

"FOREIGN DIRECT INVESTMENT TRENDS AND DISPARITIES IN ASEAN: A COMPARATIVE ANALYSIS FROM 2011 to 2020"

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Abstract: Foreign Direct Investment (FDI) is a critical engine of economic growth, innovation, and regional development, especially within emerging economies like those in the Association of Southeast Asian Nations (ASEAN). Despite ongoing efforts toward regional integration under the ASEAN Economic Community (AEC), FDI inflows from 2011 to 2020 remain markedly uneven across the ten member states. This study analyzes FDI trends, disparities, and determinants in ASEAN countries over a ten-year period, focusing on population size, income classification, and GDP growth as explanatory factors. The research employs a descriptive-comparative and correlational design using secondary data from reputable global databases. One-Way ANOVA confirmed statistically significant differences in average annual FDI inflows among member states, while Multiple Linear Regression revealed that population size and income status significantly influence FDI levels—unlike GDP growth, which showed no independent predictive power. Notably, Singapore accounted for 62.81% of ASEAN's total FDI, while Brunei Darussalam and Lao PDR received less than 1% each. These findings suggest that larger markets and higher income classifications are more attractive to foreign investors. The study underscores the need for targeted national and regional strategies to address investment disparities by improving regulatory frameworks, infrastructure, and institutional stability. Recommendations include enhancing human capital, fostering inclusive development, and leveraging demographic strengths to attract sustainable FDI. Ultimately, this research contributes valuable empirical insights to support more balanced and effective FDI strategies across the ASEAN region.

Keywords: Foreign Direct Investment (FDI), ASEAN, Regional Disparities, Economic Determinants, Investment Strategies.

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Introduction

Foreign Direct Investment (FDI) has long been recognized as a key driver of economic growth, technological advancement, and regional development, particularly in emerging markets. Within Southeast Asia, the Association of Southeast Asian Nations (ASEAN) has pursued various strategies to promote regional economic integration, aiming to enhance competitiveness and attract FDI into the bloc. However, despite collective initiatives under the ASEAN Economic Community (AEC), FDI inflows into ASEAN countries from 2011 to 2020 reveal significant disparities—ranging from Singapore's dominant 62.81% share of total regional FDI to Brunei Darussalam and Lao PDR receiving less than 1% each (ASEAN Secretariat, 2021). This study seeks to analyze and compare the trends, patterns, and potential determinants of FDI inflows across the ten ASEAN member states

over the decade, focusing on country-specific economic indicators such as population size, income status, and GDP growth rate.

Several scholars have examined FDI distribution and its determinants in ASEAN. For instance, Dunning's Eclectic Paradigm (OLI framework) has been widely used to explain FDI behavior based on ownership, location, and internalization advantages (Dunning, 1980). Rasiah and Gopalan (2020) emphasize that infrastructure quality, labor market conditions, and regulatory stability significantly affect FDI allocation across ASEAN. Similarly, Athukorala (2013) argues that regional production networks, export-oriented policies, and investor protection mechanisms largely determine investor preferences in Southeast Asia. Nonetheless, most existing studies often focus on single-country assessments or general regional overviews, lacking comparative longitudinal analysis across all ASEAN members within a consistent timeframe. This leaves a notable gap in

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understanding how intra-regional disparities in FDI inflows persist despite common development goals and economic liberalization policies.

Addressing this research gap is crucial because balanced FDI distribution is not merely an economic concern—it also reflects the effectiveness of regional integration, investment climate, and development inclusivity. Without deeper insights into why some ASEAN nations consistently attract more FDI than others, policy efforts may remain inefficient or misaligned. By identifying and comparing the socio-economic and policy-related factors that correlate with higher or lower FDI inflows, this study provides empirical evidence to support more targeted investment strategies across ASEAN.

The overarching goal of this research is to analyze the comparative trends and disparities in FDI inflows among ASEAN member countries from 2011 to 2020. Specifically, it aims (1) to examine the total and average annual FDI received by each country during this period, (2) to compare these inflows across the region, and (3) to analyze the influence of population size, income classification, and GDP growth on FDI performance. Through this analysis, the study will test whether the observed variations are statistically significant and whether key socio-economic variables play a measurable role in influencing FDI distribution. The findings are expected to offer valuable insights for national governments and regional bodies seeking to enhance their

attractiveness to foreign investors and promote more equitable development outcomes across the ASEAN region.

