IX. SUMMARY AND CONCLUSION

9.1. Introduction:

The main findings of the study are summarized in this chapter on the basis of objectives of this research work. The analysis was done using 35 years data over the period from 1971 to 2005 for each of the seventeen Asian Developing countries; depending on the availability of data. Afghanistan has not received any foreign direct investment till 2000. Hence Afghanistan could not be included for analysis.

9.2. Growth and Distribution of the FDI Inflows in the Developing Countries of Asia:


2. China has not received any Foreign Direct Investment till 1981. Since 1982, it started receiving FDI. The FDI inflows into China grew from 430 millions of US Dollars in 1982 and touched 3487 millions of US Dollars in 1990. During the decade 1981-1990, the average value of FDI received by China and the growth rate come about 2027.33 millions of US Dollars is 29.00 per cent per year, respectively. In the next decade, till 1997 the FDI inflows into China have grown considerably. The value of FDI touched the highest level of 44,237 millions of US Dollars in 1997 from 4,366 millions of US Dollars in 1991. The average value of FDI received by China and the annual growth rate in this decade
FDI inflows in the year 2001 were to the extent of 46878 millions of US Dollars in China. It increased continuously year by year and reached 72.41 billions of US Dollars in 2005. Among the Asian Developing Countries, China has received the highest amount of FDI. The average value of FDI for this period works out to 57.23 billions of US Dollars. FDI has increased by 1.54 times in this period.

3. In 1971, Fiji has received 6.5 millions of US Dollars as FDI. There was no inflow of FDI in the next two years. The FDI inflows into Fiji increased from 10.2 millions of US Dollars in 1979 to 36.3 millions of US Dollars in 1980. The average value of FDI received by Fiji in this decade comes about 15.18 millions of US Dollars per year. In the next decade, till 1986 the FDI inflows into Fiji had recorded a declining trend. During the decade 1981-1990, the average value of FDI received by Fiji comes about 30.6 millions of US Dollars per year.


5. In 1971, Indonesia has received 139 millions of US Dollars as FDI. The FDI inflows into Indonesia declined from 476 millions of US Dollars in 1975 to 183 millions of US Dollars in 1980. During the decade 1971-80, the average value of FDI received by Indonesia comes about 268.86 millions of US Dollars per year. The FDI inflows into Indonesia have increased from 133 millions of US Dollars in
1981 to 1093 millions of US Dollars in 1990. The average value of FDI worked out to 417.6 millions of US Dollars. During the decade 1991-2000, till 1996, the value of FDI was growing. The value of FDI had touched the highest level of 6194 millions of US Dollars in 1996. During this period, the average value of FDI received by Indonesia, works out to 3227 millions of US Dollars. There was no FDI inflow into Indonesia in 2001 and 2003. The FDI inflow in the year 2002 was 145 millions of US Dollars and in 2004, it was 1896 millions of US Dollars. It increased to 5260 millions of US Dollars in 2005. The average value of FDI in this period works out to 1460.2 millions of US Dollars per year.

6. In Korea, The value of FDI had grown up to 105 millions of US Dollars in 1974 from 39 millions of US Dollars in 1971. Since 1974, the value of FDI started declining. During the decade 1971-80, the average value of FDI received by Korea comes about 65.8 millions of US Dollars per year. In the next decade, till 1989, the value of FDI had grown sizeably. The value of FDI touched the highest level of 1118 millions of US Dollars in 1989 from 69 millions of US Dollars in 1982. The average value of FDI in this decade works out to 458.1 millions of US Dollars. During the decade 1991-2000, till 1993, the FDI inflows into Korea had declined to a sizeable extent. Only from 1994, the value of FDI inflows into Korea grew from 809 millions of US Dollars in 1994 to 9333 millions of US Dollars in 1999, and then declined marginally to 9283 millions of US Dollars. During this decade, the average value of FDI received by Korea, comes about 3427.9 millions of US Dollars. There is a decline in the inflows of FDI in Korea since 2001. FDI started increasing from 2003 and it reached 7198 millions of US Dollars in 2005. The average value of FDI works out to 5145 millions of US Dollars.

7. During the decade 1971-80, the FDI inflows into Malaysia increased from 100 millions of US Dollars in 1971 to a high level of 934 millions of US Dollars in 1980. The average value of FDI received by Malaysia, the annual growth rate in this decade works out to 410.1 millions of US Dollars. In the next decade, till 1987, the FDI inflows in to Malaysia had declined. The value of FDI declined from 1265 millions of US Dollars in 1981 to 423 millions of US Dollars in 1987. Only from 1988, the value of FDI started growing considerably. The

8. Maldives has not received any Foreign Direct Investment till 1985. Since 1986, it started receiving FDI. However, the value is very low and it ranges from 1.2 millions of US Dollars to 5.6 millions of US Dollars. During the decade 1981-90, the average value of FDI received by Maldives comes about 4.34 millions of US Dollars per year. In the next decade, till 2000, the FDI inflows into Maldives had increased moderately. The value of FDI rose to 13 millions of US Dollars in 2000 from 6.5 millions of US Dollars in 1991. The average value of FDI in this decade works out to 9.34 millions of US Dollars. Maldives received FDI to the extent of 12 millions of US Dollars in 2001 and it was varying within a narrow range of 12 to 15 millions of US Dollars during 2001-05. The average value of FDI works out to 13.4 millions of US Dollars.

9. Nepal has not received any Foreign Direct Investment till 1995. Only in 1996-98, it has received 19.2, 23.1 and 12 millions of US Dollars as FDI, respectively. There was no inflow of FDI in the next two years. During the decade 1991-2000, the average value of FDI received by Nepal comes about 18.1 millions of US Dollars per year. Nepal does not receive FDI continuously. It received 21 millions of US Dollars in 2001, 15 millions of US Dollars in 2003 and 5 millions of US Dollars in 2005. The average value of FDI received in this period works out to 8.2 millions of US Dollars.

