

# The Impacts Of Foreign Direct Investment On The Economic

This study empirically examines the relationship between foreign direct investment and economic growth in South America using panel data for the period 1970-2013. The variables used in the study include real GDP, real foreign direct investment, real gross capital formation, real openness, real government consumption expenditure, index of human capital and labor force participation rate. The data were obtained from World Bank, UNCTAD and Penn Table. Ten out of twelve countries were included in the study. The study employs cointegration test and vector error correction analysis as the estimation technique. The evidence indicates that there is a positive and statistically significant long-run relationship between foreign direct investment and GDP. Additionally, the results reveal a bidirectional Granger causality between foreign direct investment and GDP in the short-run. The conclusion is that increases in FDI inflows translate to economic growth in South America. Also, in the short-run, there is a two-way causation between foreign direct investment and economic growth. The study recommends that incentives should continuously be offered by

the countries in South America to attract FDI. Additionally, the region should strengthen its legal framework regulating foreign investment as this will create a conducive investment environment to attract FDI.

'For readers looking for a comprehensive rigorously quantitative analysis of foreign direct investment (FDI) in China, there is no better work than Chunlai Chen's Foreign Direct Investment in China. In the book he analyzes a wide range of issues ranging from the contribution of FDI to China's growth to why FDI is concentrated in certain Chinese provinces and not others. Readers with an economics or statistical background will get the most out of the book, but it is accessible and informative for many others.' Dwight H. Perkins, Harvard University, US Foreign Direct Investment in China is one of the most comprehensive studies of FDI in China and provides a remarkable background of information on the evolution of China's FDI policies over the last 30 years. Chunlai Chen presents a compelling and thorough analysis of the leading theoretical explanations of FDI and a series of rigorous empirical examinations of the location determinants of FDI. He examines a comprehensive analysis of the differences in investment and production behaviour between the major investors as well as an in-depth investigation of the impacts of FDI on China's economy. This book is a highly focused and unique work of theoretical analysis and

empirical study of FDI in China. It is a valuable and important reference for scholars and students who are interested in FDI in general and in Chinese economic studies in particular.

Foreign direct investment (FDI) has increased rapidly in Lithuania over the past twenty years and many researchers link the increase of FDI to economic growth. This paper addresses the important question of whether foreign direct investment enhances economic growth of Lithuania. The main objective of the master thesis is to analyze empirically the impact of FDI on the GDP per capita growth rate, using quarterly data from 2002 to 2012. VEC model with cointegration technique is applied to investigate the relationship between GDP per capita growth rate and labor force, human capital, trade openness, gross capital formation and FDI. The analysis focuses on both short-run and long-run effects of FDI on economic growth of Lithuania. The papers findings reveal that FDI negatively impacts economic growth of Lithuania in the long-run, in addition to this, EC model estimates suggest that economic growth in Lithuania is not particularly sensitive to FDI stocks in the short-run. According to the short-run analysis, impact of FDI on economic growth is not significant in the case of Lithuania. Finally, the paper offers some recommendations linked to FDI to enhance the economic growth of Lithuania.

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Foreign direct investment (FDI) flows have increased dramatically in recent decades. As developing countries, particularly in Asia, remove restrictions and implement policies to attract FDI inflows, trade and investment have become increasingly intertwined. As such, there have been growing calls for a multilateral framework of foreign investment rules to be negotiated under the auspices of the World Trade Organization (WTO). This paper reviews recent developments in FDI flows and their impacts in developing Asia, and the importance of the policy context in which those flows occur. It discusses advantages and disadvantages of including FDI in WTO negotiations, and related policy options for developing Asian economies.

This book studies the impact of China's outward foreign direct investment on the world economy. It uses both case studies and modeling approaches to study how China's investments have affected the rest of the world.

We test the effect of foreign direct investment (FDI) on economic growth in a cross-country regression framework, utilizing data on FDI flows from industrial countries to 69 developing countries over the last two decades. Our results suggest that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. However, the higher productivity of FDI holds only when the host country has a minimum

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threshold stock of human capital. In addition, FDI has the effect of increasing total investment in the economy more than one for one, which suggests the predominance of complementarity effects with domestic firms.

