New Voices in Investment

Foreign direct investment (FDI) is observed to be a predominant form of capital flows to low and middle income countries with insufficiently developed capital markets. This paper analyzes the problem of channeling domestic savings into productive investment in the presence of asymmetric information between the managing owners of firms and other portfolio stakeholders. We emphasize the crucial role played by FDI in sustaining equity-financed capital investment for economies plagued by such information problems. Similar problems also exist for foreign portfolio debt flows. The paper identifies how, in the presence of information asymmetry, different capital market structures may lead to foreign over- or under-investment and to domestic under- or over-saving, and thus to inefficient equilibria. We show how corrective tax-subsidy policies consisting of taxes on corporate income and on the capital incomes of both residents and nonresidents can restore efficiency.

Foreign Direct Investment in a Macroeconomic Framework

Foreign direct investment (FDI) is observed to be a predominant form of capital flows to emerging economies, especially when they are liquidity-constrained internationally during a global financial crisis. The financial aspects of FDI are the focus of the paper. We analyze the problem of channeling domestic saving into productive investment in the presence of asymmetric information between the managing owners of firms and the other portfolio stakeholders. We explore the role played by FDI in reviving equity-financed capital investment for economies plagued by such information problems. In the...
presence of asymmetry, the paper identifies how, however, FDI gives rise to foreign overinvestment as well as domestic undersaving. We re-examine the gains from trade argument (applied to intertemporal trade) in this case of informational-asymmetry driven FDI. We show that the gains could be sizable when the domestic credit market is either underdeveloped or failing as a result of a financial crisis. But with well-functioning domestic credit market, the gains turn into losses. Surprisingly, capital may flow into the country even though the autarkic marginal productivity of capital in the domestic economy falls short of the world rate of interest. In such a situation, capital should have efficiently flown out rather than in, and FDI is a loss-generating phenomenon.

**Outward Foreign Direct Investment and Domestic Investment**

**Capital Flows to Central and Eastern Europe and the Former Soviet Union**

**The Impact of Foreign Direct Investment (FDI) on Domestic Savings and Economic Growth in Selected ASEAN Countries**

The world economy is not what it used to be twenty years ago. For most of the 20th century, the world economy was characterized by developed (North) countries acting as 'center' to a 'periphery' of developing (South) countries. However, the recent rise of developing economies suggests the need to go beyond this North-South dichotomy. This tectonic re-configuration of the global landscape has brought about significant changes to countries in the Latin America and Caribbean (LAC) region. The time is ripe for an in-depth analysis of the dynamics and nature of LAC's external connections. This latest volume in the World Bank Latin American and Caribbean Studies series will focus on the implications of these trends for the economic development of LAC countries. In particular, trade, financial, macroeconomic, and sectoral shifts, as well as labor-market aspects will be systematically analyzed.

**Sustainability of Private Capital Flows to Developing Countries**

Thesis (M.A.) from the year 2016 in the subject Economics - Case Scenarios, grade: 3.89, , language: English, abstract: The main objective of this study is to investigate the macroeconomic determinants of economic growth in Ethiopia from 1974-2014. A Vector Error Correction Model (VECM) to cointegration approach is applied in order to investigate the long run and short run relationship between real GDP and its macroeconomic determinants. The finding of the cointegration test shows that there is a stable long run relationship between real GDP, gross domestic saving, labor, human capital, export, FDI, foreign aid and external debt. The long run empirical result reveals gross domestic saving, human capital proxied by government expenditure on health and education, and labor force have positive and significant relationship with real output. However export and real GDP have positive but insignificant relationship. External debt, foreign aid and FDI have negatively significant relationship with real GDP during the study period. The short run dynamic results shows that human capital, saving and FDI have positive relationship with output growth whereas labor, export, aid and external debt have negative relationship with Real GDP. The coefficient of equilibrating error term (ECM) suggests that the speed of adjustment (feedback effect towards the long run equilibrium) takes few years for full adjustment when there is a shock in the system. In order to sustain long run growth the government or policy makers should design appropriate policies that results in the efficient use of resources contributing to economic growth and proper management of variables resulting to negative growth in order to reverse their effect on output.