10. During the decade, till 1976, the FDI inflows into Pakistan had not grown sizeably. Only from 1977, the value of FDI starts growing. The average value of FDI in this decade was 24.78 millions of US Dollars per year. In the next
decade, till 1983, the FDI inflows into Pakistan had declined. Only from 1984, the value of FDI started growing in size. The value of FDI rose to 244 millions of US Dollars in 1990. The average value of FDI in this decade works out to 127.5 millions of US Dollars. During the decade 1991-2000, the FDI inflows into Pakistan grow from 261 millions of US Dollars in 1991 to the highest level of 922 millions of US Dollars in 1996 and then it started showing a declining trend. The average value of FDI in this decade works out to 510.3 millions of US Dollars per year. Pakistan received 383 millions of US Dollars in 2001. After a decline in 2003, it increased to 2183 millions of US Dollars in 2005. The average value of FDI works out to 1008 millions of US Dollars per year. FDI increased by 5.7 times in this period.

11. Papua New Guinea has not received any Foreign Direct Investment till 1975. Only from 1976, it started receiving FDI. During the decade 1971-80, the average value of FDI received by Papua New Guinea comes about 35.1 millions of US Dollars per year. In the next decade, the FDI inflows into Papua New Guinea fluctuated. The average value of FDI works out to 120.63 millions of US Dollars. The value of FDI was fluctuating and it ranged from 28.6 millions of US Dollars to 454.6 millions of US Dollars. The average value of FDI received by Papua New Guinea in this decade works out to 199.08 millions of US Dollars per year. Papua New Guinea received 63 millions of US Dollars as FDI in 2001. It declined to 18 millions of US Dollars in 2002 and then increased to 101 millions of US Dollars. It has come down to 26 millions of US Dollars in 2004 and then increased to 32 millions of US Dollars in 2005. The average value of FDI works out to 48 millions of US Dollars per year in this period.

12. Philippines has not received any Foreign Direct Investment till 1972. Since 1973, it started receiving FDI. However the value was fluctuating and it ranged from 4 millions of US Dollars to 210 millions of US Dollars. In the next decade, only from 1985, the FDI inflows into Philippines started increasing sizeably. The average value of FDI in this decade works out to 277.7 millions of US Dollars. During the decade 1991-2000, only from 1992, the FDI inflows into Philippines had been growing considerably. The value of FDI rose to the highest

13. The value of FDI inflows into Singapore grew from 116 millions of US Dollars in 1971 to 1236 millions of US Dollars in 1980. The average value of FDI and annual growth rate work out to 415.6 millions of US Dollars and 107.28 per cent respectively. In the next decade, till 1985, the FDI inflows into Singapore had declined gradually. Only from 1986, the value of FDI started growing considerably. The average value of FDI in this decade works out to 2340.8 millions of US Dollars. During the decade 1991-2000, since 1992, the FDI inflows into Singapore had grown substantially. The average value of FDI in this decade works out to 7048.4 millions of US Dollars per year. Singapore received 15649 millions of US Dollars in 2001. From 10376 millions of US Dollars in 2003, FDI increased to 20083 millions of US Dollars in 2005. The average value of FDI works out to 13653 millions of US Dollars per year.

14. Solomon Islands has not received any Foreign Direct Investment till 1974. Since 1975, it started receiving FDI. However, the value of FDI is very low. During the decade 1971-80, the average value of FDI received by Solomon Islands comes about 4.62 millions of US Dollars per year. In the next decade also, the FDI received by Solomon Islands was very low. The average value of FDI in this decade works out to 4.16 millions of US Dollars per year. During the decade 1991-2000, in 1991, and 1992, the FDI inflows into Solomon Islands slightly increased from 15.1 millions of US Dollars to 22.44 millions of US Dollars. Only in 1997, it has received the highest amount of 33.85 millions of US Dollars as FDI. The average value of FDI in this decade works out to 16.01 millions of US Dollars per year. Solomon Islands did not receive FDI during 2001-2005, with an exception of one million US Dollars in 2004.
15. During the decade 1971-80, till 1978, the FDI inflows into Sri Lanka had not grown sizeably. The average value of FDI in this decade works out to 11.75 millions of US Dollars per year. In the next decade, till 1989, the FDI inflows into Sri Lanka had declined gradually. The average value of FDI received in this decade works out to 40.75 millions of US Dollars per year. During the period 1991-2000, till 1997, the FDI inflows into Sri Lanka had fluctuated. The average value of FDI in this decade works out to 168.07 millions of US Dollars. FDI in Sri Lanka during 2001-2005 increased slowly from 172 millions of US Dollars to 272 millions of US Dollars. The average value of FDI works out to 220.6 millions of US Dollars.

16. During the decade 1971-80, till 1974, the FDI inflows into Thailand had increased gradually. The average value of FDI in this decade works out to 94.5 millions of US Dollars per year. In the next decade, since 1982, the FDI inflows into Thailand had grown considerably with fluctuations. The value of FDI touched the highest level of 2444 millions of US Dollars in 1990. The average value of FDI and the annual growth rate in this decade work out to 733.6 millions of US Dollars and 82.21 per cent respectively. During the decade 1991-2000, till 1994, the FDI inflows into Thailand had declined. The value of FDI had reached the highest level of 7315 millions of US Dollars in 1998 from 2068 millions of US Dollars in 1995. The average value of FDI in this decade works out to 3249 millions of US Dollars. Thailand received 3886 millions of US Dollars in 2001. It declined to 947 millions of US Dollars in 2002. With fluctuations, it increased to 3687 millions of US Dollars in 2005. The average value of FDI in this period works out 2377 millions of US Dollars per year.