Parental Supervision amplifies the research Theodore Moran first presented in *Foreign Direct Investment and Development* (1998), assessing the opportunities and dangers that foreign direct investment may present to the growth of developing countries. Moran uses almost 50 percent more case studies than the earlier work to examine two types of foreign investments: (1) those that are tightly integrated into the parent firm's strategy and (2) those that are hindered by joint-venture and domestic-content requirements.

The study is a comparison between these two types of foreign operations how backward linkages to local suppliers, operations of local affiliates, and the spillovers and externalities in the host economy differ from one type of foreign operation to the other. In tightly integrated networks, not only is the performance of local affiliates superior and upgraded more continuously, but also, surprisingly, the backward linkages from the affiliates to local suppliers tend to be larger and more robust. Moran reviews contemporary efforts to measure the impact of simultaneous trade and investment liberalization on host country welfare, finding that the magnitude of both the benefits and the costs may be far greater than conventional wisdom suggests.

This specialist new economics book investigates how foreign direct investment inflow exerts influences on Chinas income inequality levels. It outlines the empirical affects of

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FDI using dynamic panel data mining techniques, which the author has extrapolated from a large amount of government-level source data. Income inequality is starting to exert real pressure on Chinas economy and politics. This book aims to build a bridge between FDI and Chinas income distribution issues. It sets out a general equilibrium macroeconomic model for China, then empirically tests the theoretical conclusions of this model using firm-level panel data. The covering includes; an explanation of how the author has researched the FDI-inequality nexus: a succinct survey of the available research findings on this subject, plus the authors clarification of the key elements at play: a carefully set out general equilibrium model based on endogenous growth theory for an open economy including macro, middle and micro perspectives on the FDI-income inequality nexus: an outline of the dynamic panel data method used in this key book: estimated statistical models for the impacts of FDI on wages and employment levels in China.

Over the past twenty years, foreign direct investments have spurred widespread liberalization of the foreign direct investment (FDI) regulatory framework. By opening up to foreign investors and encouraging FDI, which could result in increased capital and market access, many countries have improved the operational conditions for foreign affiliates and strengthened standards of treatment and protection. By assuring investors that their investment will be legally protected with closed bilateral investment treaties (BITs) and double taxation treaties (DTTs), this in turn creates greater interest in FDI.

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This book links the environment and corruption with China's large inflows of foreign direct investment (FDI). It investigates the effects of economic development and foreign investment on pollution in China; the effects of corruption and governance quality on FDI location choice in China.

Recoge: 1. Introduction - 2. The essential toolkit: gravity equation theory and econometrics - 3. Trade pricing effects of the euro - 4. Firm level evidence on the euro's trade effect - 5. The newly-traded goods hypothesis: evidence from the trade data - 6. The impact of the euro on foreign direct investment and cross-border mergers and acquisitions - 7. Discussion of channels and the specific questions - 8. Concluding remarks.

Academic Paper from the year 2018 in the subject Economics - Economic Cycle and Growth, grade: 1.3, University of Wuppertal, language: English, abstract: The main aim and purpose of this seminar is to examine, analyze and present the impact of FDI Inward stock and ICT capital on the economic growth of an economy considering the sample countries. As a general structure, the essay would first give an introduction about economic Globalization and its indicators particularly focusing on FDI and ICT. On the literature review part of the essay, cited definitions and theoretical background of FDI and ICT are presented. In an attempt to strengthen the essay, a brief insight into Economic growth and the linkage between FDI, ICT and economic growth is included. The empirical analysis of this essay investigates econometric relations and presents

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econometric results from the conducted analysis based on the collected data from the sample countries. Growth accounting approach using supply-side Cobb-Douglas production function is applied to look at the economic impact of growth rate of FDI Inward stock and growth rate of ICT capital on economic growth. The econometric analysis is structured in a way to first look at the separate impacts of the two independent variables on economic growth which is measured by growth rate of real GDP. Secondly, as a final model, the combined impact of the two independent variables on the growth rate of real GDP is presented and discussed. Standard panel data models are applied to investigate the empirical relationship pertaining to the selected BRICS countries (Brazil, Russia, India, China and South Africa). Data collected from year 1995 to 2015 is considered for the forthcoming econometric analysis. Finally, a summary of the work with conclusion and policy recommendation is given.

