

Herding in FDI: evidence from BRICS vs. ASEAN

Abstract

In the past two decades the volume of Foreign Direct Investment increased substantially becoming a phenomenon that characterizes the economic environment in the emerging markets. The aim of this working paper is to assess whether we can speak of an FDI behavior and if we can associate this behavior to the herding phenomenon known to be present in speculative capital flows in the equity markets. We investigate herding in foreign direct investment inflows towards the countries that form two of the most acknowledged emerging economies international agreements ASEAN and BRICS. As findings we expect to bring supportive evidence that there is herding in FDI and that this type of capital flows can be influence on the one hand by the world leader – world leader herd direct investors - and on the other hand by portfolio equity investments – portfolio equity investors herd direct investors.

Keywords: herding, BRICS, ASEAN, emerging markets, portfolio equity investment, foreign direct investment