17. Vanuatu had not received any Foreign Direct Investment till 1981. Only from 1982, it started receiving FDI. However, the value was very low. During this decade, the average value of FDI received by Vanuatu comes about 8.1 millions of US Dollars per year. In the next decade, till 1996, the FDI inflows into Vanuatu had risen slightly. The average value of FDI in this decade works out to 25.57 millions of US Dollars per year. Vanuatu received very small amount of FDI during 2001-2005. It was 9 millions of US Dollars in 2001 which declined to 7 millions of US Dollars in 2002. It touched 22 millions of US Dollars in 2004.
and then declined to 15 millions of US Dollars in 2005. The average value of FDI works out to 13.6 millions of US Dollars per year.

18. During the decade 1971-80, since 1972, the FDI inflows into Asian Developing Countries had increased considerably. The value of FDI had reached the highest level of 2769.21 millions of US Dollars in 1980 from 423.4 millions of US Dollars in 1972. The average value of FDI in this decade works out to 1296.07 millions of US Dollars. In the next decade, till 1990, the FDI inflows into Asian Developing Countries have been increasing. The value of FDI touched the highest level of 16817.05 millions of US Dollars in 1990. The average value of FDI in this decade works out to 7489.86 millions of US Dollars. During the decade 1991-2000, till 1997, the FDI inflows into Asian Developing Countries have grown. The value of FDI had reached the highest level of 77763.28 millions of US Dollars in 1997, It then declined to 64689.56 millions of US Dollars in 2000. The average value of FDI in this decade works out to 55974.01 millions of US Dollars. During the period from 2001-2005, till 2005, FDI inflows into Asian Developing Countries have grown. The value of FDI had reached the highest level of 123544 millions of US Dollars in 2005. The average value of FDI in this period works out to 90979 millions of US Dollars.

9.3. Trend Analysis of FDI:

Comparing the two periods, before 1991 and after 1991, the FDI inflows into Bangladesh increased, annually by the highest amount of 42.98 millions of US Dollars in the second period. The highest compound growth rate of 21.17 per cent was recorded only after 1991.

The FDI inflows into China increased, annually by the highest amount of 3581.94 millions of US Dollars after 1991. The highest compound growth rate of 11.96 per cent was recorded before 1991.
The FDI inflows into Fiji increased, annually by the highest amount of 1.68 millions of US Dollars before 1991. The highest compound growth rate of 2.63 per cent was recorded before 1991.

The FDI inflows into India increased, annually by the highest amount of 442.84 millions of US Dollars after 1991. The highest compound growth rate of 11.29 per cent was recorded only after 1991.

The FDI inflows into Indonesia increased, annually by the highest amount of 52.69 millions of US Dollars after 1991. The highest compound growth rate of 2.74 per cent was recorded before 1991.

The FDI inflows into Korea increased, annually by the highest amount of 486.6 millions of US Dollars after 1991. The highest compound growth rate of 7.7 per cent was recorded after 1991.

The FDI inflows into Malaysia increased, annually by the highest amount of 66.77 millions of US Dollars before 1991. The highest compound growth rate of 4.8 per cent was recorded before 1991.

The FDI inflows increased, annually by the highest amount of 0.623 millions of US Dollars after 1991. The highest compound growth rate of 2.74 per cent was recorded after 1991.

The results of the trend analysis imply that the FDI inflows into Nepal decreased annually by 1.24 millions of US Dollars after 1991. The FDI inflows decreased at the compound growth rate of 4.8 per cent per year.

The FDI inflows into Pakistan increased, annually by the highest amount of 65.4 millions of US Dollars after 1991. The highest compound growth rate of 10.1 per cent was recorded before 1991.
### TABLE - 9.1: TREND VALUES OF FDI (VALUES IN MILLIONS OF US DOLLARS.)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Country</th>
<th>Before 1991</th>
<th>After 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Simple Linear</td>
<td>Semi log Linear</td>
</tr>
<tr>
<td>1.</td>
<td>Bangladesh</td>
<td>0.20</td>
<td>0.05</td>
</tr>
<tr>
<td>2.</td>
<td>China</td>
<td>417.10&quot;</td>
<td>0.11&quot;</td>
</tr>
<tr>
<td>3.</td>
<td>Fiji</td>
<td>1.68</td>
<td>0.03</td>
</tr>
<tr>
<td>4.</td>
<td>India</td>
<td>23.03&quot;</td>
<td>0.11&quot;</td>
</tr>
<tr>
<td>5.</td>
<td>Indonesia</td>
<td>25.95'</td>
<td>0.03'</td>
</tr>
<tr>
<td>6.</td>
<td>Korea</td>
<td>44.14&quot;</td>
<td>0.66&quot;</td>
</tr>
<tr>
<td>7.</td>
<td>Malaysia</td>
<td>66.77&quot;</td>
<td>0.05&quot;</td>
</tr>
<tr>
<td>8.</td>
<td>Maldives</td>
<td>-0.03</td>
<td>-0.003</td>
</tr>
<tr>
<td>9.</td>
<td>Nepal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10.</td>
<td>Pakistan</td>
<td>11.20&quot;</td>
<td>0.10&quot;</td>
</tr>
<tr>
<td>11.</td>
<td>Papua New Guinea</td>
<td>10.30&quot;</td>
<td>0.06&quot;</td>
</tr>
<tr>
<td>12.</td>
<td>Philippines</td>
<td>28.60&quot;</td>
<td>0.06</td>
</tr>
<tr>
<td>13.</td>
<td>Singapore</td>
<td>202.22&quot;</td>
<td>0.08&quot;</td>
</tr>
<tr>
<td>14.</td>
<td>Solomon Islands</td>
<td>0.22</td>
<td>0.01</td>
</tr>
<tr>
<td>15.</td>
<td>Srilanka</td>
<td>2.52&quot;</td>
<td>0.13&quot;</td>
</tr>
<tr>
<td>16.</td>
<td>Thailand</td>
<td>74.45&quot;</td>
<td>0.17&quot;</td>
</tr>
<tr>
<td>17.</td>
<td>Vanuatu</td>
<td>0.83</td>
<td>0.04</td>
</tr>
</tbody>
</table>

