The Impact of Tax-Related Determinants on Foreign Direct Investment in Selected Asian Nations Exhibiting a Positive FDI Growth Trend

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This paper investigates the impact of five tax-related determinants on foreign direct investment (FDI) in 14 selected Asian countries between 2008 and 2021. Using regression analyses, we examine the influence of income tax, goods and services tax (GST), tax revenue, corruption control index, and trade openness index on FDI inflows, employing the REM model. Our findings reveal positive effects of income tax, GST, and trade openness on FDI, while tax revenue and corruption exhibit negative impacts. Tax revenue and trade openness exhibit negative and positive impacts respectively as hypothesized, while the corruption control index is statistically insignificant. Contrary to the common perception that income tax and GST impede FDI, our findings suggest the opposite. This suggests that stability and predictability in tax regimes might be more attractive to investors than low tax rates alone. Policymakers should consider prioritizing stable and transparent tax systems coupled with investments in infrastructure and human capital to maximize their attractiveness to foreign investors.

Keyword*: Asia, foreign direct investment, regression, tax, tax policy*

Introduction

Foreign direct investment (FDI) serves as a pivotal component within the framework of an open and efficient international economic system, acting as a catalyst for development.[1] The Asian region has prominently emerged as the leading recipient of FDI globally, witnessing significant growth in FDI inflows across various countries in recent years.[2]

However, despite the surge in FDI, the influence of tax and tax-related factors on FDI inflows within these countries remains relatively underexplored. Understanding this relationship is imperative for policymakers aiming to

foster an environment conducive to investment. Thus, this study endeavors to investigate the impact of five tax-related variables: income tax, goods and services tax, tax revenue, corruption control index, and trade openness index on FDI inflow. Our selection of these independent variables is grounded in existing literature highlighting their significant impact on FDI inflow in the context of Asian economies. Income tax and goods and services tax are chosen due to their direct influence on investment costs and profitability for foreign investors. Tax revenue serves as an indicator of fiscal health and government stability, factors crucial for attracting and retaining foreign investment. Furthermore, the inclusion of corruption control index and trade openness acknowledges the broader macroeconomic environment within which FDI decisions are made. Corruption can undermine the effectiveness of tax policies and overall governance, thereby impacting investor confidence, while trade openness reflects a country's integration into the global economy, which can influence the attractiveness of investment opportunities. The data of these variables is collected from World Bank DataBank.

The scope of this study is limited to 14 countries in Asia with substantial FDI growth rates between 2008 and 2021. This timeframe followed the 2008 recession, during which global integration surged, and Asia became increasingly attractive for investment and trade. These countries include Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Israel, Malaysia, Mongolia, Nepal, Philippines, Singapore, South Korea, Thailand. The study excludes countries with low FDI growth rates due to resource constraints and data reliability issues. Our methodology ensures robust findings, aimed at providing practical insights for policymakers in these dynamic Asian economies.

The study is guided by the following research questions:

- How do various tax policies, including income tax, tax on goods and services, tax revenue, corruption control index, and trade openness index, influence FDI inflows across the 14 selected Asian countries during the period of 2008-2021?
- What common trends and patterns emerge regarding FDI inflows and tax policies among these countries?
- How can the findings of this study inform policymakers in designing tax policies that effectively promote FDI inflows and contribute to economic

growth and development?

To address these questions, the study will employ regression analyses using STATA 17, utilizing three methods: pooled ordinary least squares (POLS), random effect model (REM), and fixed effect model (FEM). Model selection will be determined using Breusch and Pagan Lagrangian tests, with further assessment through the Hausman test to distinguish between FEM and REM in the presence of significant differences across units.

The paper will proceed in four main sections: section 2 provides a comprehensive theoretical framework. It analyzes prior research on the relationship between tax policies and FDI inflow. Section 3 outlines the research methodology, encompassing data description, variables, and the statistical techniques employed. Section 4 presents the findings derived from the regression analyses. Finally, section 5 concludes the paper by highlighting limitations, contributions, and policy implications gleaned from the study.

