

ABSTRACT

Foreign Direct Investment (FDI) is an important source of fund for a country. FDI not only supporting a country's economic growth, but also being a media for managerial and technological skill exchange. Due to its important role, government in a country tries to attract incoming FDI optimally. Government's efforts are reflected through achieving a good quality of governance which is conducive for foreign investors.

Population of this study is countries in Asian region. Moreover, countries in South East Asia, that is known as ASEAN will be the sample of this study, with regression, that is Ordinary Least Square (OLS) as the method in order to make an analysis. The time period of the study is from 2002 until 2008. The results indicate that Voice and Accountability and Political Stability and Absence of Violence have negative and significant influence to the incoming FDI; meanwhile Rule of Law has positive and significant influence towards incoming FDI.

Governances in ASEAN countries should maintain well macroeconomic condition through suitable policies. The results of this study indicate that voice and accountability and political stability and absence of violence have negative effect to the oncoming FDI, meanwhile rule of law has positive effect to incoming FDI. Due to the result, governance in ASEAN countries should maintain the law certainty.

Key words: incoming FDI, quality of governance, ASEAN