**Policies Aimed at Attracting Foreign Direct and Intraregional Investment in the Escwa Region**
"This paper introduces a framework for analyzing the role of financial factors as a source of instability in small open economies. Our basic model is a dynamic open economy model with a tradeable good produced with capital and a country-specific factor. We also assume that firms face credit constraints, with the constraint being tighter at a lower level of financial development. A basic implication of this model is that economies at an intermediate level of financial development are more unstable than either very developed or very underdeveloped economies. This is true both in the sense that temporary shocks have large and persistent effects and also in the sense that these economies can exhibit cycles. Thus, countries that are going through a phase of financial development may become more unstable in the short run. Similarly, full capital account liberalization may destabilize the economy in economies at an intermediate level of financial development: phases of growth with capital inflows are followed by collapse with capital outflows. On the other hand, foreign direct investment does not destabilize"--NBER website

**Foreign Direct Investment in the World Economy**

Does economic size matter for economic development outcomes? If so are current policies adequately addressing the role of size in the development process? Using working age population as a proxy for country size, Open and Nimble, systematically analyzes what makes small economies unique. Small economies are not necessarily prone to underdevelopment and in fact can achieve very high income levels. Small economies, however, do tend to be highly open to both international trade and foreign direct investment, have highly specialized export structures, and have large government expenditures relative to their Gross Domestic Product. The export structures of small economies are concentrated in a few products or services and in a small number of export destinations. In turn, this export concentration is associated with terms of trade volatility, which combined with high exposure to international trade, implies that small economies tend to face more volatility on average as external volatility permeates national economic life. Yet small economies tend to compensate for their export concentration by being nimble in the sense of being able to change their production and export structure relatively quickly over time. Moreover, limited territory plays a role in shaping how economies are affected by natural disasters, even when the probability of facing such disasters is not necessarily higher among small than among large economies. The combination of large governments with macroeconomic volatility seems to be associated with low national savings rates in small economies. This combination could be a challenge for long-term growth if productivity growth and foreign investment do not compensate for low domestic savings. The book finishes with some thoughts on how policy makers can respond to these issues through coordinated investments and regional integration efforts, as well as fiscal policy reforms aimed at both increasing public savings and conducting countercyclical fiscal policies.

**Channelling Domestic Savings Into Productive Investment Under Asymmetric Information**

**The Effects of Taxation on Multinational Corporations**

Few economic issues have generated as much controversy as Japanese foreign direct investment. Many critics perceived Japanese foreign multinational enterprises and direct investment as causing economic dislocation and deindustrialization. When the host countries experienced difficulties in receiving Japanese foreign direct investment, many connected these difficulties with the world economic showdown between 1970 and 1990, when productivity and employment grew more slowly than in previous decades. Fueled by a high domestic savings rate and by the paper profits of Japan's bubble economy, Japanese foreign direct investment surged between 1970 and 1991 as Japanese firms moved overseas to avail themselves of cheap labor, avoid trade conflict, and acquire real estate and natural resources. When Japan's financial bubble finally burst and foreign direct investment declined, however, Japan's securities and real estate markets turned sour. Economic indicators slid downward and flattened as the world experienced its worst economic depression since the end of the
World War II. Japanese foreign direct investment generated new opportunities and benefits but also created new problems for the recipient countries. This volume examines the countries that received nearly three-fifths of all Japanese foreign direct investment between 1980 and 1990 and asks the following questions. Why did Japanese foreign direct investment increase so dramatically between 1970 and 1991? What are some of the significant patterns of Japanese foreign direct investment in host countries? What economic effect did Japanese foreign direct investment have on the host countries?

**Foreign Direct Investment, Domestic Savings and Economic Growth in Kazakhstan**

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.

**Macroeconomic Determinants of Economic Growth in Ethiopia. A Vector Correction Model**

**An Information-based Model of Foreign Direct Investment**

**Policy Competition for Foreign Direct Investment**

Aims to improve our understanding of the factors determining the economic performance of the Pacific area developing countries. The book deals with both the newly industrializing countries and the newly exporting countries.

**Tax Policy and International Capital Flows**

**Foreign Direct Investment in a Macroeconomic Framework**

**Policies Aimed at Attracting Foreign Direct and Intraregional Investment in the ESCWA Region**

The tax rules of the United States and other countries have intended and unintended effects on the operations of multinational corporations, influencing everything from the formation and allocation of capital to competitive strategies. The growing importance of international business has led economists to reconsider whether current systems of taxing international income are viable in a world of significant capital market integration and global commercial competition. In an attempt to quantify the effect of tax policy on international investment choices, this volume presents in-depth analyses of the interaction of international tax rules and the investment decisions of multinational enterprises. Ten papers assess the role played by multinational firms and their investment in the U.S. economy and the design of international tax rules for multinational investment; analyze channels through which international tax rules affect the costs of international business activities; and examine ways in which international tax rules affect financing decisions of multinational firms. As a group, the papers demonstrate that international tax rules have significant effects on firms' investment and other financing decisions.