Theoretical framework

Core concepts and Country Selection

Foreign direct investment (FDI)

According to the Organization for Economic Cooperation and Development, foreign direct investment (FDI) refers to a type of international investment where an investor from one country gains a substantial level of control and long-term involvement in an enterprise located in another country.[3] FDI occurs when a company from one country creates or buys a business in another country, or forms a partnership with a local company in the host country.[4] The World Investment Report explains that the flow of FDI comprises the transfer of capital from a foreign investor to an enterprise or vice versa, where the investor is directly involved with the enterprise.[5] Previous research papers have identified multiple factors that impact the inflow of FDI: market size, market potential, human capital, domestic investment, infrastructure, cost of capital, trade openness, and governmental taxation and financial regulations.[6][7]

FDI growth rate and country selection

Asia consistently stands out as the predominant destination for FDI, maintaining the highest inflows at 662 billion USD for both 2021 and 2022, as illustrated in Figure 1. This stability highlights Asia's robust economic appeal, especially in contrast to other regions where FDI inflows generally declined or were significantly lower.
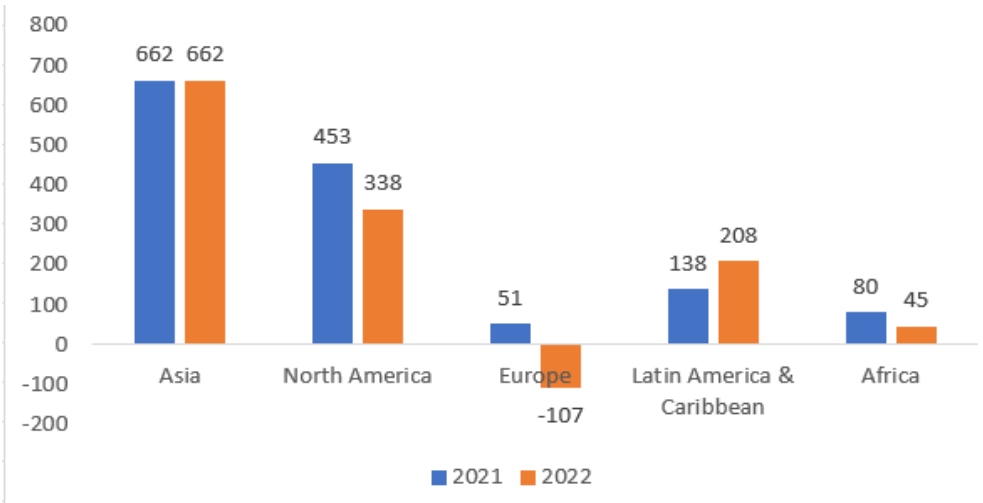

Figure 1: FDI attraction by region (USD Billion)
Source: UNCTAD, World Investment Report 2023.[8]

One reason for the significant increase in FDI is the strategic use of tax policies by Asian nations. Many countries in the region have implemented competitive tax structures, offering lower corporate tax rates, tax breaks for specific industries, and streamlined tax regimes compared to other regions. This approach creates a more attractive investment environment, incentivizing foreign companies to establish operations or expand their presence in Asia. FDI growth rate offers a valuable metric for understanding the pace of change in FDI inflows into a country's economy over a specific period. This study calculates the FDI average growth rate using the following formula:

$$FDI\ growth\ rate = (FDI_{2021} - FDI_{2008})^{\wedge}1/n - 1$$

Where:

- FDI_{2021} represents the FDI inflows in the year 2021
- FDI_{2008} represents the FDI inflows in the year 2008
- n represents the number of years between 2008 and 2021 (which is 13)

This formula essentially calculates the compound annual growth rate (CAGR) of FDI inflows, providing a standardized measure that allows for meaningful comparisons across different countries.

To identify the Asian countries with the highest FDI growth rates, data on FDI inflows from 2008 to 2021 was meticulously collected. After calculating the FDI growth rates, the top 14 countries were selected for further analysis. These 14 countries demonstrated the most substantial and consistent FDI growth throughout this period, making them ideal candidates for this study. They are Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Israel, Malaysia, Mongolia, Nepal, Philippines, Singapore, South Korea, Thailand (see Appendix A).

Several other Asian countries were considered for inclusion in this study to ensure a comprehensive understanding of the relationship between tax policies and FDI inflows within the region. Some countries were omitted from consideration due to a lack of available data and/or due to inconsistent or sporadic patterns of FDI growth (i.e. Japan). Countries with substantial and consistent FDI growth rates were chosen in order to identify clear trends and patterns in the relationship between FDI and five independent variables.