Foreign Direct Investment and the Chinese Economy provides a comprehensive overview of the impact of foreign direct investment, with extensive empirical evidence, on the Chinese economy over the last three and a half decades. "Foreign Direct Investment (FDI) studies have evolved as one of the mainstreams in business strategy. This book presents a comprehensive perspective on the motivations behind the studies, the effects of FDI, and how it can be utilized and extended to other areas of studies. Written with a global perspective, this book

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not only touches upon business strategies but also covers government policies toward promoting and attracting FDI for industrial and economic development. The author, with his vast experience in consulting and research projects for multinational companies, international organizations and governments, examines real world business practices of Eastern firms and how they relate to their Western counterparts, thus making this book a valuable and practical reference not only for students, but for practitioners, too."--

Since the collapse of communism in 1989, Central European countries reinforced their participation in the world economy. Many transition economies of Central Europe, including the Czech Republic, underwent economic integration into the global economy through European Union integration, usually by trade and foreign direct investment. Since then foreign direct investment has become a significant element of Central Europe. Pilsen, one of the most important industrial cities in the Czech Republic, has two times more foreign direct investment stock than the country's average for other Czech districts. This study examines the impacts of foreign direct investment on the urban economic growth of Pilsen and its role during the post-communist economic transformation of the city. Analysis focuses on key impacts of foreign direct investment that are important for understanding the economic change and performance within Pilsen. This book should be useful

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for broad academic public interested especially in economic geograhly and similar fields of research.

Many governments are engaged in the attraction and facilitation of foreign direct investment (FDI) into their economies. The reason for this is that foreign-owned firms can generate a variety of positive impacts on their host economies, related to capital investments, employment creation and the generation of export revenues. In this book, the authors present current research in the study of foreign investments, including technology gaps, agglomeration and FDI spillovers; globalization and the rise of logistical foreign direct investments in Italy; comparison of FDI and domestic producer firms; the risk management strategy of foreign direct investment, political risk and corporate social responsibility and the effect of inward FDI on economic growth in the League of Arab States.

Over the past two decades, the growth rate of outward foreign direct investment (FDI) from developing and transition economies has increased significantly. Given the role of physical capital accumulation in determining the economic growth rate, it is important to assess how domestic investment responds to such outflows. This study empirically examines the effects of outward FDI on domestic investment in developing countries. Using data from 121 developing and

transition economies over the period 1990–2010, the results suggest that FDI outflows negatively impact the rate of domestic investment.

Bachelor Thesis from the year 2019 in the subject Business economics - Investment and Finance, grade: 1,3, LMU Munich (Institut für marktorientierte Unternehmensführung), language: English, abstract: Both the drivers and effects of foreign direct investment (FDI) are complex and multifaceted. This thesis provides a conceptual overview of a selection of the most frequently considered drivers and economic effects of FDI in literature. The overview aims to support host countries in providing targeted incentives to attract FDI by raising the awareness of controllable drivers. Drivers for selecting a specific host country are presented hierarchically according to their controllability by the host country. The governance infrastructure as a driver, for instance, is easier to control by the target country than market characteristics, cultural distance, or resource endowments. This thesis discusses the drivers according to their decreasing controllability, starting with political factors, followed by economic, social, and cultural, as well as geographical factors. The reasons why these factors may attract FDI are outlined in the respective subsections. Moreover, this overview presents the economic effects of FDI on the host country. These effects include increased competition or spillover effects from foreign to local companies. The

composition of direct and indirect effects leads to the conclusion that all these effects impact economic growth, which represents both a driver and an effect of FDI simultaneously. Thus, this thesis refers to the dependencies between drivers and effects with their interrelated factor economic growth. Further, it is argued that the effects of FDI are significantly interdependent among each other. Therefore, the realization of specific effects, such as economic growth, strongly depends on conditions and specific characteristics, such as the particular threshold level of human capital in the host country.