** Significant at one per cent level.
* Significant at five per cent level.

### TABLE - 9.2: COMPOUND GROWTH RATES OF FDI.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Country</th>
<th>Before 1991</th>
<th>After 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bangladesh</td>
<td>4.92</td>
<td>21.17&quot;</td>
</tr>
<tr>
<td>2.</td>
<td>China</td>
<td>11.96&quot;</td>
<td>5.65&quot;</td>
</tr>
<tr>
<td>3.</td>
<td>Fiji</td>
<td>-2.63</td>
<td>0.90</td>
</tr>
<tr>
<td>4.</td>
<td>India</td>
<td>11.18&quot;</td>
<td>11.29&quot;</td>
</tr>
<tr>
<td>5.</td>
<td>Indonesia</td>
<td>2.74'</td>
<td>-0.21</td>
</tr>
<tr>
<td>6.</td>
<td>Korea</td>
<td>6.80&quot;</td>
<td>7.70&quot;</td>
</tr>
<tr>
<td>7.</td>
<td>Malaysia</td>
<td>4.80&quot;</td>
<td>-1.92</td>
</tr>
<tr>
<td>8.</td>
<td>Maldives</td>
<td>-0.30</td>
<td>2.74&quot;</td>
</tr>
<tr>
<td>9.</td>
<td>Nepal</td>
<td>-</td>
<td>-4.80</td>
</tr>
<tr>
<td>10.</td>
<td>Pakistan</td>
<td>10.10&quot;</td>
<td>3.56&quot;</td>
</tr>
<tr>
<td>11.</td>
<td>Papua New Guinea</td>
<td>6.20&quot;</td>
<td>3.56&quot;</td>
</tr>
<tr>
<td>12.</td>
<td>Philippines</td>
<td>6.20</td>
<td>-</td>
</tr>
<tr>
<td>13.</td>
<td>Singapore</td>
<td>8.10&quot;</td>
<td>4.30&quot;</td>
</tr>
<tr>
<td>14.</td>
<td>Solomon Islands</td>
<td>0.70</td>
<td>-7.79</td>
</tr>
<tr>
<td>15.</td>
<td>Srilanka</td>
<td>13.90&quot;</td>
<td>3.30'</td>
</tr>
<tr>
<td>16.</td>
<td>Thailand</td>
<td>18.53&quot;</td>
<td>1.31</td>
</tr>
<tr>
<td>17.</td>
<td>Vanuatu</td>
<td>4.19</td>
<td>-2.90&quot;</td>
</tr>
</tbody>
</table>

** Significant at one per cent level.
* Significant at five per cent level.
The FDI inflows into Papua New Guinea increased, annually by the highest amount of 10.3 millions of US Dollars before 1991. The highest compound growth rate of 6.2 per cent was recorded before 1991.

The FDI inflows into Philippines increased, annually by the highest amount of 28.6 millions of US Dollars before 1991. The highest compound growth rate of 6.2 per cent was recorded before 1991.

The FDI inflows into Singapore increased, annually by the highest amount of 810.86 millions of US Dollars after 1991. The highest compound growth rate of 8.1 per cent was recorded before 1991.

The FDI inflows into Solomon Islands increased, annually by the highest amount of 0.22 millions of US Dollars before 1991. The highest compound growth rate of 0.7 per cent was recorded before 1991.

The FDI inflows into Thailand increased, annually by the highest amount of 74.45 millions of US Dollars before 1991. The highest compound growth rate of 18.53 per cent was recorded before 1991.

The FDI inflows into Vanuatu increased, annually by the highest amount of 0.83 million of US Dollars before 1991. The highest compound growth rate of 4.19 per cent was recorded before 1991.

9.4. FDI, as a Percentage of GDP:

In Bangladesh, FDI formed 1.68 per cent in 1983. With a declining trend, it touched 0.86 per cent in 1998. It started increasing since 1996, and it has come up to 5.73 per cent in 2005.
In China FDI formed less than one per cent of GDP in 1982 and 1983. It started exceeding one per cent of GDP since 1984. With fluctuations, it reached 14.29 per cent in 2005.

In Fiji, FDI as a percentage to GDP is fluctuating over a wider range. It formed 1.02 per cent in 1979 and in 1985, if formed 34.45 per cent. It stood at 12.2 per cent in 2004.

FDI as a percentage to GDP has shown a more consistent trend in India. It formed 0.6 per cent in 1991. It started increasing slowly and continuously and touched the highest level of 5.84 per cent in 2005.

In Indonesia, FDI remained less than one per cent of GDP till 1980. It started exceeding 5 per cent since 1981 and touched the highest value of 14.57 per cent in 1997. It declined to 7.65 per cent in 2005.

In Korea, FDI remained less than one per cent of GDP in eighties. It touched 2.01 per cent in 1981 and was varying around 2 per cent till 1996. It started growing from 1997 and with fluctuations, it touched 7.97 per cent in 2005.

