

Economic Motivations of Global Players in the S. Caucasus

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Abstract:

The role of Foreign Direct Investments in Georgia is vital in general. It works as a locomotive to enlarge the transfer of technology, skills and access to export markets. It is decrease unemployment and increase employment; contribute to a higher GDP through higher levels of productivity. However, there are different types of investments, which tend to upgrade the country's different advantages, including - location advantages, on the one hand, and the development of domestic firms' ownership advantages on the other. While empirical analyses show the institutional factors as a key challenge for FDI inflows, less attention is given to the relationship between political risk and investment decision. Many of transition economies of Eastern Europe and the CIS have practiced an enormous progress in FDI inflows during the past decade. Meanwhile, other countries in the region especially with low democratic characterizes – have been usually ignored by international investors. Fortunately, Georgia has overcome this negative path and based on Investment Development Path theory, the research shows that Georgia is on the second level of its development. That means inflow investments are prevailing on outflow investments and the country is still progressing on its way to the modern technologies based economy. It also predicts the direction of Georgian outward FDI to neighbor countries and highlights the relevance of the two way relationship between inward and outward FDI.

Keywords: Foreign Direct Investment, International Business, Development

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