EUROPEAN ACADEMIC RESEARCH
Vol. II, Issue 11/ February 2015

ISSN 2286-4822
www.euacademic.org

Impact Factor: 3.1 (UIF)
DRJI Value: 5.9 (B+)

Examination of the impact of political and country risk on foreign direct investment inflows in Tunisia.

NADIA M'HIRI ELLEUCH, Ph.D.
Lecturer in Management
College of Science, Gabes, Tunisia
ILHEM ZORGUI JAOUADI
Lecturer in Finance and Accounting
Community college of Jazan University, KSA
SAID JAOUADI
Assistant professor in International Finance and Economics
College of Business and Administration, Jazan University, KSA

Abstract

The paper attempts to highlight the essence of the relationship between foreign direct investment (FDI) and political risk in particular. In fact, the thorough review of the literature that attempted to analyze the issue of the firm link between foreign investors to implement and the risk of the host countries.

The prime contribution of the present article focuses on identifying the nature of the causality existing between the political climate and the decision of foreign investors. We could sum up the methodology adopted in the paper by steps: we attempted in a first step to analyze the evolution of political risk and FDI in Tunisia through the utilization of a descriptive approach. In second step, we carried out an empirical investigation focusing on the utilization of the time series methodology.

The choice of Tunisia as subject to study is motivated by the recent events occurred in the country after the popular uprising, called "Arabic Spring", led us to attempt to find out if the short political instability affected the intention of foreign investors to invest in the country.

The investigation authorized to underline the positive correlation between country risk and political risk in Tunisia on the intention of foreign investors, because of the macroeconomic policies implementing targeting the improvement of the stability of the country.

Keywords: FDI, country risk, political risk, transition economies, international business

JEL classification: F21, F23.

Introduction

Recent changes in the global economic environment such as: liberal economics, international competition, information access and cultural homogenization are all factors that led the company to opt the competitiveness choice. For this purpose, and since the early eighties, trade in goods and services between countries have experienced a struck evolution. The recent evolution following the uprising in the Arabic countries led us to pose the question of the possible harmful impact of political and country risk on FDI in developing countries.

The present paper aims to investigate the possible causal relationship between country risk and the inflows of FDI in Tunisia. The choice of Tunisia a the central pattern to study is motivated by the fact to be the first country from which the wave of revolutions "Arabic spring" begun.

I. Review of the literature

The Foreign Direct Investment (FDI) is considered as well as one of the forces participating in the global economic integration process (Raynard & Forstater, 2002) and thus competitiveness became the solely option for the survival of firms (Levratto & Ramadan, 2009).

The increasing consensus on the virtues of FDI has led various governments to implement incentives to attract more foreign firms. In this context, several studies have concluded that foreign direct investment could have a significant positive impact on the economic development of the host country.

As such, Alfaro L. (2009) showed that foreign direct investment contributed to the transfer of technology, knowledge and skills that will benefit local companies thereby stimulating the economic growth of the host country. Regarding the determinants of the location of FDI, literature revealed two main types of factors namely internal factors (theory of "pull-factor") and external factors (theory of the "push factors").

The first contain primarily the quality of socio-economic infrastructure, market size, the level of human capital development, the distance between the country, the cost of labor, openness to international trade, politics exchange, fiscal and non-fiscal incentives, political stability, monetary policy and the degree of financial liberalization (Dabla-Norris et al (2010), Arbatli (2011), Anyanwu (2011)). The latter primarily includes the growth rate of developed countries and interest rates.

In this context, the political environment made up the major determinant of the implementation of foreign investors. Thus, the stability of the government and its attitude to FDI are of great importance in the investment decision.

Many studies have examined the impact of political risk on FDI flows in developing countries, but the review of the literature underlined the lack of surveys regarding Tunisia. The prime contribution of the present paper stands for the determination of the impact of political risk on foreign investment in Tunisia.

Thus, in a first part, this research proposes to provide thorough analysis of the theoretical elements related to the nexus between country risk and political risk in particular and FDI decisions. In a second part, the paper put forward the empirical investigation regarding the effect of political risk and country risk on the implementation of foreign investors in Tunisia.