The objective of this paper is to examine the nature and determinants of the regional distribution of foreign investment enterprise (FIE) employment in Hungary. Factors explaining the spatial concentration of foreign direct investment (FDI) inflows are investigated and the impact of regional FDI inflows on the performance of regional labour markets is measured. The main conclusion is that the regional distribution of FDI inflows is strongly influenced by the educational level of the local population, the externalities of urban agglomerations and the geographical location of regions. Additional advantages are identified in the case of those regions adjoining the Western-Slovakian, Austrian and Slovenian borders. A self-reinforcing process can be observed here: FDI is attracted to regions where unemployment is lower due to better educational levels and

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geographical advantages, while an increase in FDI in turn creates new job opportunities. We believe, however, that education and geographical location are in large part merely symptomatic of other, underlying factors. Uncovering these underlying factors has obvious policy implications: location as such cannot be changed, for example, but these background variables could be modified by changes in regional policy.

Economic growth remains a necessary ingredient for poverty reduction. Recent studies suggested that growth tends to lift the incomes of the poor proportionately with overall growth. Investment is known to be the engine of sustainable growth and due to the huge gap that exist between the required rate of investment and the existing rate of savings in LDCs, thus FDI is a vehicle to generate growth and an important ingredient to poverty reduction.

Seminar paper from the year 2009 in the subject Business economics - Investment and Finance, grade: 1,3, Berlin School of Economics (Hochschule für Wirtschaft und Recht (HWR) Berlin), course: International Corporate Finance, language: English, abstract: Foreign direct investment (FDI) is found almost everywhere in the world today and closely connected to worldwide globalization. Why do enterprises which are suc-cessfully operating in their home market decide on making investments in unknown and more insecure markets? Why do

investment destinations have an interest in admitting foreign investors into the economy? Considering that FDI has grown in importance in the global economy in the last decades, obviously there has to be significant advantages for both sides. The World Investment Report (WIR) of UNCTAD reports in their recent publication (2008) high records in FDI flows in the world (UNCTAD 2008a). While developed countries still attract the largest volume of FDI inflows, developing countries possess the highest growth rate in drawing a significant volume of investment into their economy. Transforming and emerging markets in South, East and Southeast Asia particularly showed rapid development of generated inflows and their economies are prospering. China is a famous example. In our paper, we would like to introduce a not so well-known little tiger – Vietnam – and South Korea, which is after impressive growth in the last decades due to FDI now on its way to becoming an industrialized country. First we will give a short theoretical overview of FDI. We will not analyze all global flows and development of FDI. Our focus lies in the development and framework of FDI in both above-mentioned countries and answering the question which impact did FDI have on their economic development. Therefore follows an especially economical introduction of both countries and then a deeper look into sectors of FDI. We will give a short classification of development in Vietnam and in South Korea in

comparison to global trends. In the final part of our paper, we will go into risks and weaknesses of both countries. At the end, we will give our conclusion concerning the impact of FDI on the two reviewed countries.

This book provides authoritative academic and professional insights into the effects of foreign direct investment (FDI) on home and host countries. It highlights global trends and patterns, and explores related policy challenges all with a special focus on the countries in Central, Eastern and South-Eastern Europe. The book cuts through the existing data fog by offering a wide range of up-to-date academic findings and institutional expertise. Those findings are rounded off with lessons to be learned from historical developments (Ireland's success story), an evaluation of current trends (the role of China) and an investment promotion agency policy for attracting sustainable investment (CzechInvest). Contributions made by central bank officials, institutional representatives, members of academia and professionals provide for a uniquely complementary view on FDI developments and their implications. At a time of big changes in the FDI landscape, this book offers both empirical and econometric evidence on foreign direct investment and will be of great interest to economists and other experts in the fields of economic policy and European integration from central, commercial and investment banks, governments, international organizations, universities and

research institutes. The special focus on FDI will attract those interested in, or directly involved in tackling the challenges of attracting sustainable investment or investing successfully abroad.

This book consists of detailed case studies of foreign direct investment (FDI) in China, India, Ireland, Malaysia, Mexico and Sub-Saharan Africa, providing a critical review of the determinants and impact of FDI on growth and development, employment, technology transfer and trade. The expert contributors examine a range of controversial issues including the contribution of the relatively large volume of FDI in China to its growth, whether India should fully liberalise its FDI regime and the impact of Mexico's membership of NAFTA on the volume of FDI it has attracted. Malaysia's economic policies, which appear to have attracted relatively large volumes of FDI but failed to generate the hoped for transmission of technology and skills are also questioned, along with the role of corruption in limiting the contribution of FDI to achieving social goals in Sub-Saharan Africa. The impressive record of the Irish Republic in attracting and harnessing FDI to development objectives is examined closely and provides a detailed analysis of policies likely to promote efficient utilisation of FDI. Foreign Direct Investment will be of interest to researchers, scholars and practitioners in the areas of international economics and international business - foreign direct investment

