

Comparative Analysis of FDI in SAARC and ASEAN countries

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Abstract: This paper compares Foreign Direct Investment (FDI) inflow and outflow trends in South Asian Association for Regional Cooperation (SAARC) between Association of Southeast Asian Nations (ASEAN) countries. It argues that ASEAN- despite of being Asian countries-has been achieved tremendous economic progress during the last few decades due to the integration with global economy through foreign direct investment(FDI). SAARC, on the other hand, has yet to lag behind in attracting FDI and struggling with lots of socio-economic problems. These insights can be taken consideration for the future development of SAARC and ASEAN as successful region in the world.

Keywords: Foreign Direct Investment (FDI), South Asian Association for Regional Cooperation(SAARC), Association of Southeast Asian Nations (ASEAN).

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I. Introduction

Asia is the rapidly growing economic region and the largest continental economy in the world where about 60 percent of the world's population are living. However, most Asian countries are still suffering from their weak infrastructure, poor per capita private consumption, high unemployment rate and mass poverty level. Hence, this study selects Asia as its study area, focuses especially on two regional intergovernmental economic zones namely SAARC and ASEAN, which comprises 6 percent of the world's land area and 29.8 percent of the world's population. Furthermore, SAARC comprises 3.8 percent of global economy and if ASEAN were a single country, it would already be the seventh largest economy of the world (Wikipedia, 2015). One of the prime concerns of the governments of Asian developing countries is to promote sustainable development and overall welfare of the country, and FDI appears to have a crucial role for achieving sustainable economic development. While FDI has become the steadiest and substantial ingredients of capital flows for the developing world, it has become a crucial choice for the progress of financial operation (Global Development Finance, 2005). In the 1990s, most Asian countries received a great increase of FDI inflow and experienced the flow of globalization (Chakroborty and Basu, 2002). In recent years, the inflow of FDI has been increased in Asian developing countries from 142,798 million US dollars in 2000 to 540,722 million US dollars in 2015. This rate is equal to 30.7% of foreign direct investment (FDI) in 2015, whereas in this amount, southern Asia i.e. SAARC countries attracted 50,825 million US dollars and south-eastern Asia i.e. ASEAN countries attracted 120,607 million US dollars (United Nations Conference on Trade and Development, 2016).

II. Aim, Objectives And Research Methodology

The aim of the present paper is to analyse the inflow trend of the FDI in SAARC and ASEAN during last one decades. Considering this aspects, the main objectives of the research are:

- a. To identify the trend of the FDI in SAARC countries in last decades.
- b. To identify the trend of the FDI in ASEAN countries during last decades.
- c. To compare between SAARC and ASEAN countries in respect to FDI inflow and outflow during last decades.

In order to achieve the established objectives, we have collected, tabulated, analysed and interpreted the information included in several statistical reports, data-bases and year-books.

III. Results And Discussion

a) FDI inflows into the SAARC and ASEAN countries(USD in Million):

During the last 10 years the largest economy of SAARC was India, which got the lion share of FDI inflows followed by Pakistan, Bangladesh and Sri Lanka. The small tourism based country Maldives attracts little amount of FDI inflow followed by war affected country Afganistan, whereas in comparison to other countries, the performance of land locked countries like Nepal and Bhutan is extremely poor. From an

analytical viewpoint, in case of FDI attraction, the performance of SAARC in comparison with ASEAN is not well at all. In case of ASEAN, the largest economy is Singapore, which got the largest amount of FDI inflow in ASEAN followed by Indonesia, Vietnam, Malaysia and Thailand. The performance of Philippines, Myanmar and Cambodia is improving in regards to attraction of FDI inflow in compare with other member countries of ASEAN, like Laos and Brunei.