Determinants affecting FDI inflow

Income tax

Income tax is used to denote taxes on estimated net earnings of individuals (income), corporate profits, and capital gains from various assets such as land and securities. Past research suggests a statistically significant negative relationship between corporate tax rate and FDI.[9]

Hypothesis H1: Income tax has a negative impact on FDI inflow.

Goods and services tax

Taxes on goods and services encompass a variety of levies such as sales taxes, excise duties, and charges on the utilization of goods or services. They are a significant source of government revenue. Research suggests that an increase in GST negatively impacts FDI inflows.[10]

Hypothesis H2: Goods and services tax has a negative impact on FDI inflow.

Tax revenue

Tax revenue represents the compulsory payments made to the government for public purposes. This includes income tax, corporate tax, sales tax, and other forms of taxation. Higher levels of tax revenue are associated with a decrease in FDI inflows.[11][12][13]

Hypothesis H3: Tax revenue has a negative impact on FDI inflow.

Corruption control index

The corruption control index measures the perceived extent of governmental corruption, ranging from minor to significant abuses of power. It provides a nation's rating on this measure, typically on a scale from around -2.5 to 2.5 units, where higher values indicate lower levels of corruption. Scholars advocate the idea that corruption control index has a negative impact on FDI inflow.[14][15][16]

Hypothesis H4: Corruption has an adverse impact on FDI inflow.

Trade openness

Trade (% of GDP): a percentage of GDP represents the combined value of exports and imports of goods and services relative to the gross domestic product (GDP). Many studies indicate that a more open economy tends to attract more FDI.[17][18]

Hypothesis H5: Trade openness has a positive impact on FDI inflow.

Literature review

Income tax

The tax foundation defines that federal and state governments impose corporate income tax (CIT) on the profits of businesses. CIT typically taxes the profits of a business, calculated as revenue (sales income) minus costs (operating expenses).

The impact of taxes on FDI is multifaceted and is influenced by numerous factors that can be challenging to quantify. Tax levels impact multinational companies' investment location choices, capital flows, and profit transfers between subsidiaries. However, opinions on how FDI respond to tax levels vary. Throughout history, there has not been a unanimous consensus on this issue. Nonetheless, the majority of studies conclude that FDI typically responds negatively to a rise in the corporate income tax rate.[19][20] Also despite other favorable factors such as the quality of goods and services, a high corporate income tax rate can act as a deterrent to foreign direct investments, leading to reduced inflows.[21]

Goods and services tax (GST)

Despite the increasing prevalence of GST implementations globally, the impact of this tax system on FDI inflows remains a relatively under-researched area. Several studies suggest a positive association between a well-designed GST and FDI inflows. Two studies examined the effect of India's GST implementation and found evidence of increased FDI inflows following the reform. This is attributed to the GST's potential to improve the ease of doing business, reduce compliance costs, and enhance transparency, making the country more attractive to foreign investors.[22][23]

Furthermore, a few researchers analyzed the impact of various tax types on FDI, including consumption taxes like GST. While their findings suggest that variations in consumption tax rates have insignificant impacts on FDI inflows, the broader context of their study focuses on a wider range of tax types beyond GST.[24] While not directly addressing GST, broader tax policy strategies that influence FDI were explored. The study suggests that lowering taxes on domestic production can be an effective tool for attracting FDI. As a consumption tax, GST generally applies to domestic production as well as imports. This may suggest that increases in GST may deter foreign investors, especially those operating in sectors heavily reliant on imported inputs or targeting export markets.[25]

Tax revenue

Several studies suggest a negative relationship between overall tax revenue and FDI inflows. Reducing corporate tax rates, which would decrease tax revenue, leads to increased FDI inflows.[26] Similarly, negative impacts of tax revenue on FDI were pinpointed in Jordan.[27] Researchers compare the outcomes of 25 empirical studies by computing the tax rate elasticity under a uniform definition and report a median tax rate elasticity of -3.3, implying that a 1% decrease in tax revenue (through lower tax rates) leads to a 3.3% increase in FDI. This suggests that higher tax burdens may deter foreign investors seeking more favorable tax environments.[28]