I.1 Evolution from country risk to political risk

The "country risk" issue is not a recent topic to discuss. The abundant literature regarding the notion of country risk allowed us to underline that this notion has emerged in the seventeenth century. During the years 60-70, the country risk was mentioned as the "political risk", particularly in nations of the oil industry, in the Middle East or in Algeria. Later, during the eighties, this risk is considered as the "sovereign risk" (Marois, 1990). This evolution may be indicator of a causal relationship between the two concepts.

As per definition of country risk, the literature has recorded various advances to provide an appropriate analytical framework of analysis. In the present paper, we retain the definition advanced by Bernard Marois (1990) "risk materialization of a loss resulting from the economic and political context of a foreign state, in which a company carries out part of its activities"[1].

The concept of country risk is composite. It brings together all the hazards that can affect a merchant, a banker, an industrial and financial investors in the conduct of their operations in relation with customers or suppliers of a third country. The risks involved are related to the state of the country, regardless of the quality of the debtor, the project or operation.

This risk refers to the possibility or the probability that a foreign borrower is unable or unwilling to fulfill its foreign obligations due to the specific conditions of the country, which can be the basis of the economic, political, social, natural or others.

The major origin of the risk country primarily depends on destabilizing events, sometimes, limited to a particular state, sometimes shared by several countries with common characteristics.

The creators of the risk factors fall into two categories depending on whether they are political and geopolitical (war, coup, civil unrest, conflicts) or financial-economic marked by the cessation of payment of the foreign debt of countries, rescheduling of the public debt of a State.

The stakeholders affecting the country risk notion rely on the significance of political risk, as a dominant component in the indicator of risk. Observing the political changes that occurred in recent years lead us to consider the political uprising or popular revolutions in the Arab countries as the basic forms of political risk.

Political risk is recognized as the possibility that the policy decision and the political and social events in a country could affect the business climate so that it induces a loss of the potential investor's profits. So, this risk

[1] Marois, B. (1990), le risque pays, PUF, Paris.

arises from the uncertainty regarding the potential income of investments that can help or hinder the interests of the business (Alon & Herbert, 2009)[2]. Thus, the risk refers to modifications and changes often arbitrarily made by governments and that lead to a reconfiguration of the business environment in a country.

The appreciation of the risk country is depending on the stability of government, the implementation of an independent judiciary and the credibility of the legal system. The same risk is also linked to the investing decision due to alteration in the economic climate or political environment can trigger direct or indirect financial loss or harm an investment project (Hamada & al, 2004)[3].

For others authors, the country risk could be analyzed in depth through dividing it into macro and micro political risk (Robock, 1971)[4].

According to the author, the first component is country-specific, it tends to influence all foreign firms established in the host country. It includes the expropriation of all foreign companies in the country and is manifested by changes in tax laws, price controls, environmental regulations and constraints that affect foreign investors and their capital repatriation prospects and profits.

The second component of political risk concerns some industries, a company or a project. It made up the national specificities of the host country, political risk continues to convey the relationship between the national and the international.

The thorough review of literature enabled to underline that political risk played a pivotal role to affect the rise of growth and investment. The integration of this political risk in international affairs could be considered as an urgent need in developing countries.

I.2 Political risk and FDI

Desbordes (2010)[5] asserted that rise in political risk is the direct consequence of the instability of the government, public corruption, the weak protection of property rights and economic imbalance. The author also underlined that this risk end by affecting negatively the inflows of foreign direct investment. As

[2] Alon, I., & Herbert, T. T. (2009). A stranger in a strange land: Micro political risk and the multinational firm. *Business Horizons*, *52*(2), 127-137.

[3] Hamada J., Haugerudbraaten H., Hickman A., et Khaykin I., (2004): « Country and Political Risk», Practical Insights for Global Finance, Sam Wilkin, Risk Books.

[4] Robock, S. H. (1971). Political risk-identification and assessment. *Columbia Journal of World Business*, *6*(4), 6-20.

[5] Desbordes, R. (2010). Global and diplomatic political risks and foreign direct investment. *Economics & Politics*, *22*(1), 92-125.

such, Schneider & Frey (1985)[6] showed that foreign investment was repeatedly recognized as more and more sensitive to political risk.

