

Preface

South Asia is one of the fastest-growing regions in the world. Despite conflict and strife, it has managed to pull through and is well set on the path to growth and prosperity. Most of the countries in the region undertook economic reforms, albeit gradually, since early eighties. However, despite reforming all areas of trade, industry, and the financial sector and creating a congenial environment for foreign investment, the region attracts less foreign direct investment (FDI) than emerging economies in East and Southeast Asia and Brazil.

For each South Asian country and the region as a whole, this book describes the FDI policy, situates it against its trade and structural adjustment programme, analyses the FDI reform process and the evolution of FDI policy, and presents the prospects and reforms required. The book also describes the Chinese experience with FDI and draws policy lessons for the South Asian region. It empirically analyses the determinants and impact of FDI inflows in South Asia using both time series and panel methodology. The book establishes the impact of FDI on output growth, domestic investment, and exports—a point of debate among both academics and policymakers in South Asia. The empirical exercise tries to answer some of the debatable questions such as whether FDI promotes growth, crowds-in domestic investment, or crowds it out, and the link between FDI and exports. Hence, the book blends descriptive and empirical analysis and encompasses all aspects of FDI inflows that are relevant to policy.

Given its comprehensive nature, it is hoped that this book will help policymakers, academicians, and all interested in the region to understand the complex nature of FDI policies in South Asia and the reasons for the relatively low inflows.

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Policy, Impact, Determinants and Challenges

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