**Foreign Direct Investment in Developing Countries**
This study provides an analysis of policies relating to foreign direct investment (FDI) in ESCWA Member States and a review of the institutional frameworks that regulate FDI inflows and activities in those countries. It also includes a study of the mobilization policies employed by Bahrain, Jordan and Yemen with a view to supporting FDI and increasing their share of global flows of such investment. Those countries were selected because of the extreme importance of FDI to their economies, given that they are not major exporters of oil. Bahrain is an example of a Gulf Cooperation Council State. Jordan is a member state of the ESCWA member countries with a more diversified economy, while Yemen is one of the least developed countries in the ESCWA region.---Publisher's description.

**U.S. Trade and Investment with Sub-Saharan Africa, 1st Annual Report, Inv. 332-415**

**Capital Flows to South Asian and ASEAN Countries**

**FDI and Development in Vietnam**

This book looks at the evidence and assesses the impact of competition among governments to attract FDI. It finds little evidence directly to support fears of a "global race to the bottom" in labour and environmental standards.

**Implications for U.S. Trade and Competitiveness of a Broad Based Consumption Tax, Inv. 332-389**

**Foreign Aid and Economic Growth**

In development literature Foreign Direct Investment (FDI) is traditionally considered to be instrumental for the economic growth of all countries, particularly the developing ones. It acts as a panacea for breaking out of the vicious circle of low savings/low income and facilitates the import of capital goods and advanced technical knowhow. This book delves into the complex interaction of FDI with diverse factors. While FDI affects the efficiency of domestic producers through technological diffusion and spillover effects, it also impinges on the labor market, affecting unemployment levels, human capital formation, wages (and wage inequality) and poverty; furthermore, it has important implications for socio-economic issues such as child labor, agricultural disputes over Special Economic Zones (SEZ) and environmental pollution. The empirical evidence with regard to most of the effects of FDI is highly mixed and reflects the fact that there are a number of mechanisms involved that interact with each other to produce opposing results. The book highlights the theoretical underpinnings behind the inherent contradictions and shows that the final outcome depends on a number of country-specific factors such as the nature of non-traded goods, factor endowments, technological and institutional factors. Thus, though not exhaustive, the book integrates FDI within most of the existing economic systems in order to define its much-debated role in developing economies. A theoretical analysis of the different facets of FDI as proposed in the book is thus indispensable, especially for the formulation of appropriate policies for foreign capital.

**Latin America and the Rising South**

**Foreign Direct Investment and Economic Growth**

September 1998 Foreign direct investment and, more recently, short-term debt and portfolio flows have become important parts of private capital flows to Central and Eastern Europe and the former Soviet
Private flows have increased in response to reform efforts, the buildup of reserves, and prospective membership in the European Union. Private capital flows to Central and Eastern Europe and the former Soviet Union have taken off in recent years. Foreign direct investment was the most important such flow from 1991-97, but since 1993 short-term debt and portfolio flows have also been important. The increase in these potentially more volatile short-term flows raises some questions about sustainability and vulnerability. Perhaps more than in other developing countries, reform efforts appear to be the most important determinant of private flows to the region. Private flows also have responded positively to the buildup of reserves (a proxy for improvements in perceived creditworthiness) and to prospective membership in the European Union (reflecting greater economic integration with the West and a greater commitment to reform). Official flows have been associated with the financing of fiscal deficits and appear to have led, rather than followed, countries’ reform efforts. This paper—a joint product of the Economic Policy Division, Poverty Reduction and Economic Management Network; and the Poverty Reduction and Economic Management Sector Unit, Europe and Central Asia Region—was prepared for the National Bureau for Economic Research study, Capital Flows to Emerging Markets, organized by Sebastian Edwards. The authors may be contacted at cclaessens@worldbank.org or rpolastr@worldbank.org.

**Contribution of Fdi in Economic Growth of Pakistan**

**Financial Development and the Instability of Open Economies**

This study analyzes the characteristics, motivations, strategies, and needs of FDI from emerging markets. It draws from a survey of investors and potential investors in Brazil, India, South Korea, and South Africa.