Foreign investing usually involves additional costs for investors due to lack of knowledge of foreign markets and the uncertainty of the investment environment. In accordance with the same spirit, several analyses have identified the nexus between political risk and foreign investment (Kobrin, 1976[7] and 1979[8]; Singh and Jun, 1995[9]; Meldrum, 2000[10]; Kesternich and Zellner, 2000[11]).

These analyses have emphasized that the risk in its various forms (political, economic and financial) has a significant impact on planting decisions of foreign investors and therefore appears as a key factor in the choice of location of investors [Siskos and Zopounidis (1987)[12]; Worrall and Thomas (1994)[13]; Lehmann (2002)[14]].

Others surveys attempted to find out the effect of political risk as determinant of FDI. From the empirical investigation, it arose that the political risk is a key factor and contributed to stimulate FDI.

From the studies underling a beneficial effect of political risk on FDI, we could cite the studies of Bassu & Srinivasan (2002)[15], the authors carried out their empirical research focusing on a dynamic panel of seven African countries.

They included in their models as explanatory variables: political stability, good governance and low corruption as main determinants FDI. In

---

[6] Schneider, F., & Frey, B. S. (1985). Economic and political determinants of foreign direct investment. *World development*, *13*(2), 161-175.

[7] Kobrin, S. J. (1976). The environmental determinants of foreign direct manufacturing investment: an ex post empirical analysis. *Journal of International Business Studies*, 29-42.

[8] Kobrin, S. J. (1979). Political risk: A review and reconsideration. *Journal of International Business Studies*, 67-80.

[9] Singh, H., & Jun, K. W. (1995). Some new evidence on determinants of foreign direct investment in developing countries. *World Bank Policy Research Working Paper*, (1531).

[10] Meldrum, D. (2000). Country risk and foreign direct investment. *Business Economics*, *35*(1), 33-40.

[11] Kesternich, I., & Schnitzer, M. (2010). Who is afraid of political risk? Multinational firms and their choice of capital structure. *Journal of International Economics*, *82*(2), 208-218.

[12] Siskos, J., & Zopounidis, C. (1987). The evaluation criteria of the venture capital investment activity: An interactive assessment. *European Journal of Operational Research*, *31*(3), 304-313.

[13] Thomas, J., & Worrall, T. (1994). Foreign direct investment and the risk of expropriation. *The Review of Economic Studies*, *61*(1), 81-108.

[14] Lehmann, A. (2002). *Foreign Direct Investment in Emerging Markets: Income, Repatriations and Financial Vulnerabillities*. International Monetary Fund.

[15] Basu, M. A., & Srinivasan, M. K. (2002). *Foreign Direct Investment in Africa--Some Case Studies (EPub)* (No. 2-61). International Monetary Fund.

line with same findings, the empirical investigation of Boudjedra (2004)[16] bare out earlier findings from a sample of 28 emerging countries over the period 1984-2002.

The author underlined the positive relationship between political stability and decisions of foreign investment. However, Asiedu (2002)[17] examined the impact of political stability on inflows of FDI flows in Sub-Saharan Africa. The author found that there is a lack of connection between the two economic concepts.

To sum up, the deep study of the impact of political risk on FDI in developing countries was the major concern of many researchers and made up the issue of several studies. At present, we would like to apply an empirical investigation regarding the case of Tunisia, to provide a new analytical framework about the issue of the firm relationship between FDI and political risk in the country. The choice of Tunisia as a subject of study was not arbitrary, it is motivated by the fact that the country as undertaken since 1987 in a liberalization and Structural Adjustment Programme (SAP) to set market mechanisms and the freedom of trade.

The Tunisian economic policies were encouraging private initiative and enable public privatization. Since July 17, 1995, Tunisia has signed with the European Union an association agreement as a part of the new international trading system. The new agreement terminates the previous one adopted in 1976, considered to be in conflict with the principles of WTO as granting Tunisia non-reciprocal benefits.

Moreover, Tunisia continued to provide a particular attention to FDI because of the various economic benefits gathered from such investments.

II. Empirical validation

In the beginning, we attempt to analyze the evolution of FDI inflows in Tunisia through the conduct of a descriptive study.

