

Do Bilateral Investment Treaties Promote Foreign Direct Investment Inflows in Asian Countries?

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Abstract

Bilateral Investment Treaties (BITs) are legal instruments which safeguard the interest of investors and help to promote Foreign Direct Investment (FDI) in developing countries. This study analysed 19 Asian economies which had a relationship with 50 source countries from 2001-14, and found that BITs are an important determinant in promoting FDI inflows in these Asian countries. Specifically, it was noted that BITs seem to promote FDI inflows in the East and South East Asian countries, but had no influence on inflows in the South and West Asian ones. Moreover, this study found no relationship between BITs and FDI inflows in small-sized economies. In addition, the Gross Domestic Product (GDP) of the source country, distance between the countries, Regional Trade Agreements (RTAs), and the institutional quality of the countries were considered as important variables in attracting FDI inflows.

Keywords: BITs, FDI, Institutional Quality, Political Constraints, Regional Trade Agreement, Asian Countries, GMM.

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