Table 1: FDI inflows into the SAARC and ASEAN countries(USD in Million)

| Country/Years | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------|---------|---------|----------|---------|----------|----------|----------|----------|----------|----------|
| SAARC | 54617.3 | 39495.8 | 31262.8 | 40050 | 27704.8 | 32547.7 | 39333.7 | 49129.9 | 50825 | 47028.2 |
| Afghanistan | 46.0 | 197.5 | 54.2 | 57.6 | 47.2 | 37.6 | 43.5 | 163.1 | 85.7 | 53.9 |
| Bangladesh | 1086.3 | 700.2 | 913.3 | 1136.4 | 1292.6 | 1599.2 | 1551.3 | 2235.4 | 2332.7 | 2151.6 |
| Bhutan | 10.10 | 25.6 | 75.5 | 28.6 | 49.1 | 13.7 | 31.6 | 17.1 | -12.7 | 10.3 |
| India | 47102.4 | 35633.9 | 27417.1 | 36190.5 | 24195.8 | 28199.4 | 34582.1 | 44064.1 | 44480.6 | 39916.1 |
| Maldives | 181.3 | 158.0 | 216.5 | 423.5 | 228.0 | 360.8 | 333.4 | 298.0 | 456.6 | 517.5 |
| Nepal | 1.0 | 38.5 | 86.6 | 95.5 | 92.0 | 71.3 | 30.2 | 51.6 | 106.0 | 198.0 |
| Pakistan | 5438.0 | 2338.0 | 2022.0 | 1162.0 | 859.0 | 1333.0 | 1868.0 | 1621.0 | 2479.0 | 2806.0 |
| Sri Lanka | 752.2 | 404.0 | 477.6 | 955.9 | 941.1 | 932.6 | 893.6 | 676.7 | 897.0 | 1374.9 |
| ASEAN | 49508.1 | 41386.3 | 112977.4 | 86012.2 | 111823.5 | 118913.6 | 129544.9 | 117278.6 | 120607.6 | 133764.2 |
| Brunei | 322.6 | 370.1 | 480.7 | 691.2 | 864.9 | 775.6 | 567.9 | 173.2 | -149.6 | -46.3 |
| Cambodia | 876.0 | 984.7 | 1404.3 | 1538.9 | 2000.8 | 2068.5 | 1853.5 | 1822.8 | 2475.9 | 2784.4 |
| Indonesia | 9318.5 | 4877.9 | 13770.6 | 19241.3 | 19137.9 | 18816.7 | 21810.5 | 16641.5 | 3921.2 | 23063.1 |
| Laos | 227.7 | 189.5 | 278.8 | 300.8 | 294.4 | 426.7 | 720.8 | 1118.7 | 997.4 | 813.0 |
| Malaysia | 7171.8 | 1453.0 | 9060.0 | 12197.6 | 9238.8 | 12115.5 | 10877.3 | 10082.3 | 11335.9 | 9543.4 |
| Myanmar | 603.4 | 27.2 | 6669.4 | 1117.7 | 496.9 | 584.3 | 946.2 | 2824.0 | 2989.0 | 4341.0 |
| Philippines | 1544.0 | 1990.3 | 1298.5 | 2043.5 | 2449.3 | 2279.9 | 5284.8 | 4446.6 | 6915.1 | 9524.3 |
| Singapore | 11810.1 | 18531.9 | 57460.1 | 39992.0 | 59837.3 | 57453.4 | 73474.7 | 62745.7 | 77454.3 | 62006.0 |
| Thailand | 8054.4 | 5361.8 | 14555.0 | 1370.4 | 9135.2 | 15493.0 | 4809.1 | 5623.8 | 2068.3 | 7635.2 |
| Vietnam | 9579.0 | 7600.0 | 8000.0 | 7519.0 | 8368.0 | 8900.0 | 9200.0 | 11800.0 | 12600.0 | 14100.0 |

Source: UNCTAD Start Database(<https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/AnnexTables.aspx>). Collected on February 20, 2019. Compiled by the author.

b) Ranking of the SAARC and ASEAN countries in FDI attraction:

In case of total amount of FDI inflows into the SAARC countries, India got 87.8% of total inflow of FDI followed by Pakistan with 5.3% and Bangladesh's position is 3rd with only 3.6%, whereas except Sri Lanka, which got 2% of FDI inflow, others countries of SAARC got below 1% of total FDI inflow in to the SAARC countries. In comparison to SAARC countries, ASEAN countries got more than double amount of FDI inflow than that of SAARC countries. In case of ASEAN countries, Singapore got 50% of total inflow of FDI followed by Indonesia with 14.7%, Vietnam with 9.5%, Malaysia and Thailand's position is consecutively 4th and 5th with 9.1% and 7.25%, whereas the rest of the country combinedly got only 7.84% of FDI inflow into ASEAN country.