II.1. Descriptive study of FDI evolution in Tunisia:

The strength of the economic environment in Tunisia and its economic policies played a pivotal role to encourage foreign investors to plant their projects in Tunisia. According to the statistics of the World Bank, FDI recorded a valuable rise, from 402.9 million TND in 1997 to 1015.7 million TND in 2005, an increase of 152%. The ratio (FDI/GDP) registered an increase of 0.6% in 1990, the growth rate over the period 2006 – 2008 is estimated to reach 9.42% and 5.89%, respectively.

[16] Boudjedra, F. (2004). Risque pays. *IDE et crise financière internationale : évaluation et étude empirique, Document de Recherche*, (2004-12).

[17] Asiedu, E. (2002). On the determinants of foreign direct investment to developing countries: is Africa different?. *World development*, *30*(1), 107-119.

Nevertheless, from 2008, Tunisia has experienced two different and successive crises. The first is an external financial crisis that began in 2008 and known as the "subprime crisis". The second is an internal political crisis caused primarily by social unrests. These two events have led to a slowdown in the rhythm of FDI inflows. In 2009, Tunisia has recorded a fall of 3.53% in the FDI inflows as share of GDP.

According to the statistics of foreign investment gathered from the Tunisian public institution (FIPA 2014), FDI inflows recorded in 2013 a decline of 22.9% and 17.5% compared to the years 2012 and 2010, against an increase of 16.1% compared to 2011.

The last decrease was associated with a cessation of activities of 77 foreign companies, resulting to the loss of 10,894 job positions and 147 million TND FDI. Despite the decrease, Tunisia continue to be considered among the top 11 destinations of FDI inflows in Africa.

	December				**Evolution 2013**		
	2010	**2011**	**2012**	**2013**	**2012**	**2011**	**2010**
FDI	2165,0	1615,9	2504,0	1815,0	-27,5%	12,3%	-16,1%
portfolio	252,7	102,4	83,4	179,6	115,3	75,3%	28,9%
Total	2417,7	1718,3	2587,4	1994,5	-22,9%	16,1%	-17,5%

Table 1: Annual report on FDI in 2013 and outlook 2014 FIPA Tunisia (amount in Million TND)

- The deep analysis of the evolution of political risk allows us to highlight the increased risk started from 2007. We can illustrate the trends of the rise recorded in the period 2007 - 2014 through the segmentation into two sub-periods:
- Purely economic causes for the increase recorded since 2007. In fact, Tunisia has seen a decline in most of its economic indicators: high inflation accompanied by an increase in unemployment (especially youth unemployment).
- In addition, during the period 2007 - 2010, the debt ratio of Tunisia is more than 55% of GDP and a youth unemployment rate of 28%, describing the beginning of an economic crisis because of the overall deterioration of macroeconomic indicators.
- For the period 2010 - 2014: financial repression ended up creating a political crisis in the country and a popular revolution that exposed end of 2010. The main causes of political upheaval remain unemployment and especially among young people.
- Despite these results, so it seems obvious that the political problems can have an effect on the country risk. This materializes in insecure situations recorded after the so-called Arab Spring revolution thus affecting FDI in the country.

The conduct of econometric model would be more useful to identify the possible causal relationship between country risk and FDI inflows.

II.2. Econometric pattern:

In the present paper, we attempt to carry out an empirical investigation that aims to find out the effect of the risk country on the foreign investment. The main objective of the empirical research could be assumed as an attempt to shed the light on the essence of the relationship between political risk and foreign investment.

The thorough review of previous empirical studies enabled us to underline the utilization of some significant economic factors that are affecting the inflows of FDI in the direction of the host country.

The extension of the present empirical survey on the Tunisian case would be recognized as accurate reflection of the situation of the impact of the risk country on FDI.

II.2.1. Data and methodology:

We could put forward the variables affecting the inflows of foreign investment as following:

- Market size: in many previous surveys, researchers used the indicator "growth of GDP per capita" as indicating the size of the market in the recipient country.
- Inflation: the utilization of inflation in empirical studies generally reflect the economic stability of the developing countries.
- The telephone main lines: it is recognized as the better indicator regarding the situation of the infrastructure.
- Openness: measured by the share of exports and imports from GDP, it indicates if the host country is adopting a liberal regime for trade or not.
- Country risk: the country risk continues to play a pivotal role in affecting the decision of foreign investors.
- Road paved as percentage of roads is considered as good indicator of the transportation infrastructure.

