
The role of institutional and traditional determinants of foreign direct investments: the case of emerging Asian economies

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Abstract

The paper examines the effects of institutional and traditional determinants of FDI inflows in Asian Countries. We used annual data from 10 Asian countries while the sample period runs from 2002 to 2014. Previous research proves the significant effect of level of corruption, rule of law and voice and accountability on FDI inflows, while the traditional determinants such as economic growth, inflation and trade openness have been included as significant determinants as well. The Panel Regression Analysis with Fixed Effects which is employed in this paper demonstrates interesting outcomes regarding the significance and the effect of the selected variables. For instance, according to the outcome of our empirical research, it is suggested that rule of law has negative and significant effect on FDI inflows, while all the other institutional determinants were found to have insignificant effect on the dependent variable. Moreover, GDP growth was also found to have positive and significant effect on the attraction of FDI inflows. On the contrary, trade openness was found to have negative and significant effect on the dependent variable, while inflation was found to have insignificant effect. Future empirical research could focus on certain geographic regions and countries which promote similar FDI attraction policies, while policy makers should promote certain reforms which will have direct effect on the attractiveness of each economy to multinational enterprises.