Some studies suggest potential positive effects of specific tax components on FDI. A positive long-run relationship between value-added tax (VAT) and customs and excise duties with FDI was observed in Nigeria, suggesting these specific taxes might not necessarily deter investment. However, this study also found a negative impact of corporate income tax and personal income tax on FDI, aligning with the dominant perspective.[29]

Corruption control index

Several studies paint a stark picture, highlighting the negative impact of corruption on FDI. A cross-country analysis revealed a significant negative correlation between corruption and FDI in developing nations. It suggests that high levels of corruption act as a deterrent, discouraging foreign investors from entering these markets.[30] This point was further emphasized with the argument that corruption not only reduces investment directly but also hinders its positive impact on economic growth.[31] A study of ASEAN-5 economies also demonstrated that countries with lower corruption indices attract significantly more FDI inflows.[32]

However, the narrative is not entirely one-sided. Studies also emerge that paint a more nuanced picture, revealing situations where the relationship between corruption and FDI becomes less straightforward. There is an interesting observation: despite high levels of corruption, developing countries experiencing high economic growth nonetheless tend to attract FDI. This suggests that investors may be willing to tolerate some degree of corruption in exchange for the potential gains associated with rapid economic expansion.[33] Scholars add another layer of complexity by highlighting the

concept of "corruption experience". Their research indicates that multinational corporations (MNCs) with prior experience operating in corrupt environments develop strategies to navigate such systems, effectively reducing the deterrent effect of corruption on their future investments.[34]

Furthermore, a non-linear relationship between corruption and FDI was unveiled. Their findings reveal that in emerging economies with higher levels of financial development, the significance of corruption as a deterrent diminishes. This suggests that robust financial systems can mitigate some of the negative impacts of corruption on FDI inflows.[35] Finally, evidence for the "grabbing hand" hypothesis is provided, suggesting that while initial decreases in corruption may lead to lower FDI, in the long run, such improvements can actually attract more investment.[36]

Trade openness

Several studies highlight the potential of trade openness to attract FDI. One study compares India, Iran, and Pakistan, revealing a significant positive correlation between trade openness and FDI inflows across all three countries. They suggest that open economies, characterized by free flow of goods and services, create an environment conducive to foreign investment.[37] Similarly, another study examines the case of Turkey, acknowledging potential drawbacks of portfolio investment but ultimately concluding that open trade policies led to increased FDI, which is crucial for long-term economic growth.[38] Further strengthening the positive connection, a panel analysis was conducted on multiple Asian economies. The findings reveal a positive and statistically significant long-run impact of trade openness on FDI inflows. This suggests a strong association between open markets and attracting foreign investment in the long term, potentially due to factors like increased market access, improved competition, and enhanced investment opportunities.[39]

However, it is important to note that the impact of trade openness on FDI growth is not always straightforward. Scholars in another study present a contrasting perspective, focusing on Romania. Romania has a unidirectional relationship between trade openness and FDI during the period of 1997 to 2019. It indicates that the openness of the economy of Romania might be inefficient in attracting FDI compared to competing countries. Their study

reveals a negative short-run and long-run relationship between trade openness and FDI inflows. This suggests that high levels of openness, in specific contexts like Romania's, may deter foreign investment in the short term, possibly due to concerns about increased competition or economic instability.[40]

Research methodology

Data source

This study applies a secondary dataset that is available on the World Bank website. The dataset is panel data, covering a sample of 14 Asian countries with positive average FDI growth rate from 2008 to 2021, including: Mongolia, Cambodia, Singapore, India, Israel, Philippines, Malaysia, Nepal, Indonesia, Bangladesh, China, Bhutan, Thailand, and South Korea.

Model description

To analyze the influence of tax policy on FDI in Asian nations, the research team proposes the following linear regression model, selecting the variables based on previous studies:

$$lnFDI_{it} = \beta 0 + \beta 1\ INCTAX_{it} + \beta 2\ GST_{it} + \beta 3\ TAXREV_{it} + \beta 4\ COR_{it} + \beta 5\ TRADE_{it} + a_i + u_{it}$$

Where:

- $\beta 0$ is the intercept of the regression model

- $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$ are coefficient estimates of the independent variables

- X_{it} (X = ('INCTAX', 'GST' , 'TAXREV' , 'COR' , 'TRADE')) : the independent variable represented of country i in year t

- $lnFDI_{it}$: the natural logarithm of FDI of country i in year t.