Till 1980, FDI remained less than 3 per cent of GDP in Malaysia. In 1981, it increased suddenly and touched 21.47 per cent. It touched the highest level of 62.44 per cent in 1998. Thereafter, it started declining and has come down to 36.52 per cent in 2005.

In Maldives, FDI formed 5.89 per cent in 1986. It started increasing since then and after touching the highest value of 22.69 per cent in 2004, it has marginally come down to 22.58 per cent in 2005.

In Nepal, FDI formed 0.75 per cent of GDP in 1996 and after touching 2.13 per cent in 2003, it is reduced to 1.72 per cent in 2005.
In Pakistan, FDI formed a negligible proportion of GDP till 1980. It started increasing from 1.91 since 1981. It touched the highest value of 12.74 per cent in 1997. Thereafter it declines and comes down to 8.78 per cent in 2005.

In Papua New Guinea, FDI formed less than 5 per cent of GDP till 1980. In 1981, FDI formed 25.85 per cent of GDP. With fluctuations, it increased to 60.79 per cent in 2002 and has come down to 56.73 per cent in 2005.

In Philippines, FDI formed 0.5 per cent to GDP in 1973. It remained mostly less than one per cent till 1979. It formed 4.45 per cent in 1981. It started slowly increasing from this value and became 16.87 per cent in 2000. It is declining from 2001 and it stands at 14.37 per cent in 2005.

FDI as a percentage of GDP has recorded a remarkable progress in Singapore. In fact, the value of FDI has exceeded the GDP in 1998, in Singapore.

FDI formed 4.94 per cent of GDP of Singapore in 1971 and it remained less than 10 per cent till 1979. It increased from 10.68 per cent to 82.57 per cent during 1980-90. In the year 1998, FDI formed 105.83 per cent to GDP. It increased further from 1999 and touched the highest value of 158.57 per cent in 2005.

In Solomon Islands, FDI formed 17.53 per cent in 1981. It is increasing with fluctuations and touched the highest value of 50.01 in 1984.

In Sri Lanka, FDI formed a very small proportion of GDP till 1978. In 1979, it touched 1.39 per cent. From 1982, it started growing at a higher rate. It varied between 8 to 10 per cent during 1983 and 1996. With fluctuations it stood at 10.41 per cent in 2005.

In Thailand FDI remained less than one per cent of GDP up to 1980. It started increasing from 3.32 per cent in 1981 and touched 33.5 per cent in 2005.
In Vanuatu, FDI formed 44.69 per cent to GDP and it registered an increasing trend and touched 174.88 per cent in 2002. It started declining thereafter and came down to 129.39 per cent. Therefore, among the Asian Developing Countries, Singapore and Vanuatu are the two countries where FDI exceeds GDP.

9.5. Distribution of FDI among the Asian Developing Countries:

Among the Asian Developing Countries, China has received the highest level of FDI. Its share in the total FDI of Asian Developing Countries started exceeding 50 per cent since 1992. Next to China, Singapore has received more FDI among the Asian Developing Countries. Korea is in the third place among the Asian Developing Countries in receiving the FDI. India is in the fourth place in receiving the FDI and the share of India is growing only from 1991. Indonesia, of late, comes next to India in receiving the FDI. Malaysia comes next to Indonesia. Thailand is in the seventh place. Pakistan is in the eighth place. Excluding the above eight countries, the remaining Asian Developing Countries received less than one per cent each. Solomon Islands receive the least FDI in 2005.

Asian Developing Countries receive 36 per cent of the FDI received by the Developing Countries. In 2005, China alone has received 21.66 per cent. Singapore has received 6.01 per cent. India has received 1.97 per cent. Korea has received 2.15 per cent. Indonesia shared 1.57 per cent. Malaysia and Thailand shared 1.19 per cent and 1.10 per cent respectively. Other developing countries of Asia received less than one per cent each. The seven countries mentioned above totally receive 35.65 per cent of the FDI received by the Developing Countries. The SAARC countries have received 2.92 per cent of FDI received by the Developing Countries. SAARC countries have more potential to absorb higher FDI and these countries are required to pay more attention to receive a higher proportion of FDI.
9.6. Share of FDI in Total Investment:

FDI in Singapore forms 44 per cent of the total investment in 2005. In 1971, FDI formed 12 per cent of the total investment. It is increasing since then and with fluctuations it has touched 44 per cent. Among the Asian Countries only in Singapore, the share of FDI in the total investment is the highest. Even though the absolute value of FDI is very low in Vanuatu, the share of FDI in the total investment touched 40 per cent in 1996. In most of the years, it was varying between 20 to 30 per cent. It reveals that domestic investment is not increasing at a higher rate. As in 2005, FDI formed 19 per cent of total investment in Vanuatu. In Fiji also, FDI forms more than 20 per cent of the total investment in several years. It is fluctuating between 2.53 per cent and 37.05 per cent. It stood at 18.65 per cent in 2004. Malaysia is another Asian Developing Country where FDI forms more than 10 per cent of total investment. In Pakistan, for a long time, FDI remained less than 2 per cent of the total investment. It started exceeding 3 per cent since 1989. It touched the highest level of 11.51 per cent in 2005. In China, FDI formed 0.54 per cent in 1982. It was growing slowly till 1991 and touched 3.75 per cent. However, since 1992, it started growing at a higher rate from 6.87 per cent. After touching the highest level of 14.48 in 1994, FDI formed 8.4 per cent of the total investment. This clearly indicates that China has invested the highest amount in absolute terms among the Asian Developing Countries. Even though the government has taken tremendous efforts in India to attract more FDI, compared to the domestic investment, the FDI is very less. In 2001, FDI shared 4.91 per cent and it is the highest level. Thereafter, the share of FDI is declining and in 2005, it formed 3.42 per cent. In 2005, FDI in Indonesia formed 7.84 per cent of the total investment. In Philippines, it formed 6.97 per cent. In Thailand, it formed 6.72 per cent. In Srilanka, it formed 4.93 per cent and in Bangladesh, it formed 4.63 per cent. Thus, Asian Developing Countries depend more on domestic resources to increase their investment. Except a few countries, FDI in Asian Developing Countries form less than 10 per cent. Hence their dependence on FDI has not still increased sizeably.
9.7. The Relationship between FDI and Economic Growth for the Developing Countries of Asia:

Till 1990, the correlation coefficient between FDI and GDP is not significant for Bangladesh, Maldives and Solomon Islands. Even though the actual values of correlation coefficient for these three countries exceed 0.5, they do not indicate a statistically significant association between FDI and economic growth in these cases. The correlation coefficients are significant at 5 per cent level for Papua New Guinea, Philippines and Vanuatu. The significant correlation indicates that FDI has been an instrumental factor in promoting economic growth in these countries. However, in the case of China, Fiji, India, Indonesia, Korea, Malaysia, Pakistan, Singapore, Srilanka and Thailand, the correlation coefficients are significant at one per cent level. Hence FDI has stimulated the growth process significantly in these countries. The highest correlation coefficient is recorded by Singapore in this period. The value is 0.936. For China, India, Korea, Pakistan and Thailand, correlation coefficient exceeds 0.8. For Malaysia, it is 0.776; For Indonesia, it is 0.616; For Fiji, it is 0.603; For Srilanka, it is 0.594 and for Philippines it is 0.547. Hence, in China, India, Korea, Pakistan, Singapore and Thailand, FDI has very strongly influenced the growth process in the first sub period.

During the second period, that is after 1990 correlation coefficient becomes insignificant for Fiji, Malaysia, Papua New Guinea, Philippines, Solomon Islands, Srilanka, Thailand and Vanuatu. It is insignificant for Nepal also. For Korea, it is significant at 5 per cent level. In the case of Bangladesh, China, India, Indonesia, Maldives, Pakistan, Singapore, correlation coefficients are significant at one per cent level. Correlation coefficients exceed 0.9 for Bangladesh, China, Maldives and Pakistan. For India, it is 0.899 and for Singapore, it is 0.767. For Indonesia, it is 0.667. Therefore, of the 17 countries taken for analysis, only in eight countries, that is, for Bangladesh, China, India, Indonesia, Korea, Maldives, Pakistan and Singapore, FDI has stimulated the growth process significantly after 1990. In the other Asian Developing Countries, FDI could not induce economic
growth significantly after 1990. In Malaysia, Papua New Guinea, Thailand and Vanuatu, correlation coefficient has turned to be negative, even though they are insignificant. It gives a warning signal that the growth environment and various policies in these countries need to be changed to take the advantage of FDI in the years to come. The correlation coefficient after 1990 has increased in the case of Bangladesh, China, India, Indonesia, Maldives and Pakistan. In other cases, the correlation coefficient is reduced in the second period. Hence, the influence of FDI on economic growth is improved since 1991, in the case of Bangladesh, China, India, Indonesia, Maldives and Pakistan. In the case of other Asian Developing Countries, the relationship between FDI and GDP has been weakened since 1990. It means that FDI could not bring out optimum benefits to promote growth in these countries.

FDI has a strong influence on GDP in China, India, Indonesia, Pakistan, Singapore and Srilanka on both the periods. Hence, the FDI has significantly influenced and stimulated the process of economic growth in these countries. In China, India, Indonesia and Pakistan, the explanatory power of FDI has improved in the second period. However in Singapore and Srilanka the explanatory power of FDI has been reduced in the second period. In Srilanka, FDI could explain around 30 per cent of variations in GDP and it points out the fact that a number of other factors play a significant role more than FDI in influencing its economic growth. In Indonesia also, FDI could explain only around 45 per cent of variations in GDP. In Singapore, in the second period, the explanatory power of FDI has been reduced to 59 per cent. Hence the domestic environment should be made more conducive to derive the optimum benefits from FDI.

The influence of FDI on GDP has been improved in the second period in Bangladesh and Maldives. In these countries, the explanatory power of FDI has also been increased in the second period. FDI could explain more than 80 per cent of variations in Bangladesh and more than 92 per cent of variations in Maldives. Hence an increase in FDI can stimulate the process of economic growth in these two countries. Therefore, Bangladesh and Maldives should design liberal policies to attract more FDI.
In the case of Fiji, South Korea, Malaysia, Papua New Guinea, Philippines, Thailand and Vanuatu, the influence of FDI on GDP has become insignificant and weakened in the second period. The explanatory power of FDI, in these countries, almost reduced to zero in the second period. Hence FDI could not bring any significant impact in the second period in these countries and various other internal and external factors have tremendously influenced the growth process in these countries.

In Nepal and Solomon Islands, FDI has no influence on GDP. Nepal started receiving FDI only after 1990 and the extent of FDI inflows can not bring out any impact on the process of economic growth and on the value of GDP. Hence Nepal should invite more and more FDI and government policies need to be designed to provide more incentives to FDI and utilise its market potential. In the case of Solomon Islands, the explanatory power of FDI remains less than seven per cent and hence FDI has not been given a significant role to promote economic growth. To activise the process of globalization, Solomon Islands also needs to design liberal policies to provide more incentives to FDI and should allow FDI to play its instrumental role in promoting economic growth.

9.8. Spill over Effect of FDI on Economic Growth for Various Asian Developing Countries:

In Bangladesh, FDI has an immediate impact on economic growth and the impact of FDI on future GDP is reducing and it gets weakened as the time lag increases.

