

ABSTRACT
GLOBALIZATION AND CHANGE OF INVESTMENT
ENVIRONMENT IN ASEAN

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The word globalization is more important and popular in 21st century. It is like a village composed of many kinds of social science. Technology, communication, economics, politics and so many related fields can be shared in globalization. Because of high technology, on line communication, demands of markets and complicated politics, the competitions among different societies have been increased. The more open nations are the more advance and the more advanced is the country; the more it is profited by globalization. This is a true philosophical concept.

The world's economic view has changed over the past hundred years and countries expand their Openness to trade, investment flows, and change in ideas, information on economic and political.

In the face of new and uncertain market conditions, rapidly changing technology, and greater environmental awareness, MNEs are going to tackle the extremely difficult pressure to change their current environments and conditions for future. Then they decide to make a creation of conglomerates to compete and the portion of managerial decisions and actions become more important.

FDI plays a significant role in the ASEAN countries' economy. ASEAN countries have been one of significant beneficiary of foreign direct investment (FDI) among developing countries over the past few decades. ASEAN countries have different economic situations and therefore have been implemented Different foreign investment policies at different time period to persuade foreign investors.

The main objective of this research is to evaluate the determinants of FDI in ASEAN countries using the extended Gravity Model. Panel data is used to estimate and evaluate the empirical results based on the data for the years 1995 to 2005. It also examines the bilateral FDI flows between ASEAN countries and their geographical distances. The primary research question emphasize on which variables have been significant in determining ASEAN FDI over time. In addition, this study also examines the effects of globalization on the inflows of FDI into ASEAN countries: an index of globalization covering its three main dimensions: economic integration, political integration and social integration using panel data for six ASEAN countries in 1995-2005.

The result shows that Malaysia, Singapore, Thailand and Vietnam have rapid and sustained economic growth through over FDI according to FDI inflows data. The result also shows that increases in GDP and economy openness between source and host countries potentially attract more FDI into host countries. But Distance has a negative impact on the FDI. In our result, foreign exchange rate, inflation, interest rate and common language have no impact on the inflows of FDI to ASEAN countries' economies.

The result shows that economic globalization has a significantly positive relationship with FDI inflows to ASEAN countries. The result also shows that there has a significantly negative relationship between political globalization and FDI inflows to ASEAN countries.

Key words: Globalization, FDI, Gravity Model, ASEAN regional integration