

## **Determinants of Foreign Direct Investment in Emerging Countries Panel Co-Integration Analysis**

### **Abstract**

The aim of this paper is to examine the determinants of foreign direct investment (FDI) for Emerging Countries over the period 1984-2011 within Panel Cointegration.

Using panel data techniques, we take into account the both hypothesis economic dependencies and structural breaks. We find that the macro determinants like openness, growth rate, exchange rate volatility, and inflation rate have a long-run impact on FDI inflows in our panel. We considered two hypotheses ignored in economic literature on this subject which are economic dependencies and structural breaks.

The results obtained from fully modified OLS (FMOLS) and the dynamic OLS (DOLS) panel approaches proposed by Pedroni (2001, 2004) reveal the macro determinants like growth rate and openness appear to play a positive and significant effect on the entry of while inflation rate and exchange rate volatility have a negative and significant role. Overall, these results confirm our economic intuition.

**Keys words:** FDI, Emerging Countries, Panel Cointegration, fully modified ordinary least squares(FMOLS), Dependences and Structural breaks