The empirical investigation conducted in the present paper is relied on identifying the determinants of FDI in Tunisia. The current paper also attempts to determine if the country risk played a role to affect the decisions of foreign investors to invest in the country. The empirical investigation covers the period 1990 – 2014.

II.2.2. Findings:

The authors of the present paper carried out the empirical research and found the following outcome.

Model	**Equation 1**		**Equation 2**		**Equation 3**		**Equation 4**		**Equation 5**		**Equation 6**	
constant	1.75*** (2.8)	2.01*** (2.8)	2.78*** (7.9)	2.77*** (7.9)	1.73*** (2.8)	1.83*** (2.9)	1.12 (1.46)	1.08 (1.31)	1.7*** (2.8)	1.8 (2.9)	1.15 (1.5)	1 (1.1)
Change in risk country	0.15 (1.2)	-- --	0.1 (0.76)	-- --	0.16 (1.45)	-- --	0.09 (0.75)	-- --	1.85 (1.6)	-- --	0.18 (1.34)	-- --
Change in political risk	-- --	0.27 (0.92)	-- --	0.23 (0.75)	-- --	0.31 (1.15)	-- --	0.07 (0.22)	-- --	0.3 (1.04)	-- --	0.02 (0.06)

Change in inflation	0.6** (2.3)	0.57* (2.25)	0.52* (1.97)	0.51* (1.93)	0.59** (2.44)	0.54* (2.26)	0.59** (2.5)	0.55 (2.35)	0.69** (2.64)	0.6 (2.3)	0.86*** (3.07)	0.6 (2.4)
Change in tax revenue (-1)	1.52** (2.6)	1.53** (2.6)	1.31** (2.13)	1.32** (2.16)	1.47** (2.69)	1.46* (2.62)	1.49** (2.7)	1.48 (2.7)	1.43** (2.61)	1.43 (2.5)	1.45** (2.68)	1.4 (2.6)
Growth of GDP per capita	-- --	-- --	-- --	-- --	-- --	-- --	0.22 (1.24)	0.25 (1.3)	-- --	-- --	0.21 (1.2)	0.28 (1.4)
Growth of GDP per capita (-1)	0.36* (1.9)	0.32 (1.7)	-- --	-- --	0.38 (2.17)	0.35* (1.97)	0.37** (2.14)	0.35 (2.03)	0.41** (2.32)	0.4 (2)	0.4** (2.29)	0.38 (2.1)
Change in telephone lines	0.18 (0.3)	0.27 (0.44)	0.56 (0.88)	0.56 (0.89)	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --
Change in paved roads (-1)	0.13** (2.17)	0.14** (2.3)	0.15** (2.2)	0.15** (2.3)	0.13** (2.3)	0.13** (2.3)	0.13** (2.3)	0.13 (2.3)	0.17** (2.39)	0.16 (2.1)	1.74** (2.38)	0.17 (2.2)
Change in openness rate	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-0.06 (-1)	-0.04 (-0.57)	-0.06 (-0.97)	-0.05 (-0.8)
R^2	53%	52%	42.6%	42.6%	53%	51%	57%	55%	56%	52%	59.7%	58%
DW	2.3	2.2	1.7	1.7	2.3	2.2	2.4	2.3	2.2	2.1	2.2	2.1
Fisher test	0.03	0.04	0.06	0.07	0.01	0.02	0.02	0.02	0.02	0.04	0.02	0.04

Table 1[18]: Findings of the empirical research.

II.2.3. Interpretation:

The thorough observation of the findings of the empirical research enabled us to infer the following deductions:

It seems obvious that the control of inflation during the period 1990 – 2014 have beneficial impact on the inflows of foreign direct investment in Tunisia. Referring to the theoretical background, the inflation variable is virtually utilized to make up the economic stability of the host country. According to Alfaro, L. et al (2004)[19], the government of Uganda made valuable efforts to attract foreign investors through the implementation of macroeconomic stability.

