Foreign Direct Investment flows.

Theme 1: Economic Review in the Literature

The detailed study of the twenty papers indicates a dialectical relationship between FDI and the economic performance in resource-based economies. On the one hand, a large share of empirical analyses in our dataset does support a positive association between FDI inflows and GDP growth as has been found in the context of the Gulf Cooperation Council (GCC) [6] or cross-national settings [7]. Nonetheless academic discussion has quickly advanced from pure affirmation of this correspondence, to consideration of its processes and conditions.

- **Technology Transfer and Absorptive Capacity**

Technology transfer is also seen as a key vehicle by which FDI is supposed to qualitatively impact development. THE ROLE OF FDI IN HOST ECONOMY Financial capital is not solely the transacted between mother country and host due to its economy that they looked after, but including the most significant spillover of knowledge which is a technology in term of managerial skill or sophisticated technology to enhance productivity (Technology Spillovers) [8]. But the interpretation of these studies makes it evident that such is not the case. The pioneering studies in our sample demonstrate that potential effects on technology transfer are only achieved when the host country owns a minimum level of "Absorptive Capacity", mainly consisting in high skilled human capital able to absorb, adapt and develop such knowledge [5].

- **Two Faces of FDI in Resource-Based Economies**

The hidden truth with resource-based economies (which are the primary target of this study) is that it becomes more complicated. The objective for these countries is strategic: It's driving not just simple growth but broader-based economic productivity beyond the "Resource Curse" [2]. In this, our sample literature indicates that FDI is a two-edged sword. For example, research that has analysed the determinants of investment in Africa has created a distinction between resource- versus efficiency-seeking investments and found the former (resource-seeking) could result in weaker linkages with other parts of economy [18]. This carrys the danger that 8 Development and Extractivism investments concentrate in "pockets" or "Enclaves", within the resource industry, without spreading their benefits throughout to push forward other branches of industrial activity and services.

Theme 2: Social Consequences in Literature Research

The evaluation of the twenty studies sample indicate that there is a significant divergence between the social dimension in relation to FDI and sustainable development, which is more complex and less studied than its economic and environmental counterparts. As literature reviews clearly show, this dimension is still underexplored and represents a major research gap in its own right [3]. However, the available studies in our sample provide a dialectical and moot picture, ranging from the possibility of generating opportunity to risks of deepening social divides.

Jobs, Skills, and Uneven Effects

It is an accepted fact in the literature that FDI usually leads to the generation of new job opportunities in the host country. However, the academic debate soon turns from the "quantity" of jobs to the "quality" and whether or not it contributes for human capital formation [8, 10]. Our analysis reveals that, for the sample observed, the impact of FDI on developing local skills is not uniform across; e.g. investment in services may either increase or diminish technical and vocational training but also reduce investing in manufacturing [10]. A sharp common factor across all the studies is that host countries' capacity to make FDI useful for human capital accumulation, overwhelmingly hangs on the prior education and labor force quality [5].

The most pronounced controversy in the studies reviewed here relates to the effects of FDI on wages and distributional equity. Although certain cross-country studies cited Williams et al. point to the long-term potential of FDI to reduce income inequality, other studies express the opposite concerns. In particular, the study that focuses on the wage gap claims that due to the high demand for skilled labor, foreign direct investment is likely to deepen the gap between skilled and unskilled workers and between the staff employed in foreign-based firms and their domestic-owned competitors, thus enhancing inequality. This research also emphasizes the moderating role of education; indeed, as the countries with higher investments into education are able to provide their citizens with the skills necessary to compete for the high-paying jobs generated by FDI, its impact on income distribution proves to be less damaging.

Theme 3: The Environmental Impact in the Literature. The environmental impact of FDI – one of the most contrasting and well-studied dimensions of this issue, as it is reflected in the twenty studies of the sample – also stands out. Further research identifies that this dimension is framed in the literature along two central and opposing hypotheses – the Pollution Haven Hypothesis and the Pollution Halo Hypothesis. The Pollution Haven Hypothesis is "an argument postulating that industrial firms, especially in the pollution-intensive sectors, tend to move production abroad from developed nations with stringent environmental regulations to developing countries with weak environmental requirements and low compliance costs". In this sense, the proponents of the PHH in the developing nations involved in the Race to the Bottom to attract the foreign capital might experience a raised rate of environmental decline. According to the overviews of empirical studies in the chosen sample, the findings measured a positive relationship between FDI inflows and the increase in pollution rates or CO2 emissions across several contexts [13].

