INFLUENCE OF GOVERNANCE DETERMINANTS AND POLITICAL REGIMES ON FOREIGN DIRECT INVESTMENT: A CASE STUDY OF THAILAND FROM 2007-2016

A Thesis

Presented to the Faculty of the Graduate School

of Cornell University

in Partial Fulfillment of the Requirements for the Degree of

Master of Professional Studies in International Development

by

Chatkaphat Bunnag

August 2020

ABSTRACT

The study examines six governance indicators: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption that influence inward FDI to Thailand from 41 major countries and territories categories by their political regimes though time series study during 10-year period: from 2007 to 2016 by using panel data regression based on modified gravity model. The study found evidence that demonstrate the significance of voice and accountability, political stability and absence of violence, regulatory quality, and control of corruption to inward foreign direct investment to Thailand. The higher level of these indicators associates with larger value of foreign direct investment inflows. Furthermore, The regression results also show foreign direct investment of democratic countries are responsive to all four governance indicators while none of six governance indicators are a determinant of FDI to Thailand from hybrid regime and authoritarian countries.

BIOGRAPHICAL SKETCH

Chatkaphat Bunnag was raised in Bangkok, Thailand. He has been interested in politics as he has witnessed frequent changes from civilian government systems to a Junta-style way of governance of his home country. He decided to apply at the Faculty of Political Science, Chulalongkorn University, and graduated with second-class Honors (B.A. in Political Science). During his time at university, he worked as a research assistant of Security Studies Project, a research project sponsored by the Thailand National Intelligence Agency. he also interned abroad at the Royal Thai Embassy in Tokyo, Japan during summer 2016. After graduated, he began working as Policy and Plan Analyst in the International Strategic and Coordination Office of the National Economic and Social Development Council of Thailand since 2017. As a recipient of a Royal Thai Government Scholarship, he has set his sights on pursuing a MPS in International Development at Cornell University to enhance his knowledge of international development by exposing himself to new perspectives and studying from one among the world's best institutions in order to return back to Thailand and apply all of the knowledge that his have acquired during his time in Cornell University to make his home country a better place to live.

[For my father and mother, Urit and Suriyachat.]

ACKNOWLEDGMENTS

The capstone paper would not have been possible without the support and nurturing of Professor Nancy Chau, my capstone paper's advisor, who provide invaluable contribution and guidance. Discussion with her inspired me to pushing beyond my own limits to create the better outcome possible throughout this project. I am also deeply indebted to Professor Lori Leonard who extended a great amount of assistance during my time at Cornell university and introduced me to meet with my advisor.

I would like to extend my sincere thanks to Phat Aphiwatanakoon and Chaiyraweepat Teerapanuchaikul for their insightful advice on regression model using in this project and all that they have taught me.

I also had great pleasure of working with Supakarn Suriyavijitwong for his dedication on data collection. Special Thanks to Ampassacha Rakkhumkaeo for provide information about Foreign Direct Investment to Thailand and sharing her invaluable experience and suggestions with patience and knowledge.

I would like to recognize the support that I received from Cornell Institute for Social and Economic Research for their computing resources which make this project become a reality. I am extremely grateful to Royal Thai government who granted me a scholarship and realized my ambition to study abroad.

Last but not least, My deepest gratitude goes to my father and mother for their unconditional love and relentless support throughout my life.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

BOT	Bank of Thailand
CLMV	Cambodia, Lao PDR, Myanmar, and Vietnam
CC	Control of Corruption
DAAD	Democratic Alliance Against Dictatorship
DI	Democracy Index
EEC	Eastern Economic Corridor
EECO	Eastern Economic Corridor Office
EIU	Economist Intelligence Unit
EU	European Union
FDI	Foreign Direct Investment
FE	Fixed-Effects
FTAs	Free Trade Agreements
IMF	International Monetary Fund
GE	Government Effectiveness
GDP	Gross Domestic Product
G7	Group of Seven
MNCs	Multinational Corporations
NCPO	National Council for Peace and Order
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary least squares
PAD	People’s Alliance for Democracy
RE	Random-Effects
RL	Rule of Law
RQ	Regulatory Quality

RTAs	Regional Trade Agreements
SV	Political Stability and Absence of Violence
USAID	United States Agency for International Development
VA	Voice and Accountability
WGI	Worldwide Governance Indicator