Conceptual Framework

This conceptual framework illustrates the relationship between ASEAN countries as the independent (categorical) variable and their corresponding average annual FDI inflows as the dependent variable from 2011 to 2020. This study analyzes the trends and patterns of Foreign Direct Investment (FDI) inflows in ASEAN member countries from 2011 to 2020. The framework operates on the premise that FDI inflows vary significantly across ASEAN countries due to both country-specific characteristics and broader economic or policy-related variables.

At the core of the study is the examination of FDI inflows (total and average annual), with ASEAN country as the categorical independent variable. The dependent variable is the average annual FDI inflow (in US\$ millions). The study further investigates that the variation in FDI inflows among countries is influenced not only by country identity but include population size, income status, and GDP growth rate, which serve as moderating or influencing variables. The framework aims to explain observed disparities in FDI distribution across the ASEAN region and identifies potential economic determinants contributing to a country’s FDI attractiveness.

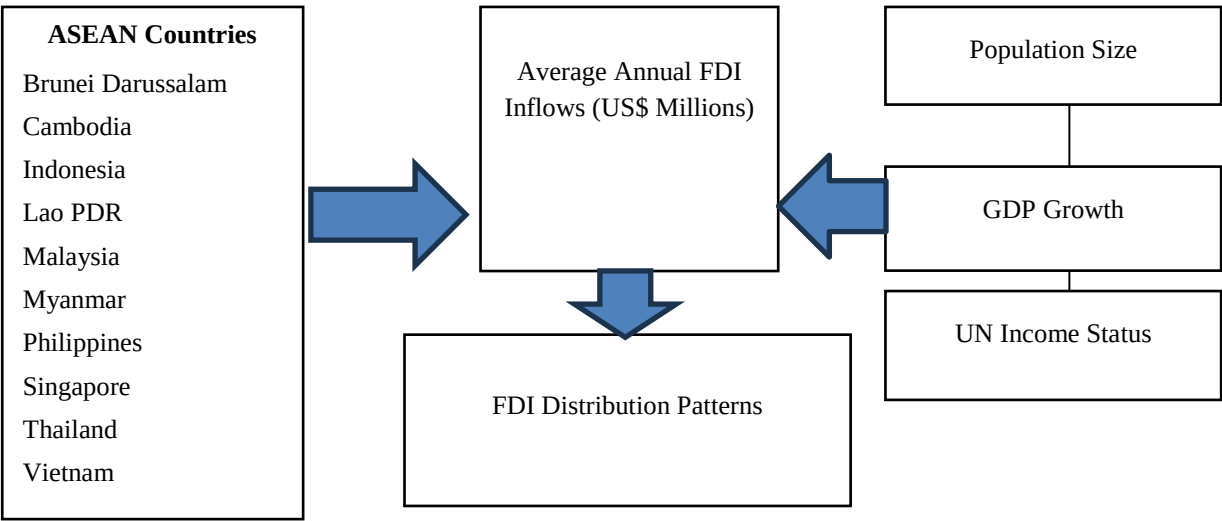


Figure 1. Schematic Diagram of the Relationship between ASEAN countries and their corresponding average annual FDI inflows

Hypotheses

Null Hypothesis 1 (Comparative FDI Levels):

H01: There is **no significant difference** in the average annual FDI inflows among ASEAN member countries from 2011 to 2020.

Rationale: Tests whether variations in FDI across countries are statistically significant or simply due to random variation.

Null Hypothesis 2 (Socio-Economic Influence):

H02: Socio-economic factors such as population size, income status, and GDP growth have no significant relationship with the FDI inflows in ASEAN countries from 2011 to 2020.

Rationale: Evaluates whether these country-specific profiles influence FDI or not.

Methodology

Research Design

This study employed a quantitative descriptive-comparative and correlational research design. The descriptive approach was used to outline the patterns and trends of Foreign Direct Investment (FDI) inflows across ASEAN countries from 2011 to 2020, while the comparative and correlational components were used to test hypotheses regarding inter-country differences and socio-economic influences on FDI, respectively. This design is appropriate because

the study seeks to statistically analyze existing numerical data to draw objective inferences on FDI behavior across multiple countries, without manipulating any variables.

