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Abstract

This paper recognises and responds to two major gaps in previous studies on the locational determinants of FDI in transition economies. These are contextual and methodological gaps. In response to the contextual gap, the paper develops the borders of previous research by considering the impact of institutional reform on the locational decision of FDI in transition economies within Syria, which has not been explored empirically hitherto. As regards the methodological gap, the study contributes an open and flexible qualitative research design that can go beyond the borders of the quantitative findings of previous econometric research. The findings reveal that institutional reforms *enhanced Syria's attractiveness to FDI. Yet, further steps are needed to* overcome remaining problems in the Syrian institutional investment environment. These problems proved to be less daunting to foreign investors whose backgrounds are culturally close to that of Syria and/or already had experience in Syria or in a similar type of economy.

Institutional Reform and FDI Locational Decision in Transition Economies: The Case of Syria

Introduction

The primary idea of economic transition is to replace the institutions of a centrally planned economy with the institutions of a market-based economy (Newman, 2000, Meyer, 2001, Cullen and Parboteeah, 2010, Walch and Wörz, 2012). Since institutions are 'the rules of the game' (North, 1990, p. 3) that determine the incentives and barriers faced by economic players, and given the new business opportunities derived from liberalizing the former socialist markets, transition economies have emerged as an interesting context for exploring the strategic choices of organisations during a period of fundamental institutional change (Bevan et al., 2004, Meyer and Gelbuda, 2006, Gelbuda et al., 2008).

After taking the transition decision, developing FDI inducing policies became the focus of special concern to transition economies for a number of reasons. For instance, FDI could speed up the transition process and contribute to the host countries' growth through the spillovers that can be generated from the advanced technology brought by foreign enterprises, and by encouraging organizational restructuring to provide more effective corporate governance (Borensztein et al., 1998, Djankov and Murrell, 2002, Hakro and Ghumro, 2010, Chen, 2012, Iwasaki and Tokunaga, 2014). Moreover, FDI is crucial for transition economies since it provides them with the elements needed to integrate with the global economy, such as management skills and more stable capital (Lankes and Venables, 1996, Estrin et al., 2000). Furthermore, FDI has a significant influence upon the host countries' prices, exports, imports, income, employment, production and balance of payments (Gastanaga et al., 1998, Erdal and Tatoglu, 2002, Ghauri and Firth, 2011, Groh and Wich, 2012). Hence, it is not surprising that there has been a growing interest in investigating the link between the institutional environment and FDI inflows into transition economies.

However, contextual and, most importantly, methodological gaps can be identified within existing studies on the locational determinants of FDI in transition economies. In terms of contextual gap, the majority of studies that have explored FDI locational determinants in transition economies have been carried out in Central and Eastern Europe (CEE) or China (e.g. Cheng and Kwan, 2000, Zhou et al., 2002, Bevan et al., 2004, Javorcik, 2004, Cuervo-Cazurra, 2006, Li and Park, 2006, Pusterla and Resmini, 2007, Cuervo-Cazurra, 2008, Riedl, 2010, Zhang et al., 2011, Estrin and Uvalic, 2014).

The aim of this study is to investigate to what extent the institutional reforms taken by the Syrian government as a fundamental part of Syria's transition to a more market-based economy has played in determining the locational decision of FDI in Syria. In doing so, the study responds to the contextual gap by exploring FDI locational determinants in transition economies within a new geographical region, i.e. The Middle East, and precisely within the transition economy of Syria, which has not been previously explored. In 2005, the Syrian government decided to move from a centrally planned economy to a more market-based economy (Al-Dardari, 2006). Due to the special characteristics of FDI and its role for transition economies, developing FDI inducing policies became one of the main objectives of the Syrian government after taking the transition decision. Between 2005 and 2008, Syria witnessed annual average growth of non-oil GDP of 7%, declining government debt, a healthy level of foreign reserves (IMF, 2009) and a 70% increase in its FDI inflows (UNCTAD, 2009). The International Monetary Fund (IMF) (2009) attributed this strong performance of Syria's overall macroeconomic environment during that period to the government's reform efforts, which aimed to move the Syrian economy towards a more market-based one.