and multinational enterprises in particular - and development economics. One of the most important features of China's economic emergence has been the role of foreign investment and foreign companies. The importance goes well beyond the USD 1.6 trillion in foreign direct investment that China has received since it started opening its economy. Using the tools of economic impact analysis, the author estimates that around one-third of China's GDP in recent years has been generated by the investments, operations, and supply chains of foreign invested companies. In addition, foreign companies have developed industries, created suppliers and distributors, introduced modern technologies, improved business practices, modernized management training, improved sustainability performance, and helped shape China's legal and regulatory systems. These impacts have helped China become the world's second largest economy, its leading exporter, and one of its leading destinations for inward investment. The book provides a powerful analysis of China's policies toward foreign investment that can inform policy makers around the world, while giving foreign companies tools to demonstrate their contributions to host countries and showing the tremendous power of foreign investment to help transform economies. "

Indonesia's diverse economic landscape and growing importance in the global and regional

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stages warrant deeper understanding of the economy at sub-national levels. This book by the Asia Competitiveness Institute (ACI) is an update of ACI's annual study of the competitiveness landscape of 34 Indonesian provinces. With 100 indicators covering four environments and 12 sub-environments of competitiveness, the study's unique methodology incorporates comparative strengths and weaknesses, and 'what-if' policy simulations aimed at policy suggestions for each province. This fifth instalment will continue to feature a structure and graphical presentation that offer investors an overview of each province's competitiveness landscape. A novel addition to this update is the chapter co-authored by academics from Indonesian provinces, which details recent developments in 34 provinces of Indonesia. This latest edition also introduces a novel approach of weights assignment in the form of Shapley values as a robustness test to our findings. Additionally, a new appendix has been included which provides a richer visual representation of each province's competitiveness profile. Finally, our study on the impact of exchange rates on foreign direct investment inflows to the provinces of Indonesia is also featured as a chapter in this book. Coupled with practical insights and policy implications, this book is a recommended read for policymakers, researchers, and the general audience interested in Indonesia's economic development. During the 1990s, the governments of South Asian countries acted as 'facilitators' to attract FDI. As a result, the inflow of FDI increased. However, to become an attractive FDI destination as China, Singapore, or Brazil, South Asia has to improve the local conditions of doing business. This book, based on research that blends theory, empirical evidence, and policy, asks and attempts to answer a few core questions relevant to FDI policy in South Asian countries: Which major reforms have succeeded? What are the factors that influence FDI

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inflows? What has been the impact of FDI on macroeconomic performance? Which policy priorities/reforms needed to boost FDI are pending? These questions and answers should interest policy makers, academics, and all those interested in FDI in the South Asian region and in India, Pakistan, Bangladesh, Sri Lanka and Pakistan.

This new book, by a distinguished group of contributors, offers insights into the impact of foreign investment on China's growth and regional economic development. The book features an examination of China's investment policy, an analysis of the most recent industrial surveys, case studies from selected regions, and applications of modern econometric techniques to data on foreign direct investment in China. *Foreign Direct Investment and Economic Growth in China* will be of interest to those working in the areas of international business, finance and international economics as well as Asian development and Chinese economic studies.

This book examines how foreign direct investment (FDI) inflows to Central and Eastern Europe have changed after the Great Recession. It argues that beyond their cyclical effects, the economic crisis and the changing competitiveness of Central and Eastern European countries have had structural impacts on FDI in the region. FDI has traditionally been viewed as the key driver of national development, but the apparent structural shift means that focusing on cheap labour as a competitive advantage is no longer a viable strategy for the countries in the region. The authors argue that these countries need to move beyond the narrative of upgrading (attracting FDI inflows with increasingly higher value added), and focus on ensuring greater value capture instead. A potential way for doing this is by developing the conditions in which innovative national companies can emerge, thrive and eventually develop into lead firms of global value chains. The book provides readers with a highly informative account of the

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reasons why this shift is necessary, as well as diverse perspectives and extensive discussions on the dynamics and structural impacts of FDI in post-crisis Central and Eastern Europe.

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