**Development Centre Studies Capital Flows and Investment Performance Lessons from Latin America**

Savings in Ghana like most developing countries is very low. This poses problem to investment and economic growth due to lack of capital formation. The trend has been to use foreign capital as source of development. This work tries to examine the contribution of foreign capital on the Ghanaian economy. Precisely, it examines the effects of the individual components of foreign capital - foreign aids and grants, foreign direct investment and foreign commercial borrowing- on domestic savings in Ghana and by extension other countries. More precisely to investigate the crowding-out debate of foreign capital on domestic savings in developing countries. The investigation set out in the error correction mechanism concludes that there is positive and significant effect of foreign capital on domestic savings rejecting the crowding out hypothesis in the long run but no significant effect on domestic savings in the short run. The result would awaken policy makers, banks and financial analysts to come out with policies that will attract the inflow of long term foreign capital relative to short term capital.

**Economic Policies in the Pacific Area Developing Countries**

Although capital is now generally free to move across national borders, there is strong evidence that savings tend to remain and to be invested in the country where the saving takes place. The current paper examines the apparent conflict between the potential mobility of capital and the observed de facto segmentation of the global capital market. The key to reconciling this 'Feldstein-Horioka paradox' is that, although capital is free to move, its owners, and especially the agents who are responsible for institutional investments, prefer to keep funds close to home because of a combination of risk aversion, ignorance and a desire to show prudence in their investing behavior. The paper presents evidence on the capital mobility and on capital market segmentation. The role of hedging and the difference between gross and net capital movements for individual investors and borrowers are discussed. The special place of foreign direct investment is also considered. The segmentation of the global capital market affects the impact of capital income taxes and subsidies. This is discussed in the final section of the
Open and Nimble

Published in 1998, this book provides an empirical analysis of the impact of foreign economic aid in 67 developed countries over a 19 year period. The results include the relationships between aid and growth and the implication that methodologies traditionally used have been largely responsible for inconsistent findings in the past.

Channeling Domestic Savings Into Productive Investment Under Asymmetric Information

Channeling Domestic Savings Into Productive Investment Under Asymmetric Information

The Effect of Japanese Investment on the World Economy

Foreign Direct Investment and Vietnam's Current Account Deficit

The role of foreign direct investment (FDI) in international capital flows is examined. Theories of the determinants of FDI are surveyed, and the economic consequences of FDI for both host (recipient) and home (investor) nations are examined in light of empirical studies. Policy issues surrounding possible negotiation of a “multilateral agreement on investment” are discussed.

What Determines Private Investment?

Significance of Foreign Direct Investment and Domestic Savings on Economic Growth in Turkey

As Vietnam's economy moves further along the path of development, this book presents urgent lessons for policymakers from the country's first decade of experience of FDI. A mere decade after the start of its reforms towards a market-oriented economy, a World Bank report named Vietnam the second largest recipient of foreign direct investment (FDI). Drawing on a wealth of hitherto unpublished data and qualitative analysis, this work critically examines the overall impact of FDI on Vietnam's economy, as well as the performance of individual projects. A major finding is that government policy and intervention have been important in channelling foreign investment flows towards national and regional development goals. This book is also a significant addition to the debates on FDI-induced effects such as technology transfer and employment creation in developing countries. It will be of great interest to all those researching or involved in policymaking in transitional economies in particular.

Foreign Capital Crowds-out Domestic Savings in Developing Countries

During the recent decades, Foreign Direct Investment (FDI) as a growth-enhancing component has received great attention in developing countries generally and in less developed countries particularly. It has been a matter of great concern for many economists that how FDI affects economic growth of host countries. In a closed economy, with no access to foreign savings, investment is financed solely from domestic savings. However, in an open economy investment is financed both by domestic savings and foreign capital inflows, including FDI. FDI enables investment-receiving countries to achieve investment levels beyond their capacity to save.
Channeling Domestic Savings Into Productive Investment Under Assymmetric Information

Channeling Domestic Savings Into Productive Investment Under Assymmetric Information: the Essential Role of Foreign Direct Investment

Foreign Direct Investment in Southeast Asia

This book, the result of a joint project between the OECD Development Centre and the UN Economic Commission for Latin America and the Caribbean (ECLAC), examines the policies of a group of major Latin American countries faced with large inflows.

Copyright code : f860f9e274ce496d36b1f75fa3ef856b