

CHAPTER 5

IS FOREIGN DIRECT INVESTMENT GOOD FOR HEALTH OR VICE VERSA IN FRAGILE FIVE? AN EMPIRICAL ANALYSIS

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INTRODUCTION

The level of health, considered the first wealth of man, is an important human capital element that increases macroeconomic performance (Alsan et al., 2004:3). At the same time, foreign direct investments are the important macroeconomic determinant of health. According to the neoclassical theory, foreign direct investments provide benefits in terms of economic development for the host country by increasing capital inflow, growth in the labor force and technological progress. (Alsan et al., 2020:2). Foreign direct investment is also widely recognized in low- and middle-income countries as generally promoting economic growth, wage increases and improved working conditions (Burns Alsan et al., 2017:74). However, when foreign direct investment takes the form of mergers and acquisitions with units of production in the host economies, it can cause high stress and uncertainty by creating fear of dismissal on workers. Therefore, it is possible for foreign direct investment to contribute positively to the level of health if it provides better social work and secure workplaces in addition to higher wages in the host economies (Herzer and Nunnenkamp, 2012:1-2). On the other hand, improvements in health are expected to contribute positively to economic growth. Positive improvements in health will increase labor productivity and contribute positively to economic growth.

The aim of this study is to empirically analyze the relationship between foreign direct investment and health for the economies of fragile fives countries. When the literature is examined, it is seen that there is a limited number of studies in this area. However, it draws attention to that relationship foreign direct investments and health are not addressed especially in the fragile five countries with high dependence on foreign capital. It is also thought that determining the direction of causality as well as its sign in the study will contribute to the literature. In this

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on relatively clean industries. Or, foreign direct investments in these countries are considered to be good for health, as foreign investments in these countries increase GDP and more share is allocated to health expenditures.

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