Table 2: Ranking of the SAARC and ASEAN countries in FDI attraction

| Country | Total FDI inflows(2008-2017) | Each country Share (%) | FDI Ranking |
|---------------------|------------------------------|------------------------|------------------|
| Afganistan | 786.3 | 0.19 | 6 th |
| Bangladesh | 14999 | 3.64 | 3 rd |
| Bhutan | 248.9 | 0.06 | 8 th |
| India | 361782 | 87.81 | 1 st |
| Maldives | 3173.5 | 0.77 | 5 th |
| Nepal | 770.7 | 0.19 | 7 th |
| Pakistan | 21926 | 5.32 | 2 nd |
| Sri Lanka | 8305.6 | 2.02 | 4 th |
| SAARC(Grand Total) | 411992 | 100 | |
| Brunei | 4050.3 | 0.39 | 10 th |
| Cambodia | 17810.7 | 1.74 | 8 th |
| Indonesia | 150599.2 | 14.74 | 2 nd |
| Laos | 5367.8 | 0.53 | 9 th |
| Malaysia | 93075.6 | 9.11 | 4 th |
| Myanmar | 20599.1 | 2.02 | 7 th |
| Philippines | 37776.3 | 3.69 | 6 th |
| Singapore | 520765.4 | 50.97 | 1 st |
| Thailand | 74106.2 | 7.25 | 5 th |
| Viet Nam | 97666 | 9.56 | 3 rd |
| ASEAN (Grand Total) | 1021816.6 | 100 | |

Source: UNCTAD Start Database

(<https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>). Collected on February 20, 2019. Compiled by the author.

c) FDI outflows of the SAARC and ASEAN countries:

In case of FDI outflow, most of the SAARC countries other than India is not significant at all, though the FDI outflow is fluctuating around almost the same amount during the last decades. In compare to SAARC countries, ASEAN countries' FDI outflow is significant. In case of ASEAN countries, Singapore has the highest amount of FDI outflow followed by Thailand and Malaysia.

Table 3: FDI outflows of the SAARC and ASEAN countries(USD in Million)