As regards to the methodological gap, the majority of the previous studies, if not all of them, used a quantitative approach, mainly an econometric one, to explore FDI locational determinants within a pool of economies. Therefore, there is a need for more open, flexible and creative research designs that can reveal the meaning behind the numeric data in former statistical research and capture a broader, more detailed and clearer picture of the research context. The significant need for more qualitative research within various fields of international business has been highlighted before by many other researchers (e.g. Young et al., 2003, Coviello and Jones, 2004, Ghauri and Gronhaug, 2005, Sinkovics et al., 2005, Aharoni, 2011). Yet, there has been a lack of qualitative research in international business research in general.

Therefore, this study responds to the methodological gap by adopting an interpretivist perspective and following a qualitative research strategy within which the deductive and inductive research approaches are integrated to create a dynamic research design that suits the nature of the research topic and extends the borders of the quantitative findings about FDI locational determinants. Basically, the research strategy of this study is based on the 'pattern matching' technique (Yin, 2009, p. 136). Pattern matching involves first utilising an existing theory by developing theoretical propositions that show what the researcher expects to find. Then, she/he compares the pattern of the collected data with the predicted pattern to find out whether they match, and in this case, whether the theoretical propositions are confirmed or not. The latter means further explanation and amendment to the theoretical propositions are needed to fit with the empirical findings (Yin, 2009).

Therefore, this study is organised as follows. In the following section, a theoretical proposition is developed based on previous research on FDI locational determinants, with special reference to research that focused on transition economies. Then, the research methodology and methods followed for data collection and analysis in this study are presented. After that, the research findings are discussed in the light of the previous literature.

In doing so, the patterns of the findings are compared with the patterns found in the literature review, which enables the adequacy of the theoretical framework to be tested.

Literature Review

Although multinational enterprises (MNEs) have existed in one form or another for centuries, a theoretical framework for why and how firms decide to internationalise is relatively new, emerging only during the second half of the 20th century. Since then, a number of theoretical perspectives have been developed to explain the level and pattern of FDI (e.g. Hymer, 1960/1976, Vernon, 1966, Buckley and Casson, 1976, Johanson and Vahlne, 1977, Williamson, 1986, Clarke et al., 2013).

Dunning's (1980) eclectic paradigm has become the dominant analytical framework for explaining MNEs' foreign-based activities. This is because of its content, which is strongly embedded in many other business and economic theories of FDI (Dunning, 2000). Dunning argued that FDI theories should be considered as complementary rather than substitutes for each other. Consequently, they cannot provide a comprehensive explanation for the MNEs motives to engage in foreign based activities unless they are taken as group (Dunning, 2001). Dunning's paradigm is based on the idea that the determination of MNE engagement in foreign operations depends on the interaction of three co-dependent variables. These variables are: 'Ownership Specific Advantages' (O), 'Location Specific Advantages' (L) and 'Internalization Advantages' (I) (Dunning, 2000, p. 164).

Indeed, the locational specific factors in Dunning eclectic paradigm are aspects of the investment location that host countries can manage and direct towards attracting more FDI inflows. In this sense, institutions can be very important locational determinants that can influence the decision whether to invest in a particular location. For instance, foreign investors will not choose a country as their FDI location unless they are allowed to enter and invest in it according to its formal policies (UNCTAD, 1998). In fact, there is no single economy in the world that grants unrestricted right of entry to FDI, as a country's FDI policies usually aim to achieve various objectives, such as increasing or reducing FDI inflows and attracting FDI from certain sectors or a specific geographical origin (UNCTAD, 1996, UNCTAD, 1998).

