

EconWorld2015@Torino

The Relationship between FDI and Regional Economic Integrations: An Empirical Analysis of BSEC Countries

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ABSTRACT

This study investigates the effect of regional economic integration on foreign direct investment (FDI) in Organization of Black Sea Economic Cooperation (BSEC*) countries not only with theoretical point of view but also with empirical evidence. The effect of regional economic integration on FDI was empirically analyzed for 9 countries and the time period cover in this study is after the BSEC has been implemented. The model is estimated with panel data methods using a dummy variable for the regional economic integrations for the 1994-2013 periods. This paper is concerned with the effect of membership to regional economic integrations together with other factors has increased FDI flows. With the current increasing regionalization trend, this paper analyses that in order to attract higher amounts of FDI, developing countries should stress regional economic integration, or at least they should make regional trade agreements or free trade agreements.

KEYWORDS Foreign Investment; Economic Integration

JEL F15, F21, C23