| Country /Years | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| SAARC | 21261.9 | 16178.4 | 16051.6 | 12565.4 | 8666 | 1990.1 | 12016.8 | 7696.7 | 5400.9 | 11612.7 |
| Afganistan | -0.5 | 0.3 | -0.7 | 1.2 | -9.0 | 0.5 | -0.0 | 0.8 | -0.8 | 0.0 |
| Bangladesh | 9.3 | 29.3 | 15.4 | 13.0 | 43.4 | 33.7 | 44.5 | 45.5 | 40.5 | 169.8 |
| Bhutan | - | - | - | - | - | - | - | - | - | - |
| India | 21142.5 | 16057.8 | 15947.4 | 12456.2 | 8485.7 | 1678.7 | 11783.5 | 7572.4 | 5072.4 | 11304.4 |
| Maldives | - | - | - | - | - | - | - | - | - | - |
| Nepal | - | - | - | - | - | - | - | - | - | - |
| Pakistan | 49.0 | 71.0 | 47.0 | 35.0 | 82.0 | 212.0 | 122.0 | 25.0 | 52.0 | 67.0 |
| Sri Lanka | 61.7 | 20.0 | 42.5 | 60.0 | 63.9 | 65.1 | 66.8 | 53.0 | 236.8 | 71.5 |
| ASEAN | 33155.9 | 49680.1 | 63267.2 | 64161.4 | 58615.8 | 81334.9 | 88354.9 | 54918.5 | 38956.3 | 55026.4 |
| Brunei | 16.8 | 116.1 | -37.2 | 156.2 | 853.0 | 270.7 | -589.8 | 78.1 | 257.7 | -84.7 |
| Cambodia | 20.5 | 18.9 | 20.6 | 29.2 | 36.2 | 46.3 | 43.2 | 47.4 | 121.3 | 259.0 |
| Indonesia | 5899.7 | 2249.1 | 2664.2 | 7712.9 | 5421.6 | 6646.6 | 7077.3 | 5937.0 | 12214.7 | 2911.7 |
| Laos | -16.9 | 2.5 | 33.5 | 0.4 | 0.1 | -0.3 | 12.4 | 53.3 | 23.9 | 29.9 |
| Malaysia | 14964.9 | 7784.3 | 13399.1 | 15248.9 | 17143.1 | 14107.2 | 16369.1 | 10545.9 | 8011.2 | 5791.8 |
| Myanmar | - | - | - | - | - | - | - | - | - | - |
| Philippines | 2174.0 | 1822.8 | 2940.3 | 2386.0 | 3407.1 | 2189.5 | 6299.2 | 4346.9 | 1032.3 | 1614.0 |
| Singapore | 7964.4 | 32039.7 | 35407.1 | 31605.4 | 20057.9 | 44440.5 | 52418.2 | 31122.7 | 27922.5 | 24681.5 |
| Thailand | 1832.5 | 4946.6 | 7939.6 | 6072.4 | 10496.8 | 11678.6 | 5575.4 | 1687.3 | 12414.2 | 19283.1 |
| Vietnam | 300.0 | 700.0 | 900.0 | 950.0 | 1200.0 | 1956.0 | 1150.0 | 1100.0 | 1388.0 | 540.0 |

Source: UNCTAD Start Database (<https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>). Collected on February 20, 2019. Compiled by the author.

d) Macrodynamics aspect of SAARC countries:

SAARC is habitat of 21% of the world's population, though it covers only 3% of the world's area and shares only 3.8% of the global economy. Most of the SAARC countries have more than four thousand dollar GDP per capita and positive growth rate. Although, all most all the countries of SAARC are trade deficit, hence they import a lot than export. SAARC countries are till now dependent on other countries for capital machinery, chemicals and other raw materials for their production. Now, its high time for them to diversify their production and limit import to increase their share in global trade.

Table 4: Macrodynamics aspect of SAARC countries.

| Country | Population (2016) | GDP(Nominal) (In Billion US Dollar) | GDP(ppp) (In Billion US Dollar) | GDP per capita (ppp) | GDP Growth rate (2018) |
|------------|-------------------|---|---------------------------------------|-------------------------|---------------------------|
| Afganistan | 34,656,032 | 21.3 | 63.5 | 1,976 | 3.2% |
| Bangladesh | 162,951,560 | 285.815 | 751.949 | 4,560 | 7.65% |
| Bhutan | 797,765 | 2.2 | 6.3 | 8,158 | 6.4% |
| India | 1,324,171,354 | 2,439.0 | 9,446.8 | 7,174 | 7.3% |
| Maldives | 427,756 | 3.0 | 5.2 | 14,980 | 4.5% |
| Nepal | 28,982,771 | 21.6 | 70.7 | 2,488 | 5.5% |
| Pakistan | 193,203,476 | 250 | 928.0 | 4,886 | 4.2% |
| Sri Lanka | 20,798,492 | 80.4 | 233.7 | 11,068 | 7% |

Source: International Monetary Fund, current as of April, 2015.

e) Macrodynamics aspect of ASEAN countries:

ASEAN is the fastest growing economy in Asia. Some of the ASEAN country has achieved high Human Development Index(HDI). Singapore is one of the most developed country in the world, which has very high per capita income. Besides Singapore, Malaysia and Thailand is also very promising economy in Asia. The least developed country in ASEAN is Cambodia, which has also per capita GDP over 4,000 USD. Hence, in comparison to SAARC, ASEAN countries much more developed.