- a_i: unobserved and unchanged variable.

- u_{it} is the disturbance of observation i, which represents other factors that are not in the model but still have impacts on the dependent variable.

The variables are listed by the research team in the table below:

Table 1: Data description

Variables	Type	Meaning	Measurement Unit	Sign of expectation
lnFDI	Dependent variable	The natural logarithm of FDI	US dollar	
INCTAX	Independent variable	Income tax per revenue	Percent	-
GST	Independent variable	Taxation on products and services (per value added in industry and services)	Percent	-
TAXREV	Independent variable	Tax revenue per GDP	Percent	-
COR	Independent variable	Corruption control index	Unit	-
TRADE	Independent variable	Trade openness	Percent	+

Source: Authors' compilation

Processing technique

Using the gathered data, we processed and analyzed it utilizing Microsoft Excel software, specifically calculating the trade openness variable by dividing the combined value of imports and exports by the GDP. After that, we use STATA17 to conduct regression, testing hypotheses and correcting defects in the model with 3 methods: Pooled Ordinary Least Squares (POLS), Random Effect Model (REM), and Fixed Effect Model (FEM). Our team uses Breusch and Pagan Lagrangian tests to select between the POLS model and FEM/ REM model. In case there is significant difference across units, this study uses the Hausman test to choose between FEM and REM. Finally, we conduct diagnostic tests for heteroskedasticity and auto-correlation to ensure the model's validity.

Results and discussion

Results

Data summary

The tables below show the number of observations, the average value, the standard deviation, the maximum and minimum values, as well as the correlation between 6 given variables:

Table 2: Variable overview

Variables	Obs	Mean	Std. Dev.	Minimum	Maximum
lnFDI	196	9.720811	1.021337	6.423156	11.53665
INCTAX	196	29.80978	10.6861	9.631865	52.85811
GST	196	7.094147	3.128121	3.26868	17.10339
TAXREV	196	13.17425	3.753869	6.997142	24.61542
COR	196	-0.042355	0.8928095	-1.356975	2.231618
TRADE	196	98.01404	79.0712	26.27145	437.3267

Source: Authors' compilation from STATA 17

Table 3: Correlation matrix

	LnFDI	INCTAX	GSTAX	TAXREV	COR	TRADE
lnFDI	1.0000					
INCTAX	0.3758	1.0000				
GST	-0.1097	-0.4570	1.0000			
TAXREV	-0.0149	0.0862	0.6784	1.0000		
COR	-0.0045	0.1621	-0.1500	0.3150	1.0000	
TRADE	0.1482	0.1182	-0.0862	0.1861	0.6193	1.0000

Source: Authors' compilation from STATA 17

Based on the results from the table, most of the variables have low to moderate correlation (less than 0.8) so our model does not suffer from multicollinearity.

Model selection

We use the Breusch-Pagan test for the existence of a_i to select the suitable model:

Breusch and Pagan Lagrangian multiplier test for random effects

chibar2(01) = 985.75

Prob > chibar2 = 0.0000

As the p-value = 0.0000 < 0.05, it shows that there is significant difference across units, so we do not use POLS in this case. The Hausman test is used for the Cov (a_i,) to test whether to choose RE or FE model:
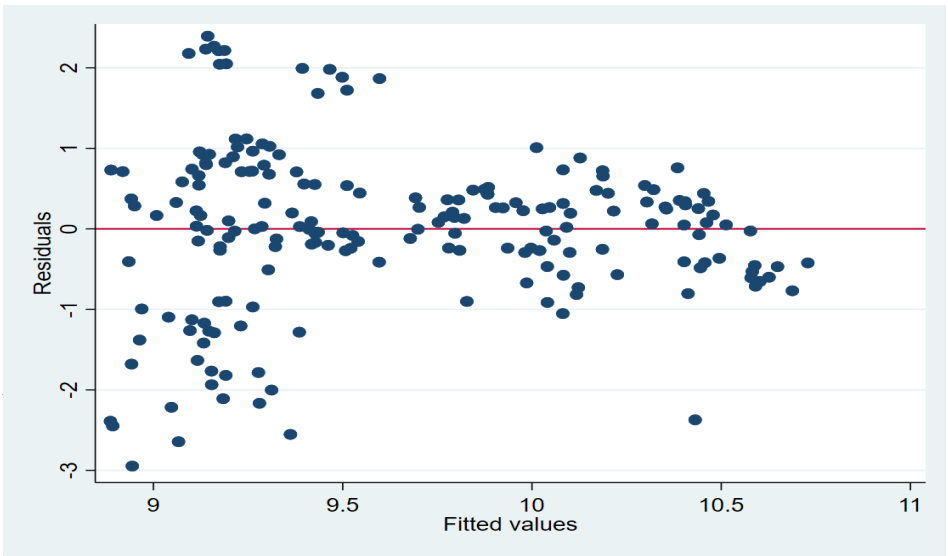

