

LINKING FDI INFLOWS TO COUNTRY INVESTMENT CLIMATE: A COMPARISON BETWEEN HIGH AND LOW PERFORMANCE COUNTRIES

Tahi J. Gnepa, California State University-Stanislaus, Turlock, CA, USA.

[dx.doi.org/10.18374/JIFE-14-3.11](https://doi.org/10.18374/JIFE-14-3.11)

ABSTRACT

The purpose of this study was to determine which investment climate variable(s) best predict a country's potential for success in attracting inward Foreign Direct Investment. Using data from the World Bank and the UNCTAD collected in 141 countries, we found that labor regulation was the sole distinctive factor between high performance countries and low performance ones. Further manipulations using country potential as a covariate indicated that tax administration separated "front runners" from "below potential" countries, while labor regulations and policy unpredictability distinguished "above potential" from "under-performers" countries. Benchmarking implications for public policy makers and government agencies charged with the promotion of inward foreign direct investment and other private financial flows are derived.

Keywords: *Investment climate, FDI performance, benchmarking, discriminant analysis.*