CHAPTER I: INTRODUCTION

Background-Foreign Direct Investment

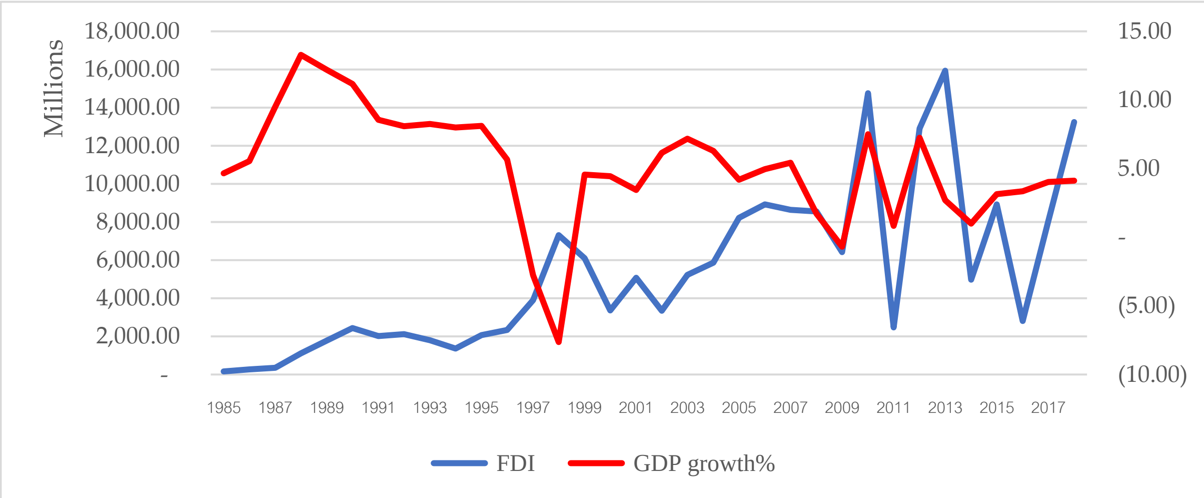
Foreign Direct Investment (FDI) is a category of international transaction within the balance of payment accounts in which an investor from donor or home country invest to enterprise resident in recipient or host country in order to establish a lasting interests and degree of influence of the former over the latter (OECD ilibrary, n.d.). Moreover, FDI has been seen as a key asset for economic development not only as an additional investment from abroad to domestic firms – creating jobs and stimulate economic activities –, but also means for the transfer of knowledges and skills from technological advanced donor country to the recipient country. (Borensztein, Gregorio, & Lee, 1998).

After the end of the World War II, Thailand have gradually shifted from development aid recipient country to become one of the most attractive foreign direct investment (FDI) destination since the country become wealthier which no longer eligible for ODA. To illustrate, the total amount of United States Agency for International Development: USAID aid to Thailand have decreased from its peak during 1960s-1970s to almost none from 1990 onward (United States Agency for International Development, n.d.). Another example is that according to Japan Embassy, Thailand is categorized as a non-category country for general grant aid due to the country's level of development. Thus, ODA grants to Thailand are basically discontinued with some exception projects (Embassy of Japan in Thailand, 2012).

With Thailand’s economy grew at an average annual rate of 7.5% beginning from 1960 to 1996 and 5% during 1999-2005 (World Bank, 2019), Thailand has emerging market, together with its strategic location at the heart of continental ASEAN and relatively having better infrastructural development compare to its neighboring countries, greatly appealing to foreign investors during that time. Since 1985, Japan has become the most important FDI donor country due to relocation policy of Japanese companies fleeing increasing cost of domestic wages which reinforced by Japanese yen appreciation (Rakkhumkaeo, 2016).

Today, the Thai economy is recognized as one of Asian newly- industrialized countries that have been attract a large amount of outboard capital from major economies across Europe, America and Asian in a form of FDI. As a driving forces for national economic growth (Cheewatrakoolpong & Boonprakaikawe, 2015), Thailand's GDP expansion rate from 1985 has aligned quite well with inward FDI trends with an exception during 1998 Asian Financial Crisis. As we can see of Figure 1 however, both numbers have begun to fluctuate sharply since 2007 to the present.