The Pollution Halo Hypothesis (PHH) provides a more positive account, holding that MNCs from environmentally friendly nations frequently come with cleaner and resource efficient technologies, as well as sophisticated environmental management systems beyond those used by local firms [15]. In this way, this positive impact, or halo effect, can help raise the overall (environmental) performance of the host country. This hypothesis is related to the Porter Hypothesis, which states that stringent environmental regulation need not be a constraint on competitiveness: it can promote innovation and the development of cleaner technologies by firms [15].

Conditional Impact and Ambiguous Results

A close scrutiny of the papers in our batch tells us that the solution definitely does not lie simply in taking one hypothesis up and refusing to entertain the other at all. Recent research, especially in the form of (meta analysis studies involving dozens of previous works to consolidate findings) suggest that the overall statistical effect of FDI on environment typically proves ambiguous and sometimes even weak [14]. It may, therefore, be concluded that the environmental consequences of FDI are not fixed but contingent in nature: on the real strength and implementation effectiveness of the legal and institutional mechanisms existing in a host country.

Theme 4: The pivotal impact of institutions and governance **:**A scrutiny of the contrasting results reviewed in previous themes unearths a clear tendency, and an emergent consensus on recent literature: the quality of the host nation's institutional and governance structure is not just another variable, but rather the pivotal one accounting for most variations in FDI effects. Twenty studies were carefully evaluated which lead to the conclusion that solid, effective institutions are at heart of a nation's ability to turn investment flows into more than simply an economic tool and resources for sustainable development [3, 16]. This conclusion corresponds with the more dominant view in development economics, that institution make up the "rules of the game" which determine economic incentives and long-term growth paths. Stronger inclusive institutions are fundamental for sustained prosperity [16].

Governance, Investment and Resource Quality

At the economic level, it has been documented in the literature that effective protection of property rights and rule of law as well as an efficient judiciary are negatively related to investment risks and transaction costs (Busse 2010). Not only does this serve to draw more FDI, it leads to FDI that is of higher quality and longer-term oriented – investment in technology and innovation rather than the short term opportunistic play (Lall 2015. [17]). In contrast, poor governance and high corruption discourage foreign investment, boost uncertainty and slow down a potential influx of companies with a commitment to international standards [20]. It is in the area of natural resource management that these tensions come most sharply into play, and where corruption can result in the conclusion of investment agreements that may be not be consistent with national interests, thereby attracting a hypothetical development to become a real curse [19].

Organizations as Facilitators of Social and Environmental Results

At the social and environmental levels, the institutions have an even more important role by translating intentions into action. Progressive regulations for environmental protection, labour rights all are paper tigers when not enforced and monitored stringently by strong institutions. In the literature weak institutional countries are more likely to be "Pollution Havens" [12] less inclined to enforce environmental standards in ways that would shut down commerce. On the contrary, countries in which government operate under good governance and own high regulatory capacity are able to tighten-up environmental and social standards, to force foreign firms present there to behave responsibly if they desire permission to invest and bind investment approvals with meeting certain social targets (like training and hiring national work force) causing the positive "Pollution Halo" [15].

The literature as a whole leads to one central conclusion: the problem for resource-dependent economies is not simply of "attracting" FDI, but of "governing" and steering it strategically. This will demand to develop national institutional capacity able to negotiate, regulate and oversee such investments so that they can contribute to the national sustainable development agenda. Whether FDI becomes a motor force of development or a reinforcing factor for the existing problems, really depends on how strong institutions are.

6. DISCUSSION

After the in-depth review of literature presented in the previous chapter, we will begin to move beyond the isolated analytical narratives for each theme here and advance to a time of synthesis and critical discussion. This section is going to draw the pieces together and polarize a more comprehensive images to capture what one may derive as (the music) of the literature on the rather 'complex nexus' of FDI and sustainable development in resource-based developing economies.

1. Conclusion: A Broader Picture on the Literature

A systemic view to the literature underpins a key insight. FDI is neither panacea nor absolute evil; it's a powerful 'neutral tool', whose result depends on-context. The meta-analysis also suggest that the literature has progressed from posing basic questions of what "Is investment good?" To asking more complicated questions like "When is it a good idea?" The large picture drawing by the research resembles a contingent relationship, as final result is tied to two determinants: absorptive capacity by host country and, crucially, quality of its institutional and governance setup.