Moreover, there are many other ways in which institutional factors can affect the locational decision of FDI. For example, some researchers argue that good institutions encourage investment in general by reducing transaction costs and uncertainty (e.g. North, 1990, Meyer, 2001, Kaufmann and Kraay, 2002, Young et al., 2014). In addition, weak institutions may cause the risk of nationalization and expropriation, which makes investment riskier and, therefore, less likely to take place (Henisz, 2000, Blonigen, 2005, Méon and Sekkat, 2007). Moreover, Harms and Ursprung (2002) found that FDI is less attracted by economies that do not respect civil and political freedom because of the greater risk associated with authoritarian regimes.

As it appears from the above discussion, institutions are clearly very important locational factors that can influence the decision whether to invest in a particular location. Hence, researchers have been increasingly interested in investigating the link between enhancing the institutional environment and FDI inflows, especially in transition economies, whose institutional environment is still under development. For instance, Javorcik and Wei (2009) found that corruption had a negative impact on FDI in transition economies. Javorcik (2004) studied the impact of the degree of intellectual property rights (IPRs) protection on FDI inflows in transition economies and found that weak IPRs protection negatively affects FDI inflows, and can even discourage not only foreign investors, but also domestic ones, from entering markets that do not offer a sufficient level of protection for IPRs.

Many other studies explored the impact of host countries' institutional environments on FDI inflows and used a wider range of institutional variables. For example, Stein and Daude

(2001) used six institutional indicators, developed by Kaufmann et al. (1999), to test their link with emerging economies' inward FDI. They found that these indicators have a significant influence on inward FDI. Therefore, they argue that if emerging economies want to be more attractive to FDI, it is important to improve the quality of their institutions.

Another example is Groh and Wich (2012) who studied the impact of the legal and political system (the rule of law, regulatory quality, legal enforcement of contracts, political stability, violence, government effectiveness), the business environment, economic activity and infrastructure on the FDI inflows in a 172 country sample covering Africa, Asia, Asia Pacific and Oceania, East Europe, Latin America, the Middle East, North America and Western Europe. They also concluded that an improvement in the developing countries' legal and political systems was crucial to enhance their attractiveness to FDI. Similar results were also found by Ali et al. (2010) who tried to evaluate the role of institutional quality in determining FDI inflows using data from 69 developing and emerging economies covering Asia, Eastern Europe, Latin America, the Middle East and North Africa, and sub-Saharan Africa. They also found that institutional quality plays a significant role in determining FDI inflows into the countries in their sample. Estrin and Uvalic (2014) explored the determinants of FDI into eight transition economies from Southeast Europe using a gravity model to all the countries in their sample during 1990-2011. Their findings also suggest that institutional factors are significant determinants of FDI in their sample of transition economies.

Based on the above discussion, we propose that**:**

***Institutional reforms enhanced Syria's attractivene*ss to FDI and motivated foreign investors to enter its market.**

This theoretical proposition is now tested using pattern matching technique, explained earlier in this article. In order to contextualize this research and identify issues for investigation, the following section discusses the major institutional reform efforts taken by the Syrian government since its decision to move to a more market-based economy in 2005. Then, the methods and steps followed for data collection and analysis are explained. Thereafter, the patterns found in the data collected are compared with the patterns found in the literature, which will enable the adequacy of the theoretical proposition to be tested.

Syrian Institutional Reforms

Since the transition decision was taken in 2005, the most important type of policy change in Syria has been the liberalization of FDI policies. This consisted of the reform of core rules and regulations governing the entry and operations of FDI, the standards of treatment accorded to foreign investors and the functioning of the markets within which they operate. For instance, since the early days of the 10th Five Year Plan (FYP), the Syrian government took many measures to reform the financial sector with the aim of achieving a gradual implementation of market-based tools for conducting monetary policy, instead of the previous administrative tools (IMF, 2010). The most noticeable reaction to these reforms was the expansion of private banks following their first authorisation by Law No. 28 in March 2001. By September 2009, there were 12 private banks established in Syria with assets equivalent to about 24 per cent of total Syrian banking sector assets.