Figure 1: Net inflows FDI to Thailand and GDP growth rate from 1985-2018 (Current US dollar)



Source: Worldbank database (calculated by the

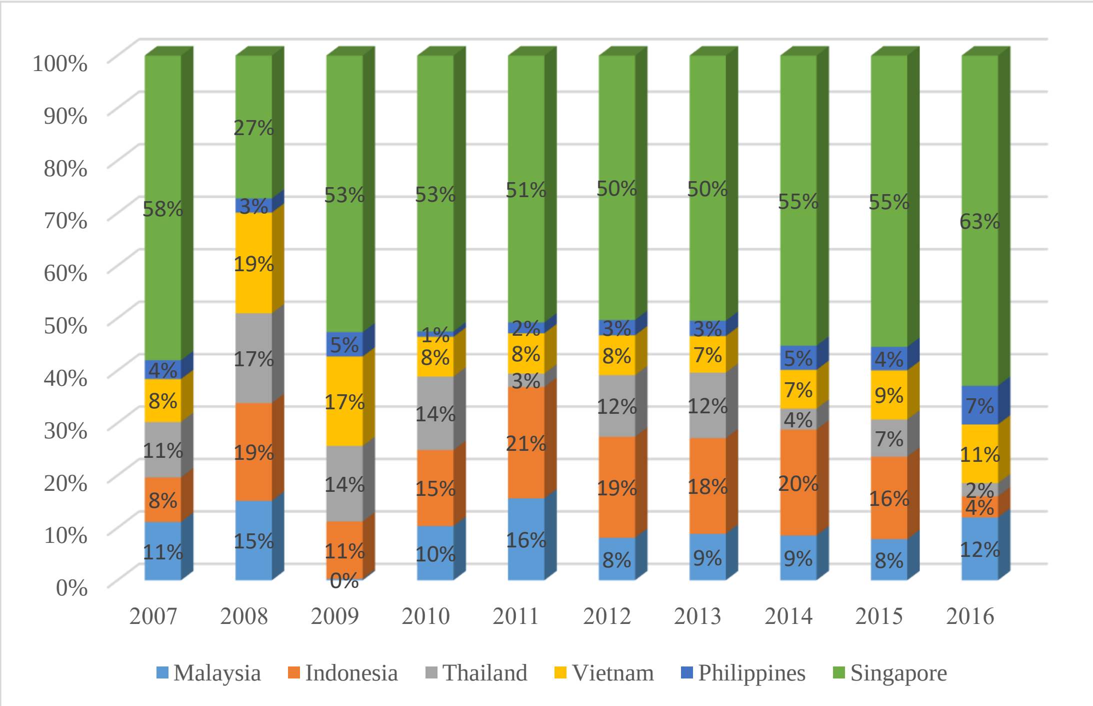
As an export-oriented country, Thailand GDP greatly benefits from trade. One of the important driving forces for Thailand export during the last decades is the amount of FDI inflows to the country since the main Thai industrial exports, which are automobile and its parts, computer, and electronic integrate circuits (The Atlas of Economic

Complexity Team, 2020), are manufacturing and assembling by investing capital from foreign multinational enterprises (MNEs) such Japanese, EU, and American basing in Thailand. Moreover, FDI recipient countries like Thailand could further benefits from technology transfers and knowledge spillovers from donor countries as well as promoting employment and productivity (Cheewatrakoolpong & Boonprakaikawe, 2015).

Like other developing countries and the miraculous economic growth of east Asian economies during late 20th century, FDI is a considerably important factor for development of financial market and Thailand's economic growth (De Lombaerde & Chen, 2011; Tan, Wang, Yang, & Chang, 2019).

Additionally, since the recent years, Thailand's share of cumulative selected ASEAN net FDI inflows has gradually reduced from about 11% in 2007 to just 2% in 2016 as we see from the Figure 2.

