



in technology. It is not clear from this brief analysis why precisely this is the case, but there are a variety of potential explanations. Firms might need production methods to be able to translate appropriately to the foreign country, which would require a similar level of technology. Higher technology levels in the recipient country might allow better coordination with offices in the investing country. And higher technology levels might also be correlated with other factors not investigated here, which could affect incentives for CDIA.

This short highlight section does not fully explore the question of how differing technology levels in recipient countries affect horizontal and vertical foreign direct investment; however, it provides a preliminary look at the effects on CDIA, and perhaps a starting point for further research.⁶ Overall, support is for vertical direct investment driving CDIA, and higher technology levels having a positive effect upon that motive for investment.

⁶ The addition of more years of data, for example, might serve to address the lack of significance in some of the results. A better proxy for the variable used in the section for vertical direct investment might also be useful, as skilled labour is an imperfect proxy for other differences in endowments.