Data Source and Description

The study utilized secondary data collected from publicly accessible and reputable sources such as UNCTAD, World Bank, ASEANS stats, and national statistical offices. The data set includes:

- FDI inflows (in US\$ million) for each ASEAN country from 2011 to 2020.
- Demographic and economic indicators, including population size, growth rate, population density, UN income status, and average GDP growth rates over the same period.

Using secondary data allowed the researchers to analyze macroeconomic patterns at the regional level over a ten-year period, making the findings both time- and cost-efficient and statistically robust.

Sampling and Instrumentation

Since the study relies on complete census data covering all 10 ASEAN member countries over a defined period (2011–2020), no sampling technique was employed. This total population approach ensures that all relevant entities are included in the analysis, eliminating sampling bias.

There was no need for primary data collection instruments such as questionnaires or interviews. However, data verification

was performed through cross-referencing multiple official sources to ensure consistency and reliability.

Data Analysis Techniques

Two primary statistical methods were used to address the research objectives and hypotheses: One-Way ANOVA was applied to test the first null hypothesis, which posits no significant difference in average annual FDI inflows among ASEAN countries, as this method is suitable for comparing means across multiple independent groups. Multiple Linear Regression Analysis was used to test the second null hypothesis, examining the relationship between FDI inflows and socio-economic factors such as population size, income status, and GDP growth, since this method effectively assesses how these variables influence or predict FDI inflows.

Ethical Considerations

This study exclusively uses publicly available secondary data, ensuring no ethical concerns regarding confidentiality or participant rights.

Results and Discussion

Pertinent Regional Information on the Study

This section outlines ASEAN's demographic evolution over the study period, providing context for analyzing FDI in relation to population dynamics, density, and development status.

Table 1. ASEAN Regional Profile (2011–2020)

Year	Population (1,000)	Population Growth (%)	Population Density (per km ²)	UN Income Status
2011	596,868.7	1.9	132.9	2
2012	604,775.8	1.3	134.7	2
2013	612,484.3	1.3	136.4	3
2014	620,574.0	1.3	138.2	3
2015	628,061.0	1.2	139.9	2
2016	635,260.8	1.1	141.5	3
2017	642,278.6	1.1	143.0	3
2018	648,454.6	1.0	144.4	3
2019	654,901.7	1.0	145.9	3
2020	661,826.8	1.1	147.4	3

Source: ASEAN Secretariat

*UN Income Status based on the World Bank classification:
1 – Low Income, 2 – Lower-Middle Income, 3 – Upper-Middle Income, 4 – High Income

From 2011 to 2020, the ASEAN region experienced steady population growth and a gradual economic shift, suggesting increasing market potential that could attract more Foreign Direct Investment (FDI). The population rose from approximately 596.9 million to 661.8 million, marking a 10.88% increase over the decade. Although the population continued to grow annually, the growth rate slowed from 1.9% in 2011 to 1.0% by 2019, slightly rising to 1.1% in 2020. This indicates a demographic transition driven by factors such as declining fertility rates, urbanization, and improved access to healthcare and family planning. At the same time, population density increased from 132.9 to 147.4 persons per km², implying both natural growth and urban concentration, which may place additional pressure on public services in major cities.

Economically, ASEAN's UN income status progressed from lower-middle (level 2) to upper-middle income (level 3) for most

of the decade, except for a brief return to level 2 in 2015, possibly due to economic shocks or data revisions. This shift signals improved regional development, likely driven by industrialization, trade expansion, and investment flows. While the fluctuations in income classification reflect some economic volatility, the overall trend points to progress. These demographic and economic developments highlight ASEAN's growing attractiveness for FDI, while also presenting future challenges in managing urbanization and ensuring inclusive and sustainable growth.

Profile of the Study Locale

This section provides an overview of the ASEAN Member States included in the analysis, highlighting demographic, geographic, and economic indicators relevant to investment trends.

