



FDI AND TRADE OUTCOMES AT INDUSTRY LEVEL – A DATA-DRIVEN APPROACH

Jean-Christophe Maur¹, Milan Nedeljkovic², Erik von Uexkull¹

¹ World Bank, Washington, United States of America

² FEFA, Metropolitan University, Bulevar Zorana Djindjica 44, 11000 Belgrade, Serbia
e-mail: mnedeljkovic@fefu.edu.rs

Abstract:

We propose a novel empirical methodology to reveal factors associated with foreign direct investment decisions and export success at the industry level. Faced with large amounts of policy and economic indicators, as well as significant product and sectoral diversity, the motivation of this research is two-fold. First, select among the vast number of indicators and potential factors relevant to investment and trade outcomes a manageable subset of variables that can usefully guide the understanding of investment and trade outcomes. Second, provide robust estimates of how these variables affect the probability at the margin of investment and trade outcomes at the sector level. Finally, we use these estimates to produce new metrics (“scores”) of trade and investment climate performance at the country and sectoral levels.

Keywords: trade, investment, export competitiveness, dimensionality reduction, machine learning