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| Seminar Title | : Outward FDI, Country Risk, and Policy Space: Evidences from Emerging Countries |
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| Abstract | : During the last few decades, the surge in Outward Foreign Direct Investment (OFDI) from Emerging Source Countries (ESCs) has rapidly gained momentum in the world economy. The focus of this study is threefold. First, to investigate the major driving forces of outward FDI from ESCs while destinations are heterogeneous groups such as developed (DCs), emerging (ECs), and other developing countries (ODCs). Second, to analyze the effect of country risk of both source and destinations on bilateral FDI originating from emerging source countries. Third, to analyze the role of the national policy space of ESCs and its influence on OFDI. The findings of this study suggest that the determinants of OFDI from ESCs differ amongst country groups and with time. The investments from ESCs to DCs and ODCs increased in the pre-crisis period while significantly declining in the post-crisis period and gradually moving towards other emerging hosts. Moreover, reducing political risk factors within ESCs collectively supports OFDI by bringing market transparency and introducing market competition that can promote new forms of outgoing investors to invest more abroad. On the destination side, improvement in political stability attracts more inward FDI from ESCs. Additionally, this study finds evidence for the countercyclical behavior of the economic risk of DCs. The natural risk factors negatively discourage these investments when the partners are DCs and ODCs. Furthermore, the results demonstrate that the domestic economy's available fiscal space encourages OFDI from ESCs to DCs. The study's findings highlight the challenges and opportunities of ESCs in channeling the volume and direction of OFDI. Based on the findings, the policymakers of ESCs should promote market-seeking and efficiency-seeking motives of OFDI. ESCs should place macroeconomic uncertainty, political stability, a better management system of natural risks, and ensure the ease of use of fiscal space in their domestic market. |