Moreover, the Syrian government took many other initiatives to equip the Syrian economy with suitable legislative tools that could move it to a more market-based economy. These legislative initiatives tried to open the Syrian economy for private investment in general, and FDI in particular. In addition, these initiatives were necessary to regulate the functions and the relationships among economic players within the Syrian economy. For example, in January 2007, the Syrian government enacted Legislative Decree No.8 to replace investment law No.10 of 1991 (PRS, 2010, PRS, 2011). The aims of Legislative Decree No.8 were to make the Syrian investment environment friendlier for private investments through offering them various incentives. For instance, it allowed private investors (foreigners and locals) to own or lease the land and buildings needed for establishing or expanding their investment projects.

Moreover, the decree allowed free repatriation of profits, invested capital and shares on condition that all tax responsibilities were met. In addition, Legislative Decree No.8 of 2007 explicitly states that licensed private investment projects enjoy protection against expropriation and nationalization (PRS, 2011).

The Syrian government efforts for creating a friendlier environment for FDI also included trade policy liberalization initiatives and new international trade agreements. For example, a fully revised list of goods that cannot be imported was issued in April 2008. Many goods are no longer banned from import (PRS, 2009). Moreover, in 2005, Syria joined the Greater Arab Free Trade Area (GAFTA). This agreement included the following 17 Arab countries: Bahrain, Libya, Sudan, United Arab Emirates, Egypt, Morocco, Syria, Iraq, Oman, Tunis, Jordan, Palestine, Kuwait, Yemen, Qatar, Saudi Arabia and Lebanon. As a result of the GAFTA, trade was fully liberalized among these 17 Arab countries including Syria (ECSEI, 2012). In addition to the GAFTA as a regional integration agreement, Syria signed a bilateral free-trade agreement with Turkey, which came into force in January 2007 (PRS, 2009). Through this agreement and the economic co-operation between them, both Syria and Turkey aimed to create conditions which encourage investments, especially joint ones, in both countries. For example, the agreement states that trade and commercial transactions and payments between both parties shall be free from any restrictions, such as those on currency exchange (WTL, 2007).

All the institutional changes presented above aimed at creating a friendly investment environment and a level playing field that can enable FDI to take place in the newly opening economy of Syria. Such institutional changes are usually accompanied by complementary measures that facilitate foreign investment activities undertaken in the host country (UNCTAD, 1998). Such measures include promotional actions, counselling, offering assistance to obtain the required permits, accelerating the stages of the approval process and the provision of after-investment services. These measures are important for transition economies, due to their role in eliminating bureaucratic barriers facing foreign investors (UNCTAD, 1995) and improving these economies' poor image as destinations not friendly to FDI (Wells and Wint, 2000).

In the case of Syria, on 27 January 2007, the Syrian Investment Authority was established by Article III of Decree No.9 to offer most of the above-mentioned business facilitations. This Authority was expected to play an important role in implementing the new investment policies and in achieving their goals by enhancing the investment environment (UNCTAD, 2009). According to the same decree, it was its responsibility to simplify and facilitate investment procedures, to promote investment projects, to track projects' implementation and overcome obstacles that hinder their implementation and continuation. Most importantly, the Syrian Investment Authority was required to establish a one-stop shop, which was responsible for registering, licensing, granting approvals and certificates required by legislation in force, following up on-going projects, identifying their constraints and coming up with solutions for them.

Figure 1 Syrian government institutional reform efforts to move towards a more market-based economy