When integrating the various themes it is obvious that what emerged in each dimension of development are bid by and self-reinforcing issues. The lack of economic impact, expressed also through the absence of real diversification and the development of "enclave economies," is highly correlated with the lack social impact. Capital-intensive resource sector-led growth necessarily does not create enough jobs for the national work force, and requires high-level skills that the latter may not necessarily have each time leading to wage gap increases and social inequality. At the same time, the conflict between developmental interests and environmental considerations, epitomized by the controversy surrounding "Pollution Haven" and "Pollution Halo" views is 'not an irrevocable destiny'. An interesting aspect is that the literature severally proves that countries able to enforce very high environmental standards not only do not discourage investment but they are more likely to receive higher quality- more innovative- investments, in line with the Porter's Hypothesis. ' This means that the issue of a trade-off between economic growth and environmental protection is in fact an issue of policy Many of the findings are consistent with theoretical expectations based on political economy considerations 'I am grateful for the help from three anonymous reviewers and UTMB Sustainable Development Article published by GIGA German Institute for Global and Area Studies.

This leads to the main lesson that can be drawn from this review; the quality of institutions and governance is the fundamental independent variable explaining variation in outcomes on all fronts. Strong institutions facilitate the development of "absorptive capacity" and hence technology transfer. They set and enforce labor standards that make new jobs good ones and build human capital. They have the capability to stiffly enforce rules of the environment that guarantees that investment goes into transforming economies into a green one. So, the big-picture take away from the literature is that the real puzzle for resource-dependent economies is not how to draw in investment, it's how to construct the institutional capacity they need to regulate and purposefully steer it toward serving a national sustainable development agenda.

2. Identifying and Discussing Research Gaps

The real value of a systematic review is not to synthesize as much as known but rather to expose that which isn't yet knows ore has been little attended. According to this detailed review of the literature, the research area despite being extensive is burdened by stark cognitive and methodological lacunae that limit our understanding or knowledge of how FDI intersects with sustainable development. The identification of these gaps makes up the "researcher's footprint" in this work and draws a straight line for future research.

Gap 1: Social Neglect in Methodological Terms

Most obviously and immediately, the literature exhibits relative neglect of the social dimension in comparison with economic and environmental perspectives. However, the social aspect of burden appears to receive little attention, as it is still a minor issue with few collected data.

Examples: Hundreds of studies exist to measure the social impact of investment in carbon emissions, but very few that measure the impact on public health indicators or local schools around large projects.

Proposed research question: How can FDI incentives be structured so that for instance creation of new jobs in tourism sector becomes part of women economic empowerment in the local community?

Gap 2: Lack of Comparative Sectoral Analysis

The majority of research considers FDI as a homogeneous variable, despite the fact that the impact of investment varies according to the sector into which it is directed. "I do not note any comparative research focusing on the divergent consequences of foreign investment for different branches in a single country or region either.

Example: Manufacturing and real estate investments can be lumped together, despite the huge potential for different slates of domestic jobs and technology transfer.

Proposed Research Question: In a certain GCC country, is the impact of a 1 million fixed capital investment on manufacturing sector in terms of forward and backward linkages with domestic economy higher than that of real estate development sector?

Gap 3: Geographical Bias and the Challenge of Generalisability of Findings

It has been found that research on East Asia, particularly China, is highly geographically concentrated. Although the Chinese experience is fruitful and has implication, this skewness hampers our capability for exploring how FDI functions in different social, economic and institutional settings.

Case Example: Lessons from a strong, centralised regulatory system such as Chinese may not be transferable to other resource dependent economies with quite different institutional arrangements.

Proposed Research Question: What are the institutional characteristics that account for differences in rentier success between Nigeria (AFRICA?s largest OIL economy) and Oman through investment attraction in its renewable energy sector?

Gap 4: Disregarding Complexity of Investment Types

Lastly, the small nuances of what you're investing in are overlooked by most research. There is little research which tests the variance of environmental effects between the modes of market entry or compares performance of foreign and local firms.

Example: Different rules in the same manner Many times a foreign company that is building a new factory (Greenfield) will be treated similarly to the one who just bought a local factory (Merger& Acquisition), even when it makes all that difference for technology transfer and environment.

Proposed Research Question: Which mode of entry (Greenfield vs. M&A) transfers more sustainable environmental practices to the host economy in petrochemical industry?

Taken together, this leaves us with a clear research agenda for the future: away from macro-level analysis and towards studies that are more fine grained, detailed and aware of the social, sectoral and geographical setting.

3. Implications of Future Research: Toward a New Research Agenda

Revealing research deficiencies does not discredit the worth of published material; rather it provides fresh prospects and may guide future inquiries towards domains where knowledge is still unclear. After the analysis and discussion of the previous sections, we can suggest a future research lines based on more specific questions. The goal is to pass from a general to an articulated awareness of the interrelations that link Foreign Direct Investment (FDI) with sustainable development. This agenda could be structured by the series of the proposed research topics:

Research Area 1: Further Intention of FDI's Social Aspect

With it being the least-studied dimension, we need research that goes beyond mere metrics of job creation. Secondary investigations will need to clarify the often devastating impact on social structures in investment communities.