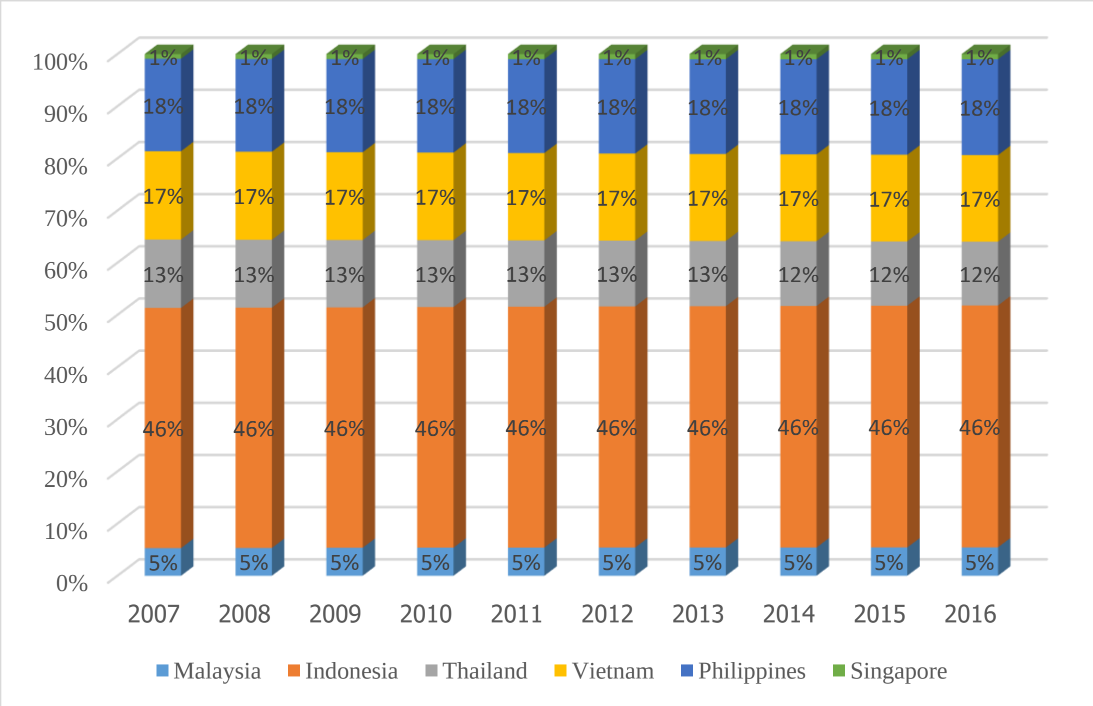
Figure 2: Thailand's share of cumulative selected ASEAN net FDI inflows from 2007-2016



Sources: World bank Database, 2020, calculated by Author

In other words, Thailand have relatively losing its appeal for MNEs investment in comparison to selected ASEAN in spite of having fairly large population relatively to ASEAN which usually attract more FDI from MNEs (OECD, 2008) due to its market size and available workforce.

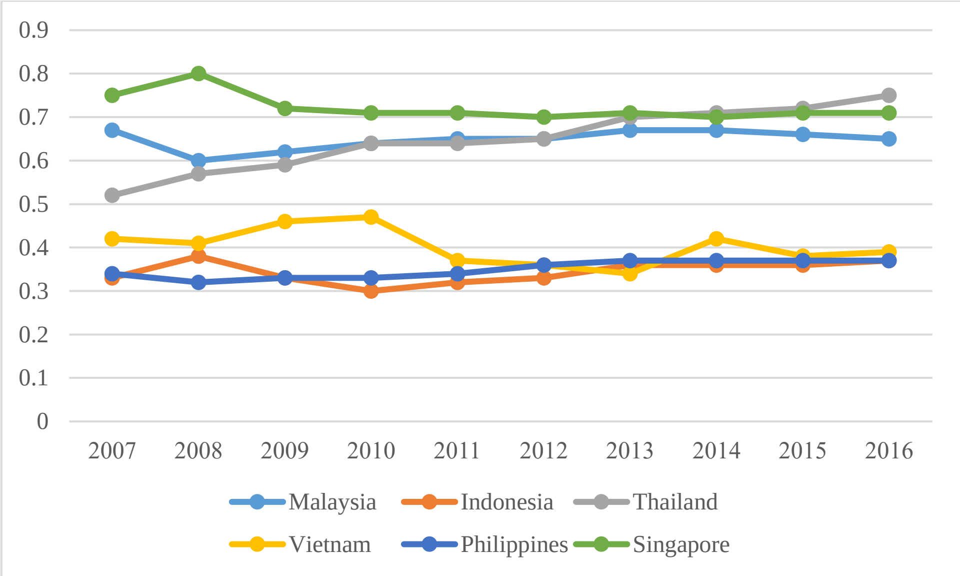
Figure 3: Population size of Thailand and Selected ASEAN countries 2007-2016



Sources: World bank Database, 2020, calculated by Author

In term of financial development, Thailand ranked in middle in the table, lower than Singapore and Malaysia, and higher than Indonesia and Vietnam in 2007, but then raised the top among all six countries in 2016 according to Financial Development Index. Despite the fact that more efficient financial system with diversified funding sources for MNEs is a pull factor that contributes to increased FDI inflow in the host economy (Dellis, 2018).