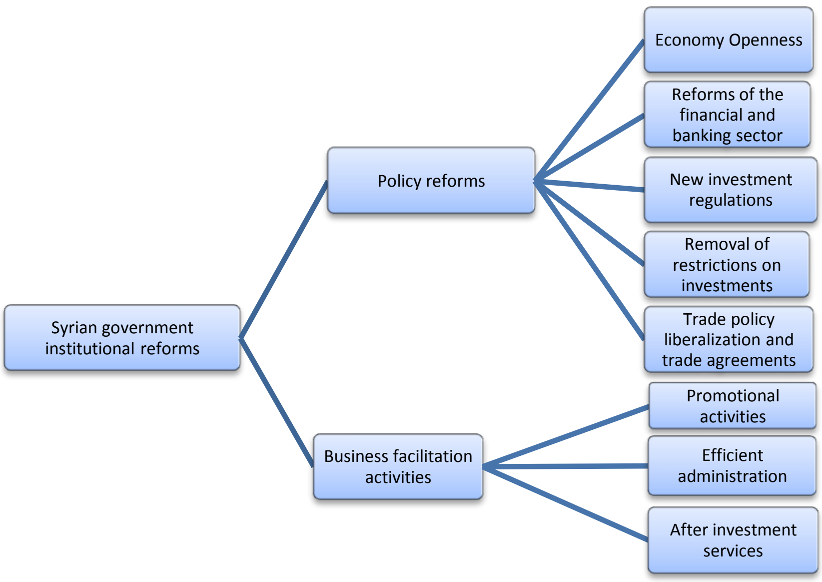

Figure 1 lists the above-discussed Syrian government institutional reforms into two major groups: policy reforms and business facilitation activities. This illustration of the Syrian government institutional reforms provided a suitable framework for exploring the role of these reforms in attracting FDI into Syria and was used as a guide for data collection and later as a template for data analysis; as is explained in the following sections.

Research Strategy and Data Collection

This study followed a qualitative research strategy and used semi-structured interviews as the data collection method. This choice of research strategy and data collection method was a result of adopting interpretivism as the epistemological position of this study. To be clearer, following this position, the researcher regards the issue under investigation (the locational decision of FDI) as arising from the interaction among a set of conditions and persons (Bryman and Bell, 2007). Hence, collecting data based on this philosophical position needed a direct interaction with the people involved in deciding the location of FDI in Syria (Saunders et al., 2009).

Therefore, key decision makers who were directly involved in making the locational decision of FDI in Syria formed the research population for this study. This included foreign investors in Syria and their representatives, such as their Syrian partners, their consultants and regional managers. The major source of information about the research population, including the respondents' projects and contact addresses was the Syrian Investment Authority.

After a series of calls and negotiations to gain access to the people on the lists obtained from the Syrian Investment Authority, interviews were conducted with 30 respondents, twenty of them were from the manufacturing sector and ten were from the services sector. All the interviews were conducted in 2011, prior to the escalation of the on-going conflict. The interview guide used during the conducted interviews included questions designed to explore the participants' impressions of the factors illustrated in Figure 1, i.e. the Syrian government policy reforms and the investment facilitation activities provided by the Syrian Investment Authority and its one-stop shop.

Analysis of the Interviews

A group of techniques provided by King (2004) for using templates in the thematic analysis of text was considered to be the most suitable approach for analysing the collected data because of its flexibility. The strength of template analysis is that it combines inductive and deductive approaches to the analysis of qualitative data. This is because in template analysis codes are predetermined and then revised and amended as data are collected and analysed (Saunders et al., 2009).

The framework illustrated in figure1was the initial template that was used for coding and analysing the collected data. However, it is difficult, and might be unreliable to continue the analysis using the same initial codes (or A priori codes, as called by Gibson and Brown (2009, p. 130)) without any changes (Miles and Huberman, 1994). Therefore, King (2004) assumes that in the course of the coding process, the initial template will be subject to revision and some amendments would take place. In addition to that, the early examination of the data using the initial set of codes may reveal new interesting issues that should be explored and, therefore, 'empirical codes' emerge (Gibson and Brown, 2009, p. 130). Hence, it was necessary to allow new themes and codes to emerge inductively while the analyst in this study was coding and analysing the data. As a result, new elements were found that were related to the issue under investigation and were added to the template.

In the following section, the findings of the interviews' analysis are presented and discussed in the light of the literature. The patterns of these findings are compared with the patterns found in the literature, which enables the adequacy of the theoretical proposition to be tested.

