ABSTRACT

This study aims to analyze how economic factors, such as market size, exchange and inflation rates, productivity, technology, trade, and education determine the direction of foreign direct investment inflows to the fast-growing (consists of Indonesia, Malaysia, Philippines, Thailand, and Vietnam) countries and slow-growing (consists of Cambodia, Lao PDR, and Myanmar) countries. First, the author used a pooled generalized least square estimation analysis data from 2010 to 2019 to estimate the model of fast and slow-growing countries. Second, a generalized least square with fixed effect estimation was used to estimate the combined groups. The results generate that the market size, exchange rate, and trade are the three main significant factors that attract FDI inflows in the case of fast and slow-growing countries. Surprisingly, the inflation rate was found to be insignificant in reducing the FDI inflows in the case of slow-growing countries. Furthermore, in order to maintain and encourage FDI inflows, the government and policymakers of both fast-growing and slow-growing countries must ensure that their countries remain attractive for investment by maintaining and improving their scale of economy.

Keywords: foreign direct investment, determinants, ASEAN, panel, EGLS.
JEL Classification: E22, E44, F41, F43, O11.