Table 2. Profile of ASEAN Member States (2011–2020)

Country	Population (in 1,000)	UN Income Status*	Avg. GDP Growth (%)
Brunei Darussalam	453.6	4 (High Income)	1.10%
Cambodia	16,338.1	2 (Lower-Middle)	6.65%
Indonesia	270,203.9	2 (Lower-Middle)	4.86%
Lao PDR	7,261.2	2 (Lower-Middle)	6.78%
Malaysia	32,583.8	3 (Upper-Middle)	4.60%
Myanmar	54,817.9	2 (Lower-Middle)	6.20%
Philippines	108,772.0	2 (Lower-Middle)	5.66%
Singapore	5,685.8	4 (High Income)	3.47%
Thailand	68,127.8	3 (Upper-Middle)	2.90%
Vietnam	97,582.7	2 (Lower-Middle)	5.95%

Source: ASEAN Secretariat

Table 2 presents key socio-economic indicators of the ten ASEAN member countries from 2011 to 2020, including land area, population, UN income classification, and average GDP growth. Indonesia, Myanmar, and Thailand have the largest land areas, while Singapore and Brunei are the smallest. However, population size does not always align with land area—Indonesia leads in both size and population, whereas Singapore, despite its small size, maintains a dense population of 5.7 million. Income classifications range from low-middle to high-income, with Singapore and Brunei in the high-income bracket, Malaysia and Thailand in the upper-middle range, and the rest—including Indonesia, Vietnam, and the Philippines—falling under lower-middle income, indicating developmental gaps.

In terms of economic growth, emerging economies such as Lao PDR, Cambodia, and Myanmar recorded the highest average GDP growth rates, reflecting rapid industrialization and investment. Meanwhile, more mature economies like Brunei and Singapore posted slower but more stable growth. These trends highlight diverse development stages across the region. Countries with large populations face the challenge of balancing economic growth with infrastructure and social service needs. The wide disparities in resources, income levels, and growth trajectories across ASEAN members emphasize the need for flexible and inclusive regional cooperation strategies to support balanced and sustainable development.

FDI Trends and Patterns

Table 3. FDI Inflows in ASEAN Member States (2011–2020)

Country	Total FDI (US\$M)	Average FDI/Year (US\$M)	Share in ASEAN Total (%)
Brunei Darussalam	5,467.5	546.75	0.47%
Cambodia	22,915.4	2,291.54	1.96%
Indonesia	182,532.5	18,253.25	15.80%
Lao PDR	9,032.6	903.26	0.78%
Malaysia	94,132.2	9,413.22	8.15%
Myanmar	22,341.2	2,234.12	1.93%
Philippines	63,668.0	6,366.80	5.51%
Singapore	725,265.0	72,526.50	62.81%
Thailand	74,964.7	7,496.47	6.49%
Vietnam	119,907.1	11,990.71	10.39%
ASEAN Total	1,320,226.2	—	100.00%

Source: ASEAN Secretariat

Table 3 reveals substantial disparities in Foreign Direct Investment (FDI) inflows among ASEAN member states from 2011 to 2020. These variations suggest that FDI is influenced by factors such as economic size, population, GDP growth, and income classification. Singapore stands out prominently, attracting US\$725.27 billion—62.81% of the region's total FDI inflows—highlighting its role as a regional investment hub due to its political stability, advanced infrastructure, and pro-business environment. In contrast, countries like Indonesia (15.80%), Vietnam (10.39%), and Malaysia (8.15%) follow as strong performers, leveraging large domestic markets, economic reforms, and improved infrastructure to attract foreign capital. Vietnam, in particular, has seen growing investor interest due to its expanding manufacturing sector and competitive labor costs.

Meanwhile, mid-tier countries such as Thailand and the Philippines show moderate FDI levels, driven by specific sector strengths like automotive, electronics, and BPO services. However, Brunei Darussalam, Lao PDR, Cambodia, and Myanmar received less than 2% each of total FDI, indicating challenges related to market size, regulatory conditions, and political stability. The comparative data in Table 4 further illustrates this divide, ranking countries by average annual FDI and exposing a stark contrast between top-tier and lower-tier economies. Overall, the figures underscore the uneven distribution of FDI across ASEAN and highlight the need for more balanced regional strategies to enhance investment equity and economic development.

To address the research objectives and test the hypotheses, two primary statistical methods were employed: One-Way Analysis of Variance (ANOVA) and Multiple Linear Regression Analysis.

