

## **ABSTRACT**

### **DRIVERS OF FDI VOLATILITY AND FLOWS: A STUDY OF ECONOMIC GROWTH AND STRUCTURE OF THE CARIBBEAN ECONOMY**

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The principal aims of this thesis are threefold: (i) to determine a set of development factors that may have influence on the level of Foreign Direct Investment (FDI) attracted to the Caribbean. (ii) To determine whether FDI volatility positively or negatively influences Economic growth of the Caribbean. (iii) To determine a set of macro-economic development factors that may have influence on the volatility of Foreign Direct Investment into the Caribbean.

Empirical results based on GARCH and Orthogonalization modelling techniques in multiple-regression reveal that human capital is a key long-term development driver; which may be harnessed to maximise the impact of FDI. Furthermore, the results indicate that FDI volatility has a negative effect on growth. However, this negative impact on growth is especially significant for the more developed countries of the sample, presumably owing to their greater dependence on FDI-based growth strategies, projects and programs.

Finally, development policy for the region should not ignore the agriculture sector; and should be generated in a collaborative or conjoint manner with other members

of the Community, if it must be sustainable. Policies should also target reducing the volatility and uncertainty of FDI, with the use of effective promotional and sound macro-economic approaches, geared at enhancing financial stability.

Keywords: FDI, Volatility, Caribbean, Orthogonalization, Reverse-brain-drain, Trade liberalization, Globalisation, Sustainable development; Stephen Pilgrim

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