


THE ROLE OF FOREIGN INVESTMENT IN BOOSTING ECONOMIC GROWTH IN SOUTHEAST ASIAN COUNTRIES

Ratchanok Intanon

Thammasat University, Thailand

Email: ratchanok@gmail.com

Article Info	ABSTRACT
Keywords: Foreign Investment, Economic Growth, Southeast Asia, Capital Flows, Technology Transfer, Economic Policy	Foreign investment plays a significant role in accelerating economic growth in Southeast Asian countries. This article aims to explore the contribution of foreign direct investment (FDI) to regional economic growth by using secondary data from various Southeast Asian countries. The research methods employed include literature review, statistical data analysis, and a qualitative approach to identify patterns and impacts of foreign investment on the economy. The research findings show that foreign direct investment significantly contributes to economic growth by increasing capital flows, creating jobs, and facilitating technology transfer. Additionally, foreign investment also plays a role in enhancing the competitiveness of local industries and encouraging innovation. However, challenges such as overdependence on foreign investment and negative impacts on certain sectors need to be addressed to maximize its benefits. This article also discusses policies that governments can adopt to attract high-quality and sustainable foreign investment while mitigating potential risks. With a comprehensive approach, the results of this research provide deep insights into the role of foreign investment in advancing the economies of Southeast Asian countries and suggest strategies to leverage existing opportunities while addressing the challenges faced.
This is an open access article under the CC BY license 	Corresponding Author: Ratchanok Intanon E-mail: ratchanok@gmail.com

INTRODUCTION

Foreign direct investment (FDI) has played a crucial role in global economic growth, particularly in Southeast Asia. This region, known for its rapid and dynamic economic growth, has become a prime destination for foreign investors seeking new opportunities in emerging markets. FDI brings significant benefits, including the necessary capital flows for infrastructure development, job creation, and the transfer of technology and modern managerial practices. This supports not only short-term economic growth but also long-term economic capacity building (Ferdiansah, Yusup and Sayudin, 2022).

However, despite the widely recognized importance of FDI, a deep understanding of how foreign investment affects specific aspects of the economy in Southeast Asia remains limited. Existing research is often general or focused on just one country, without providing a comprehensive picture of how FDI impacts the entire region. The need for more detailed research, based on comprehensive data, is becoming increasingly urgent, especially in the context of rapid global changes and rising economic uncertainty.

This research aims to fill that gap by presenting an in-depth analysis of the impact of FDI on economic growth in Southeast Asian countries. By considering various factors such as industry sectors, government policies, and the economic characteristics of each country, this study seeks to provide new insights into the role of FDI in the economic development of the region. It also aims to identify the challenges and opportunities faced by Southeast Asian countries in attracting high-quality and sustainable foreign investment.

Through more detailed analysis, this research is expected to make a significant contribution to the understanding of how FDI affects economic growth in Southeast Asia and provide strategic recommendations for policymakers and economic actors. Thus, this study not only aims to expand the existing literature but also to provide practical guidance for countries in the region to maximize the potential of foreign investment and promote sustainable economic growth.

METHOD

This research aims to explore the role of foreign investment in enhancing economic growth in Southeast Asian countries through a comprehensive and data-driven approach. To achieve this objective, the study adopts a qualitative methodology that integrates literature review and secondary data analysis. This method is chosen for its ability to provide deep insights and a more contextual analysis of the impact of foreign investment on regional economic growth.

In the initial stage, the research conducts a literature review to gather and evaluate previous studies related to foreign investment and economic growth. The literature sources include journal articles, research reports, books, and other relevant academic publications. This process aims to identify prior findings, theories that have been applied, and research gaps that need to be filled. By understanding the context and results of previous studies, this research can build a more solid analytical framework.

Subsequently, the study utilizes secondary data obtained from various sources, including annual reports from international organizations such as the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO), as well as national statistical data provided by

government agencies in each Southeast Asian country. This data includes information on foreign direct investment (FDI) flows, economic growth indicators such as Gross Domestic Product (GDP), and other relevant economic variables.