Figure 2: Distribution graph

Source: Authors' calculation using STATA 17

As the distribution of the residuals here is quite large, they do not follow any certain directions so this model may suffer from heteroskedasticity. For further proof, we use the Cook–Weisberg test:

Cook – Weisberg test for heteroskedasticity
chi2(1) = 35.81

Prob > chi2 = 0.0000

Here, the p-value = 0.0000 < 0.05, hence this model has the issue of

heteroskedasticity.

b) *Test for auto-correlation*

Wooldridge test for auto-correlation in panel data

$$F(1,13) = 4.658$$

$$\text{Prob} > F = 0.0545$$

By conducting the Wooldridge test, p-value = 0.0545 > 0.05 so this model does not suffer from auto-correlation.

Discussion

Since this model only suffers from heteroskedasticity, the study uses the "Robust" function to solve this problem and here is the following result:

Table 4: Random Effect model with robust p-value

Variable	Coefficient
INCTAX	0.0560***
	(0.000)
GST	0.139***
	(0.000)
TAXREV	-0.103**
	(0.004)
COR	-0.0583
	(0.734)
TRADE	0.00281*
	(0.023)
_cons	8.145***
	(0.000)

Source: Authors' calculation using STATA 17

Note: *, ** and *** show statistical significance at the % 5, % 1 and % 0.1 levels, respectively. Values in parentheses are p-value

The research results show that income tax is statistically significant, and with a coefficient of 0.056, income tax has a positive impact on FDI, which contradicts the hypothesis put forward in previous studies in which corporate income tax is shown to impede FDI.[41][42] The unexpected results may come from the fact that some investors prioritize stability and predictability in tax regimes over low tax rates. Countries with higher but stable and transparent corporate income tax systems may be perceived as more attractive for long-term investments because they provide certainty and reduce the risk of sudden tax changes or uncertainties. In certain cases, countries with higher corporate income tax rates may offer substantial market potential or demonstrate strong economic stability, outweighing the tax burden for foreign investors. The size and growth prospects of the market, along with the overall economic conditions, can positively influence FDI despite higher tax rates.

While the initial hypothesis proposed a negative relationship between GST and FDI inflows, the regression model yielded a statistically significant and positive coefficient of 0.139. This unexpected outcome could be attributed to several potential mechanisms. Firstly, revenue generation from a higher GST rate could lead to increased government revenue, enabling investments in infrastructure, public services, and the overall investment climate. This improved environment might be more attractive to foreign investors. Secondly, reduced reliance on other taxes due to higher GST revenue could occur. If the GST replaces less investor-friendly taxes, such as corporate income tax, the overall tax burden for foreign investors might decrease, creating a more favorable tax environment and potentially attracting higher FDI inflows.

Tax revenue also has statistical significance but a negative impact on FDI, which aligns with previous findings and our initial expectation.[43][44][45] Countries compete for FDI by offering favorable tax conditions. If a country's tax rates are higher compared to others, it may lose its competitive edge, prompting investors to seek out countries with lower tax costs. For instance, elevated taxes imposed on corporate earnings, capital gains, dividends, and property could escalate the operational expenses in a specific area, thereby diminishing its appeal to foreign investors aiming to optimize their investment returns. Furthermore, high taxation can leave companies with less capital to reinvest

in their operations. This can deter both expansion plans and the entry of new foreign firms, as they might be concerned about having sufficient post-tax income to sustain and grow their business.

