

Importance of Political Elements to Attract FDI for ASEAN and Korean Economy

Monthinee TEERAMUNGCALANON

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Abstract

This paper aims to analyze the importance of good governance for FDI inflows using panel data across the ASEAN+3 (Korea, China, Japan) countries recorded between 1996–2018. The Worldwide Governance Indicators (WGI) are used to investigate the impact of good governance on FDI inflows. Empirical findings reveal that Political Stability, Rule of Law, Control of Corruption, and Voice and Accountability have a statistically significant impact on the inflow of FDI in the ASEAN+3 Countries. Moreover, GDP growth and Labor productivity continue to exert their positive influence. However, Regulatory Quality and Government Effectiveness, though equally important, are insignificant to attract FDI inflows. The key finding is that good governance has a significant impact on inward FDI in the ASEAN+3 countries.

