Guest editorial: FDI divestment inflows and outflows in developing economies

Introduction

We are delighted that after many concerted efforts, the special issue assigned to us on "FDI [Divestment] Inflows and Outflows in Developing Economies" has seen the light of the day. It has been an academic journey to witness many submissions on the theme from across the globe. The special issue on FDI divestment demonstrates essential takeaways for the developing economies. FDI divestment will remain a tool of de-internationalisation and can have negative consequences for the host country, such as reduced investment, employment and technology transfer. Therefore, understanding FDI divestment inflows and outflows in developing economies is a strategic issue for planners and policymakers to promote sustainable economic development. Several factors, including changes in the global economic environment, strategic business decisions by foreign investors and the availability of investment opportunities in other countries, can cause FDI divestment inflows and outflows. It is a common phenomenon in developing economies and can have far reaching implications for these economies. Developing economies often need more institutional frameworks to encourage investors to remain in the country. Inconsistent institutional frameworks can lead to a lack of confidence in the local economy, leading investors to divest their investments.

Factors for FDI divestment

Several factors contribute to FDI divestment in developing countries. One of the primary factors is political instability. Political unrest can cause investors to lose confidence in the host country's economy and the security of their investments. Another factor that can contribute to FDI divestment is changes in the global economic environment. Global economic downturns can cause investors to seek more stable investments in developed countries, leading to declining FDI in developing countries. A lack of infrastructure can also contribute to FDI divestment in developing countries. Inadequate infrastructure can increase the business costs, leading investors to seek more efficient investment opportunities in other countries. FDI divestment can also have a negative impact on technology transfer. Foreign investors often bring new technologies and management practices to the host country. When investors divest their investments, they may also withdraw their technology and management expertise, leading to a decline in productivity and competitiveness in the host country.

Furthermore, FDI divestment can lead to a decline in the host country's overall attractiveness to foreign investors. Foreign investors may be less likely to invest in the future if they perceive the host country as unstable or risky, creating a cycle of divestment that is difficult to reverse, leading to long-term negative impacts on the host country's economy. The present special issue is a compendium of divestment studies concerning economic growth, development, determinants, food security, political instability, macroeconomic factors and institutional conditions with evidence from developing economies.

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Why a special issue?

According to UNCTAD (2019) and Global Asian Profile Corporate Divestment Study (2019), there is growing need to look towards the policies of the developing economies for divestment. With developing and emerging economies taking centre stage in the direct investment climate, perspectives on divestment will emerge as a new dimension.

Structure of papers

The paper by Matekenya and Moyo investigates the effect of foreign direct divestments on economic growth and development in South Africa for the period 1991 to 2019 by applying non-linear autoregressive distributed lag. The empirical results suggest that foreign divestments are detrimental to both economic growth and development. Furthermore, the results suggest that the adverse effects of foreign divestments outweigh the positive effects of FDI inflows. The authors argue for policies that promote economic freedom, such as transparency in granting government permits for business operations. The paper contributed by Edo and Nnadozie titled "Macroeconomic and Institutional Conditions: The Drivers behind Divestment of FDI in Sub-Saharan Africa" examines the issue, with the prime motive of ascertaining how macroeconomic performance works with institutional quality to influence divestment of FDI. The vector error-correction model is used in determining short-run and long-run effects of the factors covering a panel of 46 sub-Saharan African countries from 1980 to 2020. The analysis reveals that the divestment has been persistent over the years. Regarding the determinants, estimation results reveal that macroeconomic and institutional conditions are the most significant drivers of divestment in the long and short run. The results also reveal an appreciable capacity of the long-run model to predict the FDI outflows, which makes it reliable for policymaking.

Soussane *et al.* in their paper captioned "Impact of the divestment of Spanish FDI on economic growth of Morocco" have carried out an econometric analysis of 13 country-of-origin by identifying the impact of FDI on economic growth in Morocco. The authors apply a linear model to measure the marginal impact of FDI on the growth of Morocco. The results indicate that the FDI from Spain and France are the only ones to impact Moroccan economic growth positively. The FDI coming from Germany, Holland, China and Turkey have a negative impact, while those from the USA, Italy, UK, Switzerland and Gulf countries have an insignificant impact. Using the differential calculus, the results indicate that when Spain divests one million dirhams of its investments from Morocco, France would have to increase its own by 0.1509 million dirhams so that Morocco could maintain its economic growth. The outcomes of the study will go a long way in affecting the policy framework of the Morocco economy.

Subramaniam *et al.*, in their paper on Food Security and Political Stability, discussed the question, "How the food security level explains the linkage between political instability and foreign divestment?". The study adopted the system generalised method of moment to achieve accurate and reliable empirical evidence for 60 developing countries from 2011 to 2020. The results demonstrated a negative and significant relationship between political instability and foreign divestment on food security, suggesting that political instability's impact on divestment tends to be lower in countries with better levels of food security. Other controlled variables, such as economic growth, human capital and trade openness, also harm foreign divestment, discouraging foreign divestment. Khan and Ansari, in their paper, explained the trident relation between FDI, disinvestment and growth in Bhutan and appraised the influence and challenges of direct disinvestment in the Kingdom of Bhutan. The authors investigated the influence of FDI on Bhutan's economy by analysing secondary published data from the Asian Development Bank and government agencies of Bhutan. The authors conclude that the FDI has yet to play a significant role in the nation's economy. However, its potential must be addressed as there is a need for foreign currency and expertise in the country. Further, FDI has not increased considerably due to self-imposed restrictions blocking government policies.

We are happy to say that the authors submitted many papers for the special issue. Keeping in mind the papers' quality and presentation style, only five papers were selected for publication in the special issue. These papers will provide a deeper insight into the issues relating to FDI divestment, an emerging area of research in the coming time. This special issue will stimulate the researchers to explore issues further on such an important research topic.

In completing the special issue, we have encountered help and efforts from various corners. Therefore, it is our pleasant duty to pay thanks. Firstly, we are highly obliged to reviewers who gave their precious time, expertise and commentary on all the manuscripts assigned to them. Secondly, we are grateful to the editorial board members, especially the Editor-in-Chief, and other people of the journal for their continued support, encouragement and assistance. With them, the special issue was possible.

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