Proposed Research Questions:

- What, then, are the channels through which FDI has a bearing on poverty and social inclusion in the communities around large projects?
- How should investment incentives be designed to make sure new jobs help advance women's economic participation and gender equality?
- How does foreign investment affect the development of health and education systems in resource-dependent host countries over time?

Research area 2: Comparison of sectoral analysis for the quality of investment.

To fill the gap of treating FDI as a homogeneous factor, more disaggregated sector specific analysis is required to show which type of FDI contributes most to development.

PROPOSED RESEARCH QUESTIONS
- In the case of differentiating between extractive industries and renewable energies within the same country, how can we distinguish sustainable outcomes (economic and social as well as environmental) of foreign investment?
- In the case of Gulf economies, Keiko Kubota and Enyu Zhang (Keiko Kubota & Enyu Zhang) identified which non-oil sectors (such as manufacturing, tourism or logistics) have the largest positive spill-overs on to the local economy through a support for Small and Medium-sized Enterprises?
- What is the impact of tourism foreign investment on cultural heritage and diversity in receiving countries? Does it contribute to the preservation of or consumption of?

Research Area 3: Type of investment and differential effects

What kind of detail is required to create a clearer picture? Future research will need to move beyond measurements of the scale of financial flows and explore how these investments make landfall, as well as what this means for developmental outcomes.

Proposed Research Questions:
- What is the different impact of environmental and social outcomes on Greenfield investments compared to Mergers & Acquisitions (M&A) in resource-based economies?
- Is the environmental and social performance of foreign firms better than domestic in the same sector? And what role does the appearance of foreign firms play in affecting the performance of domestic firms?
- Comparing Chinese and European investment in Africa, how do the environmental and social practices of Multinational Corporations (MNCs) differ by their home country?
- Seeking answers to these questions provide the researchers and policy makers a better perception, context-sensitivity of FDI as agents of change for sustainable development in resource-dependent economy.

7. CONCLUSIONS AND RECOMMENDATIONS

1. Conclusion

The main goal of this study was to fill this gap by engaging in a more exhaustive and systematic review of the academic literature on the complex interaction between Foreign Direct Investment (FDI) and sustainable development based on resource-dependent economies. A systematic review methodology was adopted, something that enabled collection and analysis of a huge number of published papers in order to get an overview over what we now know about the subject matter, establish trends in recent debates at the highest level among researchers and practitioners worldwide, as well as detect areas where knowledge does not seem to move forward.

According to the review, the academic literature does not provide a definitive judgment on FDI as an intrinsically good or bad tool but rather suggests that it is a strong neutral instrument whose final effect depends on a list of conditions and set of circumstances that are country-specific. The most relevant conclusion, present in almost all contemporary studies, is that the nature of the institutional and governance framework represents the key element to drive this impact. But it is sound and effective institutions that ensure investment contributes to real economic diversification, its fruits pass into social progressiveness, and the impact on the environment does not go beyond sustainable limits.

2. Recommendations

As per the full literature review and the knowledge gaps found, this section provides some suggestions for both researchers and policy makers in resource-based-economies.

1. What researchers should do (future research agenda): Pay attention to the social perspective: There is an urgent necessity for additional research measuring and explaining the real effects of FDI on certain social phenomena such as poverty, social inclusion and gender equality.
2. Carry Out Sectoral Comparisons: The notion of carrying out studies to compare the Sustainable Dimension of Investment Investments across separate sectors (eg, manufacturing and tourism or renewable energy) in the same country is encouraged.
3. Broaden Geographical Focus: It is important that the intense concentration of research activity on Asian economies be expanded, with a greater number of more comprehensive studies being devoted to the peculiarities centred in resource rich economies in Middle-East and Africa.

3. Implicit Recommendations for Policymakers

- From “Attracting” to “Governance of Investment”: The strategic orientation must move toward the construction of strong institutional infrastructures (rule of law, transparency, anti-corruption) able to direct investment in sectors that meet national visions and mandates while barely enforcing social and environmental standards.
- You Get What You Invest In: If you want to attract investment, investments at the national level in higher education and vocational training must occur alongside polices that draw businesses to an area to

create/readapt technologies because a workforce with the skills necessary is one that can absorb and modify technology.

- Make incentives both smart and targeted: Rather than offering generic incentives, it can be more worthwhile to design tailored incentives for investments that directly support Sustainable Development Goals (such as green projects or with a high share of locals).

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