For the country risk, it arise from the empirical research that an increase in ICRG is associated with a rise in the foreign direct investment, the effect is very near to be statistically significant at 10%. Thus, the decrease in the risk of the host country (observed as a rise in the ICRG) seems to encourage the foreign investors to invest in developing countries with less risk country. The thorough analysis of previous empirical studies enabled to underline that Quer, D. et al (2007)[20] stressed that: "country risk and cultural distance on the resources commitment level assumed in each decision to entering a new country".

For the political risk, it has a positive impact on FDI inflows, the rise in the political risk variable means an improvement in the political scene in Tunisia. Thus, the relative stability recorded in the developing country over

---

[18] * significant at 10%, ** significant at 5%, *** significant at 1%.

[19] Alfaro, L., Chanda, A., Kalemli-Ozcan, S., & Sayek, S. (2004). FDI and economic growth: the role of local financial markets. *Journal of international economics*, *64*(1), 89-112.

[20] Quer, D., Claver, E., & Rienda, L. (2007). The impact of country risk and cultural distance on entry mode choice: An integrated approach. *Cross Cultural Management: An International Journal*, *14*(1), 74-87.

the period 1990 – 2014 was associated with a rise in the FDI. In fact, the foreign investors prefer to invest in countries with stable political scene. The last political uprising of 2010 seems to have minor effects on the foreign investors to invest if we consider the period of study. Refered to Busse, M. and Hefeker, C. (2007)[21], they argued: "countries with higher political risk attract less FDI".

The increase in tax revenue is joined with a rise in the FDI inflows, the outcome found could be recognized as a discrepancy. Although the use of the variable related to taxation could reflect the tax policy in the country, and thus, it could provide a view regarding the financial resources of the government to improve the facilities and the infrastructure.

For the growth of GDP per capita, an increase in this variable is associated with a rise in the foreign inflows on investment. The present statement remains relevant with the findings of several empirical studies, in fact, foreign investors tend to invest in developing countries with huge market, measured with the variable GDP per capita. Referring to Tsai (1994)[22], the author found a positive correlation between the GDP per capita and the inflows of FDI.

For the telephone lines, while the impact of the variable on FDI is positive, it is far to be statistically significant. Thus, we could infer that the infrastructure in telecommunication in Tunisia seems to be inappropriate and ineffective to encourage foreign investors.

For the road quality, it arise that the rise in paved road is associated with an increase in the inflows of FDI, the positive effect is statistically significant at 5% in the bulk of the conducted patterns. It means that the quality of roads in Tunisia is in accordance with the international standards, it made up a major advantage for foreign investors. According to Khadaroo, J. and Seetanah, B. (2007)[23], the availability of transport infrastructure in Africa has relatively contributed in attracting the FDI inflows in Sub-Saharian Countries.

Conclusion:

The paper attempted to provide a new framework of analysis regarding the issue of country risk and the political risk and their impact on the intention of foreign investors. It appears obviously that the attractiveness of FDI inflows are positively correlated with these specific risks, the positive nexus could be

[21] Busse, M., & Hefeker, C. (2007). Political risk, institutions and foreign direct investment. *European journal of political economy*, *23*(2), 397-415.

[22] Tsai, P. L. (1994). Determinants of foreign direct investment and its impact on economic growth. *Journal of economic development*, *19*(1), 137-163.

[23] Khadaroo, A. J., & Seetanah, B. (2007, November). Transport infrastructure and FDI: lessons from Sub Saharan African Economies. In *African Economic Conference (AEC)* (pp. 15-17).

the result of the political stability recorded by the country over the period of study.

The merely analysis of the impact of the country risk in overall and the political risk in specific enabled to underline that foreign investors are interested with developing countries with stable political environment.

The conduct of further empirical investigation to find out the effects of the various variables utilized to compile the political risk (as instance: government stability, corruption, …) should allow more significant findings to determine if the institutional quality of Tunisia contributed to consolidate the choice of foreign investors to invest in Tunisia.

References

Alfaro, L., Chanda, A., Kalemli-Ozcan, S., & Sayek, S. (2004). FDI and economic growth: the role of local financial markets. *Journal of international economics*, *64*(1), 89-112.

