

YOUNG ECONOMISTS IN RAGUSA,20

Oleh Havrylyshyn, comment on
STANISIC “ Terrorism and FDI”



NOVELTY OF PAPER

- ❖ ESTIMATE EFFECT OF TERRORISM ON FDI USING COUNTRY-PAIR FLOWS**
- ❖ ESTIMATES “SPILL-OVER EFFECTS” SUCH AS : ATTACKS ON CANADIAN TARGETS, FDI FROM CANADA FALLS, IRISH FDI STEPS IN.**
- ❖ DATA VERY RECENT, LONGER PERIOD**
- ❖ MORE DETAILED DATA OF TERRORIST ATTACKS**

KEY CONCLUSIONS

- 1) TERRORIST ATTACKS NEGATIVE AND SIGNIFICANT EFFECT ON PAIR-WISE FDI FLOWS**
- 2) SIZE OF IMPACT QUITE LARGE: ONE S.D. INCR. IN ATTACKS, FDI FALLS 12 %**
- 3) INVESTORS OPPORTUNISTIC: IF TARGETED SENDERS DECREASE FDI, NON-TARGETED SENDERS REPLACE THEM WITH INCREASE OF FDI**

KEY ISSUES TO ADDRESS

- **IS RESULT DRIVEN BY OUTLIERS, CLUSTERS?**
 - **DOES HIGH S.D. OF TERRORIST ATTACKS (3-14X mean) EXXAGGERATE SIZE OF IMPACT?**
 - **ARE SMALLER FLOWS DOMINATED BY EPISODIC PROJECT INVESTMENTS?**
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MINOR AND EDITORIAL ISSUES if time

OUTLIERS &/or CLUSTERS?

- NO. OF ATTACKS LARGE, BUT APPEARS TO BE DOMINATED BY OUTLIERS.-see Tab.2. –
TOP 5 RECEIVERS = 65% /// TOP 5 SENDERS=85%
and US ALONE= 54%
- VERY LARGE % OF CELLS ZERO FOR BOTH FDI AND ATTACKS
- THE ABOVE SUGGESTS OUTLIER PROBLEM– NEED TO DISCUSS IF SO, HOW TREATED, HOW IT AFFECTS EFFICIENCY OF ESTIMATE FOR TER. COEFFICIENT
- INCIDENTALLY , TREATMENT OF ZERO FDI UNCLEAR: SEEMS TO BE CONSIDERED AS MISSING DATA BUT : ZERO CAN BE THE ACTUAL VALUE

HIGH SD. OF TERATTACK VARIABLE

- **On p.18 , pair attacks effect: very sensible to focus on pair attacks as these most likely to result in reduced FDI**
- **HOWEVER the 14% decrease may exaggerate reality- it is result of a NINE-FOLD increase of attacks , very unlikely – a doubling seems more plausible : does coefficient mean doubling leads to FDI decrease of $1/9^{\text{th}}$ of 14% = 1,56%??**

SMALL FLOWS DOMINATED BY SINGLE PROJECTS ?

- It is not uncommon in FDI from and to smaller countries that 1 or 2 projects in given year cause a spike in data— seems to be the case in Fig. 3 ?
- That makes the interpretations on p. 27 about Irish opportunists questionable: could interpret fig 3 differently:
 - CAN.FDI spikes in 2000, smaller 2002; -- TERATAK spikes in 2004 BUT CANFDI rises 2007 to new highs
 - Irish FDI does increase in 2005, after (but not necc due to) TERATAK of 2004, and at levels far lower than the CAN values of 2000-2002
- AUTHOR SHOULD HEED OWN WARNING p.22: TO STUDY SPILLOVERS NEED MORE DATA ON TIMING, TYPE OF INDUSTRY —eg. on last— for oil company, a TERATAK may be no more costly than failed well.; remember early literature important distinction of FDI for resource extraction , for manuf.exports, for local market-

to conclude, see e.g. of episodic FDI
CHILE > CROATIA
SPILLOVER TO ARRABANA