Findings and Discussion

The analysis of the interviews confirmed that the institutional factors explored in this study, including the Syrian policy framework reforms and business facilitation activities, had a positive impact on the attractiveness of Syria's investment environment to FDI.

The impact of the Syrian policy reforms on FDI inflows into Syria

Consistent with the findings of other studies (e.g. Resmini, 2000, Bevan et al., 2004, Botrić and Škuflić, 2006, Riedl, 2010), economy openness activities carried out by the Syrian government as result of its decision in 2005 to move from a centrally planned economy to a more market-based one have opened the Syrian market to FDI in sectors that were previously closed, such as banking, paper, cement, sugar, metal and motor industries. For example, a general manager of a company based in the UAE that runs 5 star hotels in Syria told us that: 'Without allowing us to invest and without offering us the required facilities, including the necessary r*egulations, we wouldn't be able to invest in Syria'*.

The positive role of this trend in the Syrian economy after the transition decision, in terms of the FDI decision to invest in Syria, was confirmed by many other interviewees such as a general manager of Egyptian construction company who said that: 'In the past, our company *couldn't think about investing in Syria because of the government control of the cement* sector. However, opening up the Syrian economy brought us this good investment opportunity'.

This explains why most of the foreign investments we observed in Syria did not take place until the recent changes in the institutional environment. For instance, a general manager of group of five star boutique hotels owned by British Investor in Syria said that: 'All these traditional historic buildings (that could be used as boutique hotels) were in Syria for decades and they were so interesting for us. However, they became available only after enacting new legislation based on the Syrian government transition decision that was taken in 2005'.

In addition, in agreement with the findings of Henisz (2000), Javorcik (2004) and Ali et al. (2010), the institutions of the market-based economy provided protection for FDI against many types of risk, such as expropriation and nationalization, which has created a friendlier investment environment in Syria. For instance, a Syrian partner for a Saudi/German MNE investing in the health sector in Syria said: 'Moving to a market-based economy meant there was better protection for eve*ryone's rights, no matter whether they were Syrians or* foreigners'.

Moreover, it was apparent from the analysis of the interviews that market liberalization activities had a positive impact on foreign investors' perceptions of the Syrian investment environment by removing various market distortions, providing better supervision of market activities and improving positive standards of treatment of foreign investors. For example, a consultant for many Turkish FDIs in Syria said that: 'Most of the Turkish investors invested in Syria after issuing the investment law no8 in 2007. This was basically because of the fact that *this law gave them the right to own the investment land, while before they couldn't. In* addition to that, the new legislation offered private investors more exemptions. For instance, they now have the ability to import investment equipment duty free'. This claim was supported by many other interviewees, such as another Turkish investor who said: 'Foreign investors are now allowed to buy and own land for their projects. This encouraged me and many other Turkish investors to invest in Syria'. Similarly, an Iraqi investor in a carpet manufacturing project in Syria recalled that: 'We had been doing business with Syria for about 6 years, but we only started our investment in Syria 3 years ago when we noticed that Syria was stepping forward towards a more market-based economy'.

Moreover, many studies that explored FDI locational determinants within transition economies and emerging markets indicated that economy integration agreements and liberalizing trade policies had a positive impact on FDI inflows, especially in smaller size economies, since FDI had a higher propensity to export under such policies (e.g. Asiedu, 2002, Erdal and Tatoglu, 2002, Vijayakumar et al., 2010, Mohamed and Sidiropoulos, 2010, Bevan and Estrin, 2004, Bevan et al., 2004, Asiedu, 2006, Botrić and Škuflić, 2006). Similarly, it was found in this study that the Syrian trade policy liberalization initiatives and the trade agreements that Syria signed have enhanced the attractiveness of the transition economy of Syria to FDI. This was because of the role that these initiatives and agreements played in providing access to other markets and various efficiency factors from which FDI in Syria can benefit.