The analysis revealed a negative coefficient (-0.0583) for the corruption level index, suggesting lower FDI inflows with higher corruption. While this aligns with the literature review which highlight the deterrent effect of corruption [46] [47] [48], the coefficient lacked statistical significance. Potential explanations include data limitations in capturing nuanced corruption variations, or moderating factors not accounted for (e.g., economic growth, institutional quality). While not statistically conclusive, the negative coefficient suggests a potential deterrent effect of corruption on FDI, warranting further research with more nuanced data and wider control variables.

The positive and statistically significant coefficient of 0.00281 for trade openness indicates higher FDI inflows in more open economies, aligning with aforementioned studies which emphasize the conducive environment open markets create for foreign investment through increased market access, improved competition, and enhanced investment opportunities.[49] [50] [51] This finding consolidates the potential of trade openness as a tool for attracting foreign capital and fostering economic growth.

Conclusion and Recommendations

This paper used the REM model to explore the impact of five tax and tax-related factors, including income tax, GST, tax revenue, corruption control index, and trade openness index on FDI inflows. The study found that tax revenue, corruption control index and trade openness index are aligned with the hypotheses from previous research while the remaining variables (income tax and GST) show great contradiction. Our team also acknowledges some limitations of our research, including the insignificance of the corruption level index variable, and the analysis is limited to 14 specific countries with highest calculated FDI inflow growth rate in Asia in a specific period (2008-2021). Future research should address these limitations by using a more comprehensive dataset and a more specific model.

The unexpected finding that income tax has a positive impact on FDI

contradicts previous studies but suggests that stability and predictability in tax regimes may be valued more by investors than low tax rates. Therefore, countries should consider maintaining stable and transparent corporate income tax systems, prioritizing certainty and reducing the risk of sudden tax changes or uncertainties. This can make countries with higher but stable and transparent corporate income tax systems more attractive for long-term investments.

The statistical significance and positive impact of tax on goods and services on FDI suggest that multinational corporations may seek investment opportunities in countries with higher taxes on goods and services, if other factors such as market potential, infrastructure, and workforce skills are favorable. Therefore, policymakers should consider the overall attractiveness of their market potential, infrastructure, and workforce skills, as these factors can positively influence FDI despite higher tax rates. To ensure this, taxes on goods and services can be used to invest in physical and digital infrastructure to support the movement of goods and provision of services.

The negative impact of tax revenue on FDI suggests that countries should be cautious about imposing elevated taxes that could diminish their competitive edge and prompt investors to seek out countries with lower tax costs. High taxation can leave companies with less capital to reinvest in their operations, which can deter expansion plans and the entry of new foreign firms. Policymakers should assess the overall tax burden on potential investors and consider the impact on their investment returns. Besides, government should also explore alternative revenue sources that do not hinder FDI, such as broadening the tax base, exploring non-distortionary taxes, optimizing public spending, reducing deficits, and improving overall fiscal management. While the analysis demonstrated a negative coefficient for the corruption level index, suggesting lower FDI inflows with higher corruption, the lack of statistical significance warrants further research. Future research should consider collecting more data, using alternative corruption measures, and accounting for other factors influencing FDI.

The positive coefficient for trade openness indicates higher FDI inflows in more open economies. Policymakers should continue to promote open markets to attract foreign capital and foster economic growth. In order to create favorable conditions for efficient FDI, countries may consider lowering cross border trade costs such as tariffs and taxes on foreign goods and services,

public policy activities, transaction costs or the removal of quantitative restrictions on imports with a view to encouraging foreign multinationals to make investments.

Appendix

Appendix A. Top 14 countries with positive FDI average growth rate (2008-2021)

Ranking	Country	Asian specific region	FDI average growth rate
1	Singapore	Southeast Asia	19.5%
2	Philippines	Southeast Asia	18.3%
3	Cambodia	Southeast Asia	11.8%
4	Malaysia	Southeast Asia	7.85%
5	Mongolia	East Asia	7.5%
6	Indonesia	Southeast Asia	6.53%
7	Bhutan	South Asia	6.09%
8	Israel	Middle East	5.8%
9	China	East Asia	5.5%
10	Korea Republic	East Asia	5.36%
11	Thailand	Southeast Asia	4.21%
12	Bangladesh	South Asia	2.02%
13	Nepal	South Asia	1.82%
14	India	South Asia	0.2%

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