In China FDI remains a significant variable in influencing the GDP not only the current level of GDP but also in future years also. The impact of FDI on GDP is found significant even after fifteen years. Hence, FDI has played a commendable and significant role in promoting the GDP of China.
The variations in GDP and the growth process in Fiji cannot be explained in terms of variations in FDI and the impact of FDI on GDP is not highly significant. It has created a positive and significant impact to some extent only after 10 years.

In the case of India FDI becomes a significant variable in influencing the GDP. It has a current impact as well as impact in the future years also. If FDI is used more effectively, FDI can stimulate the growth process in the Indian economy. The impact is at the highest level when $t=15$. That is, in India FDI has become more effective in influencing the growth process after 15 years.

In the case of Indonesia, FDI does not have a strong influence on GDP and it is capable of explaining 40 per cent of variations after seven years. Such an effect is maintained till 15. Therefore, the variations in FDI can have a moderate impact on its growth process for Indonesia.

For Korea FDI is influencing the GDP moderately in the beginning and the highest influence of FDI is recorded only after eight years. The moderate effect continues even after 8 years and it is maintained till $t=19$.

For Malaysia, the influence of FDI on GDP remains high and FDI shows more influence after 15 years on the growth process of Malaysia.

In the case of Maldives, FDI has influenced the GDP significantly not only for the current period but also for the future periods. It continues to influence the GDP even after 11 years. The effect is reduced slowly after 11 years.

FDI has not influenced the GDP and the growth process in Nepal. Therefore, Nepal needs to mobilise more FDI and promote the utilisation of FDI in various sectors on a large scale to accelerate the process of economic growth.
In the case of Pakistan, FDI remains a significant variable in influencing the GDP and the effect of FDI on GDP shows a cyclical pattern as time lag is introduced. FDI is capable of explaining 84 per cent of variations in GDP when the time lag is 24. That is, FDI has exerted the highest influence on GDP after 24 years in Pakistan.

For Papua New Guinea, FDI does not have a strong influence on GDP and hence the growth process of Papua New Guinea cannot be explained in terms of variations in FDI. The regression analysis shows that FDI has a less impact on GDP.

The influence of FDI on the GDP of Philippines is reasonably high and significant and the highest influence of FDI is exerted when the time lag is 7. The influence of FDI on GDP reduces gradually after 7 years in the case of Philippines.

In the case of Singapore, FDI has influenced the GDP and growth process strongly and significantly and the FDI continues to influence the GDP of Singapore even after 24 years.

FDI does not bring immediate impact on GDP in Solomon Islands. The influence of FDI on GDP becomes optimum after 20 years only. The influence of FDI on GDP is almost insignificant in all other time lags for the Solomon Islands.

In Sri Lanka, FDI influences the current GDP immediately and it has a spill over effect over the future years. FDI has exerted an optimum influence after a period of 24 years in Sri Lanka.

In Thailand, the GDP is influenced moderately by the current level of FDI. The spill over effects of FDI becomes optimum after 6 years. Thereafter, the influence of FDI on GDP gradually declines and almost becomes zero after 16 years.
In the case of Vanuatu, the FDI influences the current GDP moderately. The influence of FDI becomes optimum after a period of 13 years.

The lagged model approach to analyse the influence of FDI on GDP suggests that FDI has a strong and significant influence on current GDP and future GDP in China, India, Malaysia, Maldives, Pakistan, Singapore and Srilanka. The influence of FDI on future GDP becomes optimum after 6 years in Singapore, after 9 years in Maldives, after 13 years in China, after 15 years in India, Malaysia and Pakistan and after 24 years in Srilanka. Thus the economic environment in Singapore has brought the maximum impact on GDP, with in a short span of 6 years. In other countries, it requires a relatively longer period of time and in Srilanka, it required a very long period of 24 years.

In Bangladesh, Indonesia, Korea, Philippines, Thailand and Vanuatu, FDI has a high influence on current GDP. However, the influence of FDI on future GDP is moderate and reduces gradually in these countries. The moderate influence of FDI reaches the optimum level after 6 years in Thailand, after 7 years in Philippines and after 8 years in Korea, after 11 years in Bangladesh, after 13 years in Vanuatu and after 14 years in Indonesia. Hence, Korea, Philippines and Thailand have relatively better economic environment compared to other three countries, namely, Bangladesh, Indonesia and Vanuatu.

In Fiji, Nepal, Papua New Guinea and Solomon Islands, the influence of FDI on current GDP is very very low and insignificant. In Nepal and Papua New Guinea, the influence of FDI on future GDP is also insignificant. In Fiji, the influence of FDI on future GDP is moderate after 10 years and in Solomon Islands, only after a period of 20 years, the FDI has created a moderate influence on GDP.
9.9. The Problems Faced By the Asian Developing Countries on Attracting FDI:

FDI faces numerous problems in developing countries. In general, FDI faces variability of basic macroeconomic variables (inflation, budget, deficit, balance of payments, and so on) across countries. Volatility of macroeconomic policy creates problems for international firms, requiring them to manage the risk in volatile countries. A particular kind of macroeconomic instability is that of exchange rate volatility. If exchange rate changes, price also changes so that real purchasing power parity is maintained. Nevertheless, there is empirical evidence to indicate that purchasing power parity does not hold for all time periods and thus exchange-rate variations can affect the competitiveness of plants in different countries.

Despite the fact that most countries these days both welcome and actively promote and attract FDI, there are still wide divergences which can both be explained by differences in competitive advantages as well as differences in investment climate both of which can be influenced by host countries. However, since many developing countries do not yet have sufficient capacity to do that, various regional and international organizations and agencies are undertaking activities to help improve their capacity to attract FDI.