For instance, a consultant for many FDI projects in Syria which are mainly in the manufacturing sector told us that: 'Mo*st of my Turkish clients didn't only focus on the Syrian* market, but they also considered their investments in Syria as an investment in all other Arab countries'. He explained that this was because of Syria's membership of the Greater Arab Free Trade Area (GAFTA) that allows them to export their Syrian products to other Arab countries duty-free.

In addition, expanding the potential market size by liberalizing trade policy not only attracted new FDI into Syria, but also encouraged existing FDIs in Syria to expand. For example, a Turkish investor in a textile project in Syria told us that: 'At the beginning I was only interested in the Syrian and the Turkish market. However, these trade agreements widened the horizon of our business since it opened new markets for us. I am planning to expand my investment in order to export my production to other Arab countries and to take advantage of these agreements'.

<u>The impact of business facilitation activities</u>

The findings of this study also showed that business facilitation activities could positively reinforce the above policy reforms, thereby enhancing the attractiveness of Syria as a destination for FDI. For instance, various promotional activities were necessary to attract the attention of foreign investors and to change their general impression regarding the Syrian economy as closed and unfriendly to FDI. These findings are in line with Wells and Wint's (2000) argument that countries that sought better responses of FDI to their FDI policy liberalization efforts needed to carry out promotional activities, especially in view of recent intense competition to attract FDI. Moreover, UNCTAD (1998, p. 99) stated that 'it is one thing to change a policy, and quite another thing to get the information to FDI decision makers – let alone convince them to make an investment'.

Moreover, the study revealed a variety of factors that played a promotional role in terms of the locational decision of FDI in Syria, such as the availability of private banks that have a global reputation. As found in most of the interviews, foreign investors felt more interested in investing in Syria when they realised that banks with a global reputation were investing and operating in the same country. This situation gave them more assurance regarding the stability of the economy and the financial services they could expect. For instance, an Iraqi investor in a textile project said that: 'The existence of private banks gave me a clue about the Syrian economy and the Syrian government credibility in its new economic directions'.

In addition, many interviewees considered the existence of other FDIs a sign of less risk, especially political risk. For instance, the CEO of a French company investing in a food stuff manufacturing project in Syria told us that: 'The more FDI that Syria has, the less the political risk will be in the minds of foreign investors'.

Moreover, the prior experience of FDI projects in Syria appeared to have an important promotional role for the Syrian economy as a destination for FDI, especially in terms of FDI from the same home countries. Therefore, the negative experience of early investors in Syria will negatively influence further inflows of FDI. Most of the interviewees expressed such a view. For example, a Turkish partner in many FDI projects in Syria told us that: 'Investors undertake studies regarding every potential location including the perceptions of other investors who have invested before in the same location and the problems they faced'.

On the other hand, the incompetence of public sector staff and the inefficiency of the Syrian Investment Authority in facilitating the investment procedures had a negative impact on foreign investors' experience and impressions about the investment environment in Syria. This was because, as a result of these factors, foreign investors often found themselves facing rigid bureaucracy and corruption. For instance, a Saudi investor who is a partner in petrochemical project in Syria said: 'Despite the fact that the Syrian government has always tried to simplify our investment procedures, there have always been obstacles, especially in terms of putting new laws into action'. This point was recalled by almost all the interviewees, such as a Turkish business man who is investing in, representing and providing consultations for Turkish investments in Syria who said: 'The practical application of the new laws was very difficult and prevented any new investor from thinking of expanding his investment'. These findings support the argument of other studies (e.g. Young and Hood, 1994, UNCTAD, 1995, UNCTAD, 1998), that host countries are increasingly advised to make more efforts regarding after investment services including day-to-day operational matters.

However, the research revealed that the above problems were less daunting when foreign investors had previous experience in the Syrian economy or in an economy with similar conditions. This confirms the argument of Peng (2000) that a MNE which had expertise in dealing with transition economies would have a stronger position within these economies. The research showed that those foreign investors with such experience were well prepared and had developed suitable skills to deal with an investment environment that was similar to that of Syria. For instance, the Philippine CEO of the Philippine MNE that is developing and running one of the two main container terminals in Syria said that: 'We have experience from all over the world and even in many places that are worse than Syria, so we were prepared for the situation in Syria'.

