

Impacts of political-economic variables on FDI Flows: Egypt as a case study

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Keywords

FDI, Economic growth, Political risk, and Political instability.

Abstract

Purpose – This research identifies the correlation between the political-economic variables and FDI flows in Egypt after the 25th of January Revolution. It argues that political instability as a political variable and as economic variables, in addition to other relevant political and economic variables, during, this period, had negatively affected FDI environment and dragged Egypt to become a potentially expelling country for FDI.

Design/methodology/approach – This research has a structure which consists of an introduction, methodology, literature, discussion and analysis and finally conclusion. This research is an analytical not a descriptive work. Besides, it uses a mixture of qualitative and quantitative approaches in addition to data collection techniques.

Findings

- After the 25th of January Revolution, Egypt is potentially an expelling business environment for FDI
- Market size has significant effect on Foreign Direct Investment
- Political instability has a significant effect on Foreign Direct
- Infrastructure which has an insignificant effect on FDI
- Exchange rate which has an insignificant effect on FDI
- Trade openness, which has an insignificant effect on FDI

Practical Implications

Viewed from an academic perspective, this research gives a theoretical context of the nature of the correlation between the political and economic variables in a certain environment and foreign direct investment, in this research the case of Egypt after the 25 January revolution. Besides, this research provides some of the major concepts that are used, for example foreign direct investment, political risk, political volatility and political stability, etc. Practically speaking this research applies these theoretical concepts on a realistic case, Egypt after the 25 January revolution. It represents a practical guide for multinationals corporations which desire to start their investment in Egypt.

Research Type – Research Paper