Figure 4: Financial development of Thailand and Selected ASEAN countries 2007-2016



Sources: IMF Database, 2020 (calculated by Author)

Hence, To identify hindrances the drive of Thailand's FDI inflow is complicated. the explanation of what cause downtrend turbulence of FDI to Thailand could not be explained by the country's market characteristics and economic factors explicitly, However, FDI inwards potentially can be described by Thailand's political crisis, another main element eminently the present days since 2006 which also deeply deteriorate governance in a Thai public sector. For foreign investors. It has discrediting their trust and confidence and could contribute more to the fluctuation of inward FDI.

Politics of Thailand: 2006 - the present

An extreme political polarization which began in 2006 when Thaksin Shinawatra, an elected former prime minister, was ousted by military commanders leaded by General Sonthi Boonyaratglin, a commander-in-chief of the Royal Thai Army during that time.

From 2006, Thailand endured a sequence of political demonstrations. Many Thais are deeply divided into two sides after the 2006 coup d'état. One side of them was this ongoing tag of war is the "Yellow Shirt" or People's Alliance for Democracy (PAD) which was a loose coalition of royalists, academics and members of the urban elite (Fuller, 2008) who saw Thaksin and his party as a corrupted and populist politician that came to the power by offer benefits to rural or working class people in order to gain their vote, and another side was “red shirt” or Democratic Alliance Against Dictatorship (DAAD) who predominantly live in rural area that support the former prime minister and anti-military junta which they saw as an undemocratic. (Laothamatas, 2013). The political tension between supporters and opponents of Thaksin and its nominee parties often resolved to large – scale street protests when their opposite political parties became the government.

When People's Power Party, Thaksin’s nominee party, won the 2007 Thai general election and formed the government, the yellow shirt protesters besieged country’s important buildings and facilities including Suvarnabhumi international airport, the busiest airport in the kingdom, to pressure the government. Their ultimatum are immediate cabinet resignation and political reforms such as a voting system that would reduce the representation of lower-income Thai. They believed that these poor Thais would vote to any politicians who give them money or some other forms of benefits (Fuller, 2008; MacKinnon, 2008). And when Democrat Party in late 2008, anti-Thaksin party, and its coalition become the government, the red shirt then launched nationwide protest and seized parliament building and Ratchaprasong intersection, central business district of Bangkok demanding for a dissolution of house of representative for general election (Bangkok Post, 2013; Jittapong, 2008).

These demonstrations not only undermine government ability to control internal political conflicts which often ended up with use of forces by both polices and protesters and casualty are commonly occurred in both sides, but they also have impact on national economic performance.

These political protests hurt retail businesses and department stores in the occupied areas as they received less or no customers, but more importantly, they cause fears in the eye of tourists and foreign investors. Fewer tourists visited the country due to a safety concern and Foreign investors have already shown some signs of withdrawing from Thailand. To illustrate, foreign investors have sold $584 million in Thai shares, leaving Thai stocks among the cheapest in Asia (Musafer, 2010) as demonstrators occupied key economic locations such as airport and business area,

As a result, using this political turmoil as their legitimacy, Thai armed forces led by royal Thai army again overthrow elected civilian government, dissolved parliament, and suspended general and local elections to restore peace and order in 2014. The junta has promised political reforms and road map to democracy (Bootsripoom & Chanwanpen, 2017). Today, even the political situation is more in control as there are no severe street protest, but Thailand is far from nevertheless under deep political divide between pro-military and anti-military parties.

To sum up, there are two coup d'états, two general elections, eight prime ministers – ranging from military leaders, unelected statesman – elected civilians under five versions of constitutions (including interim constitutions)[1], and a series of political demonstrations within just twelve years. According to Butkiewicz and Yanikkaya, they conclude that political instability and polarization has undermined government ability in

[1] (1) Constitution of the Kingdom of Thailand 1997 (1997-2006), (2) Constitution of the Kingdom of Thailand (Interim) 2006 (2006-2007), (3) Constitution of the Kingdom of Thailand 2007 (2007-2013), (4) Constitution of the Kingdom of Thailand (Interim) 2014 (2013-2017), and (5) Constitution of the Kingdom of Thailand 2017 (2017-present)

policy implementation continuity and undertaking necessary economic and political reforms, and has unfavorably affected on social and economic development (Butkiewicz & Yanikkaya, 2005).