Moreover, it was also found that cultural and social proximity between the host country (i.e. Syria) and some home countries in the sample (e.g. Turkey and Iraq) played a similar role to that of having previous experience. To be precise, it was noticed from the interviews that these factors reduced the negative influence of some deficiencies in the institutional environment such as the ambiguity in the policy framework. This was basically by making foreign investors feel more familiar with the investment context and more confident of their ability to deal with the investment conditions in the new location. For example, in our interview with an Iraqi investor in Syria he told us: 'As investors from similar Arabic country (Iraq) we anticipated that we would be facing problems when dealing with the Syrian institutions and authorities, which made us more prepared and patient'. These findings are in line with the findings of some other recent studies, such as Procher (2011), Blonigen and Piger (2011) and Du et al. (2011), which found that the distance between the FDI home country and the host country (measured by cultural and geographical proximity) influenced the locational decision of FDI.

Conclusion

This study has explored FDI locational determinants in transition economies within a new geographical region, i.e. Syria, which has not been empirically explored regarding this point before. Even though the current study focused on the Syrian economy as a recent case of a transition economy, the findings are not limited to the context under focus, but they contribute to the findings of other studies that take place in similar contexts, which shows the broader theoretical significance of the study.

Moreover, the methodological approach adopted in the study responds to the calls for more open, flexible and creative designs in international business research that can reveal the meaning behind the numerical data in previous statistical research (e.g. Young et al., 2003, Coviello and Jones, 2004, Ghauri and Gronhaug, 2005, Sinkovics et al., 2005, Aharoni, 2011). In order to provide insights that could not be offered by the more common quantitative approach, this study followed a qualitative research strategy to explore the impact of institutional reform on the locational decision of FDI in the transition economy of Syria. The locational decision of FDI was seen as a decision made by foreign investors in conjunction with their partners and consultants. Therefore, an understanding of the impact of the institutional factors covered in the study on the locational decision of FDI in Syria required the exploration of the perceptions of those key players who were directly involved in making the locational decision of FDI in Syria.

The research findings revealed that institutional reform and business facilitation activities taken by the Syrian government have enhanced Syria's attractiveness to FDI, which confirms the theoretical proposition of this study. In other words, the findings of the study support the patterns found in previous research which explored the impact of various institutional factors on the locational decision of FDI in similar contexts (e.g. Estrin et al., 2000, Bevan and Estrin, 2004, Bevan et al., 2004, Botrić and Škuflić, 2006, Li and Park, 2006, Bénassy-Quéré et al., 2007).

Moreover, in line with the above findings, the study also revealed that weaknesses in the Syrian institutional framework negatively impacted foreign investors' impressions of the Syrian investment environment. However, the flexibility of the methodological approach and the analysis technique that was followed in this study enabled factors which had influence on the impact of these weaknesses on the locational decision of FDI in Syria to emerge inductively during the analysis of the qualitative data. These factors are:

- Foreign investors having previous experience in the Syrian economy or in an economy with similar conditions.

- Cultural proximity between the FDI home country and the transition economy of Syria.

The study revealed that these factors affected the locational decision of FDI in the transition economy of Syria by tempering the negative impact of various weaknesses in the institutional environment on foreign investors' decision to invest in Syria. This was because in both cases foreign investors were less concerned about these weaknesses since they expected them, were familiar with them, were more prepared and equipped with suitable skills and tools for overcoming such weaknesses.

Recognition of these factors is important as a basis for deeper exploration in future research on FDI locational decisions. In other words, these factors open new avenues for future research on the locational determinants of FDI in transition economies. Moreover, the emergence of these factors as a result of the flexibility of the new methodological approach adopted in this study demonstrates the value of this approach and suggests the desirability of replicating it within other contexts. This is because following our interpretivist approach to explore the locational determinants of FDI within different contexts might reveal more new factors that influence the locational decision of FDI.

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