Alon, I., & Herbert, T. T. (2009). A stranger in a strange land: Micro political risk and the multinational firm. *Business Horizons*, *52*(2), 127-137.

Anyanwu J. (2011), "Determinants of foreign direct investment inflows to africa, 1980-2007", *African Development Bank Group*, Paper series N° 136.

Arnatli. (2011), "Economic policies and FDI inflows to emerging market economies", *IMF Working Paper* 11/192 (Washington: International Monetary Fund).

Asiedu, E. (2002). On the determinants of foreign direct investment to developing countries: is Africa different?. *World development*, *30*(1), 107-119.

Basu, M. A., & Srinivasan, M. K. (2002). *Foreign Direct Investment in Africa--Some Case Studies (EPub)* (No. 2-61). International Monetary Fund.

Bayraktar, N. (2015). Importance of Investment Climates for Inflows of Foreign Direct Investment in Developing Countries. *Business and Economic Research*,*5*(1), 24-50.

Boudjedra, F. (2004). Risque pays. *IDE et crise financière internationale : évaluation et étude empirique, Document de Recherche*, (2004-12).

Busse, M., & Hefeker, C. (2007). Political risk, institutions and foreign direct investment. *European journal of political economy*, *23*(2), 397-415.

Dabla-Norris E., Honda J., Lahreche A. & Verdier G. (2010), "FDI Flows to Low-Income Countries: Global Drivers and Growth Implications", *IMF Working Paper* 10/132 (Washington: International Monetary Fund).

Desbordes, R. (2010). Global and diplomatic political risks and foreign direct investment. *Economics & Politics*, *22*(1), 92-125.

Hamada J., Haugerudbraaten H., Hickman A., et Khaykin I., (2004): « Country and Political Risk», Practical Insights for Global Finance, Sam Wilkin, Risk Books.

Kesternich, I., & Schnitzer, M. (2010). Who is afraid of political risk? Multinational firms and their choice of capital structure. *Journal of International Economics*, *82*(2), 208-218.

Khadaroo, A. J., & Seetanah, B. (2007, November). Transport infrastructure and FDI: lessons from Sub Saharan African Economies. In *African Economic Conference (AEC)* (pp. 15-17).

Kobrin, S. J. (1976). The environmental determinants of foreign direct manufacturing investment: an ex post empirical analysis. *Journal of International Business Studies*, 29-42.

Kobrin, S. J. (1979). Political risk: A review and reconsideration. *Journal of International Business Studies*, 67-80.

Lehmann, A. (2002). *Foreign Direct Investment in Emerging Markets: Income, Repatriations and Financial Vulnerabillities*. International Monetary Fund.

Marois, B. (1990), le risque pays, PUF, Paris.

Meldrum, D. (2000). Country risk and foreign direct investment. *Business Economics*, *35*(1), 33-40.

Quer, D., Claver, E., & Rienda, L. (2007). The impact of country risk and cultural distance on entry mode choice: An integrated approach. *Cross Cultural Management: An International Journal*, *14*(1), 74-87.

Robock, S. H. (1971). Political risk-identification and assessment. *Columbia Journal of World Business*, *6*(4), 6-20.

Schneider, F., & Frey, B. S. (1985). Economic and political determinants of foreign direct investment. *World development*, *13*(2), 161-175.

Shahzad, A., Al-Swidi, A. K., Mithani, D. A., Fadzil, F. H. B., & Golamuddin, A. G. B. (2012). An Empirical Investigation on The Effect of Business Environment Factors on The FDI Inflows in Pakistan: The Moderating Role of Political Stability. *Business and Economic Research*, *2*(2).

Singh, H., & Jun, K. W. (1995). Some new evidence on determinants of foreign direct investment in developing countries. *World Bank Policy Research Working Paper*, (1531).

Siskos, J., & Zopounidis, C. (1987). The evaluation criteria of the venture capital investment activity: An interactive assessment. *European Journal of Operational Research*, *31*(3), 304-313.

Thomas, J., & Worrall, T. (1994). Foreign direct investment and the risk of expropriation. *The Review of Economic Studies*, *61*(1), 81-108.

Tsai, P. L. (1994). Determinants of foreign direct investment and its impact on economic growth. *Journal of economic development*, *19*(1), 137-163.