Table 5: Macrodynamics aspect of ASEAN countries.

| Country | Population in million | GDP Nominal millions of USD | GDP Nominal per capita USD | GDP (PPP) millions of USD | GDP (PPP) per capita USD |
|-------------|-----------------------|-----------------------------|----------------------------|---------------------------|--------------------------|
| Cambodia | 16.253 | 24,141 | 1,485 | 70,265 | 4,323 |
| Indonesia | 265.316 | 1,005,268 | 3,788 | 3,495,920 | 13,176 |
| Malaysia | 32.446 | 347,290 | 10,703 | 999,835 | 30,815 |
| Myanmar | 52.832 | 71,543 | 1,354 | 359,107 | 6,797 |
| Philippines | 107.018 | 331,678 | 3,099 | 956,030 | 8,933 |
| Singapore | 5.661 | 346,621 | 61,230 | 556,219 | 98,255 |
| Thailand | 69.182 | 490,120 | 7,084 | 1,323,209 | 19,126 |
| Vietnam | 94.575 | 241,434 | 2,552 | 707,620 | 7,482 |

Source: International Monetary Fund, current as of April, 2015.

f) Major Sources of FDI into the SAARC and ASEAN Countries :

Almost every countries of SAARC got FDI from western countries except some Asian countries. There is no intra SAARC country investment except India. On the contrary, most of the ASEAN countries got investment from Asian countries as well as western countries like USA, UK, Netherlands, Germany and also from Australia. There is also evidence of intra ASEAN countries investment.

Table.6.1 Major Sources of FDI into the SAARC Countries

| Sl. | Afganistan | Bangladesh | Bhutan | India | Maldives | Nepal | Pakistan | SriLanka |
|-----|------------|-------------------------------|------------------|-------------|-------------|------------------|-------------|-------------|
| 1 | India | United Arab Emirates | India | Mauritius | Italy | India | USA | China |
| 2 | USA | Kingdom of Saudi Arabia (KSA) | Singapore | Singapore | UK | China | UK | Hong Kong |
| 3 | China | United Kingdom | Japan | USA | Germany | EU member states | UAE | Singapore |
| 4 | UAE | United States | USA | UK | France | USA | Japan | Netherlands |
| 5 | | The Netherlands | EU member states | Netherlands | Japan | South Korea | Hong Kong | Malaysia |
| 6 | | Egypt | | Japan | China | | Switzerland | UK |
| 7 | | Malaysia | | Cyprus | India | | KSA | India |
| 8 | | South Korea | | Germany | Switzerland | | Germany | |
| 9 | | India | | France | Russia | | South Korea | |
| 10 | | China | | UAE | | | Norway | |

Source: Abdin, M. (2015). Foreign Direct Investment (FDI) in SAARC Countries. Global Journal of Management and Business Research: c Finance. Vol.15, issue.8. ISSN:2249-4588.

Table. 6.2 Major Sources of FDI into the SAARC countries.

| S | Brunei | Cambodia | Indonesia | Laos | Malaysia | Myanmar | Philippines | Singapore | Thailand | Vietnam |
|---|-------------|-----------|-------------|----------|-------------|-------------|-------------|------------------------|-----------|-------------|
| 1 | Singapore | China | Singapore | Vietnam | Singapore | Singapore | Netherlands | USA | Japan | South Korea |
| 2 | UK | Vietnam | Hongkong | Hongkong | Hongkong | Malaysia | Japan | Netherlands | Singapore | China |
| 3 | Malaysia | Hongkong | Japan | Malaysia | Japan | China | Australia | British Virgin Islands | China | Japan |
| 4 | Netherlands | Singapore | Netherlands | UK | USA | Thailand | Singapore | Japan | Germany | Taiwan |
| 5 | Germany | Japan | China | China | Netherlands | Netherlands | USA | Cayman Islands | Hongkong | Singapore |

Source: ASEAN Business Guide.

IV. Concluding Remarks

A significant amount of poor people is living in SAARC region. It has already wasted plenty of time and still lag behind in trade and investment integration than ASEAN. SAARC has all the potentials and opportunity to grow faster like ASEAN. Therefore it is high time for the Governments of those countries to take initiative to make SAARC a successful and developed economic region.

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