Foreign investors are often discouraged by a number of factors such as the small size of the markets (both in population and purchasing power); trade restrictions; low levels of development of the private sectors; limited access to finance; weakness of the public administration; stability of the legal system and inconsistent implementation and interpretation of laws; an excessive amount of red tape; and cumbersome bureaucratic procedures; wide discretionary powers given to tax and customs authorities; widespread corruption; political and economic instability; geographic isolation (land lockness); lack of democratic reforms; and a slow pace of the privatization process.
Even though many of the Asian economies are endowed with abundant natural resources coupled with both skilled and relatively cheap labour force and in some cases also a large scope for tourism, most of FDI still only goes to the extractive sector owing to the perceived risks and drawbacks of investing in the countries. This implies that although the countries have come some way in liberalizing their economies and stabilizing their economies, there is still ample room for improvement in the business climate, and much still needs to be done before investors will start considering investing in these countries on a larger and more diversified scale.

The liberalization of national FDI frameworks has become the dominant type of FDI policy change in various of developing countries. A liberal treatment of FDI and its protection after entry, increased dramatically in the 1990s. Nevertheless, FDI inflows have remained small in several of these liberalizing countries. TNCs tend to take more liberal FDI regimes for granted, and consider the convergence of FDI regimes to be the natural consequence of globalization. As a result, the liberalization of FDI regulations may be characterized by diminishing returns. Developing countries which are not taking part in the general move towards liberalization are likely to suffer negative effects of restrictive policies on FDI inflows. However liberal FDI regime does little more than enabling TNCs to invest in a host country.

Generally the investment related policies of the government are concerned, these are fine in spirit. However, their actual implementation continues to create obstacles for both local and foreign investors. An inefficient and not - too honest bureaucratic system is primarily responsible for this problem. All the administrative barriers are in fact generated from bureaucratic system.

The extent of the administrative barriers is quite longwinded and also inter - related. Poor policy design and implementation, competitive weakness, structural impediments, low quality of infrastructure and skills, weak institutions, poor governance and administrative hassles represent the
administrative barriers that discourage potential FDI. The main drawbacks in the bureaucratic system are inefficiency and corruption, turning the whole administrative functionaries into a harassing experience.

Reasons for the extensiveness of official corruption can be numerous. Many of these are cultural or sociological. However the more important ones are organization-related and economic policy-related in nature. Corruption thrives in an environment of pervasive bureaucratic and regulatory controls. Extensive discretionary powers in the hands of the officials and weakness in the legal framework also induce corruption. The legal procedure is very cumbersome in most South Asian countries and laws are not properly implemented. The archaic laws and regulations are not supportive of the policy incentives to FDI. Judicial dispensation process is mostly too lengthy and at times takes more than a decade in handing out a judgment. This is discouraging for investors in general and Foreign Investors in particular.

There is serious lack of co-ordination between the policy implementing agencies of the government and due to this, investor’s suffering goes up. This induces lot of hassles in the implementation process and creates barriers for the investors in getting due - an incentive offered by the government and ultimately discourages foreign investors to proceed on.

9.10. Conclusion:

The Asian Developing Countries taken for investigation in this research work are in different stages of economic development. The structure of their economies, level of technology, labour skill concentration of industries differ very much. As such it will be very difficult to make common policy suggestions suitable to all the Asian Developing Countries. Each Country has to design its own specific policy for FDI based on its past experience and the expectations of the foreign investors.
In general liberal policies alone are not enough to attract FDI. Well developed communication and infrastructure facilities, technological foundations, availability of skilled labour at low wages are some of the factors which would help to attract more FDI. Besides opening more sectors, innovative skills, broad based research and development activities are also needed. In some of the Asian Developing Countries the limit of FDI should be increased. In deserving cases, even a cent per cent FDI can also be permitted if it can contribute for growth and provide employment without posing heavy burden on the economy in future.

Experience in some of the Asian Developing Countries, as revealed in several research works, points out that lower tax and other incentives do not have major impact on FDI, especially when they are seen as compensation for continuing comparative disadvantages. However, creation of good business environment and operating conditions are generally believed to have a positive impact. Higher rate of return, availability of natural resources and large market size have proved to be the major determinants in attracting FDI. The expectations of foreign investors are mostly fulfilled by China and therefore it has received the highest amount of FDI. Singapore, Korea and India remain Countries of second preference. The experience of these countries and their FDI policies will provide a set of good guidelines to other Asian Developing Countries. Though many developing countries have introduced liberal policies to attract higher FDI, most of them have not been successful in this regard. These countries should draw the lessons from China, Singapore, Korea and India in designing their FDI policy and utilize the benefits of FDI to the maximum possible extent for the upliftment of the welfare of the people.

9.10.1. Suggestions for Further Research:

In this research work along with the growth and distribution of FDI among the Asian Developing Countries, the relationship between FDI and economic growth has also been studied. For further research, the relationship
between the domestic investment and economic growth may be studied for the Asian Developing Countries and the effects of domestic investment and foreign investment may be compared.

The relationship between FDI and the exports from the FDI receiving units can also be studied for further research. Effects of inflation on FDI and the impact of incentives on FDI also deserve for investigation. The labour and capital productivity in the FDI receiving units can be studied and a comparison may be made with the labour and capital productivity of local units. This type of analysis may be done industry-wise and region-wise. Employer-employee relations, wages paid to the workers, working conditions and job satisfaction of the workers are the few other areas in which further research works may be undertaken. Such studies may require more time and resources. However, the findings of such studies will be much useful for the policy makers and foreign investors.