John Wesley Powell Student Research Conference

2000, 11th Annual JWP Conference

Apr 15th, 11:00 AM - 12:30 PM

Factors that Determine Foreign Direct Investment in Lesser Developed Countries

Jason Lewis
Illinois Wesleyan University

Michael Seeborg, Faculty Advisor
Illinois Wesleyan University

Oral Presentation 2.2

FACTORS THAT DETERMINE FOREIGN DIRECT INVESTMENT IN LESSER DEVELOPED COUNTRIES

Jason Lewis and Michael Seeborg*
Department of Economics, Illinois Wesleyan University

Net private capital flows to developing countries have dramatically increased in the past 15 years with much of the investment coming in the form of long-term, foreign direct investment. Because of the unique characteristics of this type of growth-enhanced investment, developing countries desire to attract and retain foreign direct investment (FDI). As a result, the lesser-developed country (LDC) has an incentive to strengthen areas and aspects of the economy or government that are heavily scrutinized by the firm when considering a possible long-term investment.

This study inends to measure the magnitude and the direction of suspected determinants that heavily influence a firm's decision to invest in FDI in a LDC. By utilizing the World Bank's World Development Data from 1997 in an OLS regression model, this study demonstrates the nature of key determinants of FDI, thus providing LDCs with the necessary information to make policy changes in order to maximize FDI.