The data analysis is conducted using a qualitative approach to evaluate the impact of foreign investment on various economic aspects in Southeast Asian countries. The analytical techniques used include thematic analysis and content analysis, which allow the researcher to identify patterns, trends, and relationships between the variables studied. Through this process, the study examines how foreign investment contributes to economic growth, both in terms of capital increase, job creation, technology transfer, and strengthening the competitiveness of local industries.

In the analysis process, the research also considers contextual factors that may influence the results, such as government policies, political stability, and global economic conditions. This is important to obtain a more holistic understanding of how various factors interact and affect the impact of foreign investment in each country.

The conclusions of this research are expected to provide useful guidance for policymakers and stakeholders in formulating effective strategies to attract foreign investment and maximize its benefits. With a deep and comprehensive methodological approach, this study contributes to the existing literature and provides practical recommendations to support sustainable economic growth in the Southeast Asian region.

RESULTS AND DISCUSSION

The Impact of Foreign Investment on Economic Growth in Southeast Asian Countries

The results of the analysis show that foreign direct investment (FDI) has a significant positive impact on economic growth in Southeast Asian countries. The data obtained shows a positive correlation between FDI inflows and an increase in Gross Domestic Product (GDP) in countries such as Indonesia, Thailand, and Malaysia. For example, in Indonesia, increased foreign investment in the infrastructure and manufacturing sectors has contributed to consistent economic growth over the past decade. The additional capital from FDI not only strengthens production capacity but also expands the domestic market by creating new jobs and increasing local consumption.

Furthermore, FDI plays a role in improving the competitiveness of local industries by introducing more efficient managerial technologies and practices. In Thailand, for example, the automotive and electronics sectors have experienced a significant surge in productivity thanks

to foreign investment bringing advanced technology and technical know-how. This impact is seen in increased exports and better product quality, which in turn improves the country's position as a global production hub. However, while these benefits are significant, these countries also face challenges such as over-reliance on foreign investment and potential negative impacts on domestic industries that are not yet ready to compete.

Acceptance and Implementation of Policies to Attract FDI

The results of the analysis also show that the acceptance and implementation of government policies play an important role in influencing the effectiveness of FDI in increasing economic growth. Countries that have succeeded in creating a conducive investment environment, through regulatory reforms and fiscal incentives, show better results in terms of increasing FDI. For example, Malaysia has implemented tax incentives and ease of licensing policies that attract foreign investors to the high-tech and innovation sectors. This policy not only increases FDI flows but also encourages technology transfer and local capacity building.

However, there are still challenges in effectively managing the impact of foreign investment. Some countries face issues such as political instability, incompatibility of economic policies, and lack of adequate infrastructure. In the Philippines, for example, despite efforts to improve the investment climate, challenges such as slow bureaucracy and legal uncertainty still hamper FDI potential. Therefore, it is important for the government to continue to improve investment policies and create conditions that support sustainable economic growth. Through the right reforms and an integrated approach, Southeast Asian countries can optimally harness the potential of FDI to advance their economies.

CONCLUSION

Foreign direct investment (FDI) has proven to play a crucial role in driving economic growth in Southeast Asian countries. Based on the analysis conducted, FDI significantly contributes to the increase in Gross Domestic Product (GDP) through capital inflows, job creation, and technology transfer. Countries like Indonesia, Thailand, and Malaysia have experienced substantial benefits from foreign investment, particularly in critical sectors such as infrastructure, manufacturing, and technology. FDI not only strengthens the local production base but also enhances the competitiveness of domestic industries in the global market. The acceptance of foreign investment has also had a

positive impact on the development of strategic sectors that require advanced technology and managerial expertise.

However, despite the significant benefits of FDI, Southeast Asian countries face challenges that need to be carefully managed. Overdependence on foreign investment can lead to economic instability if not accompanied by adequate policies and strategies. Some countries also struggle to effectively manage the impact of FDI, such as political instability and insufficient infrastructure. To maximize the benefits of FDI, it is important for governments in the region to continue implementing policy reforms that support a conducive investment climate. Better policies and deep structural reforms can help these countries attract high-quality and sustainable foreign investment, while ensuring inclusive and sustainable economic growth.

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