

Abstract

Foreign direct investment (FDI) inflow into developing countries has increased dramatically in recent years. However, the distribution of FDI is highly unequal and some countries face major difficulties in attracting foreign investors. The determinants of FDI are aggregate variables grouped into three main categories economic, social & political. Despite the substantial number of empirical studies on FDI, the empirical literature deals insufficiently with the question of the relative performance & effectiveness of each group of determinants. The majority of these studies concentrate primarily on economic variables. Social & political considerations are either discarded or are given little consideration. The purpose of this paper is three fold. First to investigate that a specific group of determinants of FDI posses an advantage in explaining the structure of FDI over the other when these group of variables are taken separately. Second to examine that whether a comprehensive model which takes into account the joint impact of economic, social & political considerations explain better the structure of FDI inflow than models which contains only socio-economic or solely political determinants. Third to investigate that the political climate has been responsible for the low level of FDI inflow in these region.

Table 3 — Top Ten Investors countries in the region..... 18

Table 4 — OLS Estimate for Socio-economic & Political Specification..... 33

Table 5: J Test Results..... 36

Table 6: Multiple J Test Results..... 38

Table 7 — OLS Results for the Comprehensive Model..... 40