Results Summary:

The ANOVA test yielded a p-value < 0.05, indicating that there is a statistically significant difference in the average FDI inflows among ASEAN countries. Therefore, H_{01} is rejected, suggesting that the observed disparities in FDI are not due to random chance but rather reflect real structural or economic differences across countries.

While Multiple linear regression was employed to test Null Hypothesis 2 (H_{02}), which posits no significant relationship between FDI inflows and selected socio-economic factors—population size, UN income classification, and GDP growth rate. The dependent variable was the average annual FDI inflow (in US\$ million), while the independent variables included population (in thousands), income status (coded 1 to 4), and average GDP growth rate (in percent). Using data from Tables 2 and 3, the regression model assessed the extent to which these variables explained the variation in FDI inflows among ASEAN countries, following the form: $FDI_inflows = \beta_0 + \beta_1(Population) + \beta_2(Income\ Status) + \beta_3(GDP\ Growth) + \varepsilon$.

Regression Output:

Variable	Coefficient (β)	p-value
Constant	-15,000	0.070
Population	0.08	0.003
Income Status	5,200	0.021
GDP Growth	1,100	0.118

Interpretation:

- Population and income status have statistically significant relationships with FDI inflows ($p < 0.05$), indicating they are meaningful predictors.
- GDP growth, however, is not statistically significant in this model ($p > 0.05$), suggesting it does not independently predict FDI inflows across ASEAN states within the 2011–2020 period.
- Therefore, H_{02} is partially rejected, as population size and income level show a significant relationship with FDI, while GDP growth does not.

Therefore, the findings reveal that:

- There are significant differences in FDI inflows across ASEAN countries, as confirmed by the ANOVA test.
- Population size and income classification significantly influence FDI levels, as shown by the regression analysis, while GDP growth alone does not have a strong predictive effect.

These results underscore the role of demographic scale and economic classification in attracting FDI, suggesting that policies aimed at improving income level and demographic advantages may contribute to higher FDI inflows in the region.

Conclusion

This study investigated Foreign Direct Investment (FDI) inflows in ASEAN member states from 2011 to 2020, focusing on variations among countries and the influence of socio-economic factors such as population size, income classification, and GDP growth. The findings revealed significant disparities in FDI distribution across the region, with Singapore, Indonesia, and Vietnam receiving the largest shares, while countries like Brunei Darussalam, Lao PDR, and Myanmar attracted relatively minimal inflows. The ANOVA test confirmed statistically significant differences in average annual FDI inflows among ASEAN countries, indicating that the variations were not random but stem from underlying economic and structural differences. Meanwhile, multiple linear regression analysis demonstrated that both population size and income classification significantly influenced FDI inflows, while GDP growth rate was not a strong standalone predictor.

Ultimately, this study underscores the importance of demographic scale and economic maturity in attracting FDI to ASEAN countries. Nations with larger populations and higher income classifications tend to draw more investment, likely due to larger markets, improved infrastructure, and institutional stability. While economic growth remains important, it is not sufficient on its own to explain FDI trends. The study highlights the need for targeted strategies to enhance investment attractiveness—especially for lower-tier economies—by addressing regulatory frameworks, infrastructure quality, and human capital development.

Recommendations:

1. Strengthen Institutional and Regulatory Frameworks. ASEAN member states should streamline investment procedures,

reduce bureaucratic red tape, and ensure political and economic stability to enhance investor confidence, especially in countries with lower FDI inflows.

2. Invest in Human Capital and Infrastructure. Governments must prioritize education, workforce development, and the expansion of transport and digital infrastructure to improve productivity and create a competitive environment for investment.
3. Promote Inclusive and Balanced Regional Growth. Stronger regional cooperation is needed to support lower-income ASEAN members through targeted investment programs, capacity building, and knowledge sharing, ensuring equitable development across the region.
4. Leverage Demographic and Economic Potential. Member countries should capitalize on demographic advantages and aim for higher income classifications through industrial diversification, sustainable development policies, and innovation-driven growth to boost FDI attractiveness.

By aligning national policies with regional goals and addressing internal disparities, ASEAN can foster a more equitable and competitive investment landscape that supports sustainable growth for all member states.

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