Furthermore, rising of military authoritarian in Thai politics has severed accountability of government to the people by ruling by decree, cracking down on dissent, delaying general election, nominating members of parliament, and restricting citizen's freedom of expression such as banning public gathering or press censor [Mérieau, 2019]

For instance, after General Prayut Chan-o-cha raised to the power in 2014, National Council for Peace and Order (NCPO), the military junta, introduced a martial law and later, a 2014 interim constitution of Thailand which empower Gen. Prayut with 'absolute power to give any order deemed necessary to "strengthen public unity and harmony" among Thai or to prevent any act that disturb public peace' such as prohibiting public gatherings of five people or more and allows governmental officers to stop the publication or presentation of any news that possibly threaten peace and order (The Straits Times, 2015). New Cyber Crime Act adopted in 2016 limits freedom of expression of Thai netizens within Thailand or abroad and enable online state surveillance and censorship (Human Rights Watch, 2016). Furthermore, general election has been delayed for 5 years (2014-2019) while elections for local governments still have been suspended although Local Administrations Election Act of 2019 is already in place (Bangrapa, 2020). During the years, NCPO entitles to recommend the entire members of a National Legislative Assembly for the king's appointing commend accordance to section 6 of the interim constitution (Thailand Law Library, 2019). As a result, all these have hindered institutional development by power-sharing among its allies without democratization of institutions (Boix & Svolik, 2013).

Given the circumstance, it has obstructed governance in Thai public sector in every aspect which is defined by The Worldwide Governance Indicators (WGI) project:

> "Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. (The Worldwide Governance Indicators (WGI) project, 2020)"

Therefore, rising concerns on public governance of Thailand in these recent years, primarily caused by political issues, has drawn my attention to how governance-related factors could have an impact on the country's inward FDI, and to which degree that they play role in FDI attractiveness by increase or decrease level of trust and confidence of investors from major economic partners of Thailand.

Generally speaking, It is not a simple task for Thai government to stay as an attractive destination when the country is losing its economically competitiveness for early decades of 21st century. On the one hand, Thailand has struggle to compete with lower middle-income and low-wage neighboring economies such as Cambodia, Lao PDR, Myanmar, and Vietnam or CLMV country in manufactured exports. In another hand, lacking high-skill innovations when competing with advanced economies (Asian Development Bank, 2011). Hence, the government has implementing various initiatives to boost its FDI attractiveness as well as economic growth. For example,

The grand development project called the Eastern Economic Corridor (EEC) Development Plan have been launched to revitalize and enhancing Eastern Seaboard Development of Thailand aiming to attract FDI for foreign MNEs by developing the pipeline of development projects in three eastern coastal provinces (Chachoengsao, Chonburi, and Rayong) adjacent to Bangkok, which had driven Thai industrial production for over three decades (Eastern Economic Corridor Office, 2020). For administration propose, the government passes Eastern Special Development Zone Act B.E. 2561 (2018) to establish the Eastern Economic Corridor Office of Thailand (EECO) to support this initiative. To illustrate, the EEC would act as one-stop service unit holding the equivalent power and authority as the other government agencies to approve, permit, grant the rights and concessions under eight related laws (factory, land allocation, land excavation and compaction, building contract, machine registration, public health, immigration, and commercial registration law) to facilitate FDI in the region. EECO also act as secretariat for the EEC Policy committee, which is set up by the same act, that is chaired by Prime Minister of Thailand (Eastern Special Development Zone Act, 2018).

However, issues that many foreign investors really concern about might be more on political environment of the country. According to the research about how political environment in the host countries could strongly influence on FDI location decision made by MNEs (Wisniewski & Pathan, 2014). Their found that countries with excessive government expenditure particularly when the spending is on military affairs or countries where the ruling party has held power for extended periods have a negative relation of FDI inflows. In addition, the evidence from the study using panel data for the US states indicates that lack of political competition may lead to policies that obstruct economic prosperity (Besley, Persson, & Sturm, 2010).

It raises my interest of the return of military authoritarianism in the last decades might has exacerbated both domestic and foreign investors' trust in long-term economic growth causing Thailand to lose its FDI attraction leverage. Since 2007, Thailand endure two military juntas (from 2006-2007 and from 2014-2019). During that time, military governments have constantly suppressed those who oppose their rule and demand democratic restoration.

Also, the defense expenditure has almost continuously expanded annually from 115 billion baht in 2007 to 227 billion baht in 2019 (Bangkok Post Edutorial Column, 2019). Thus, the capstone paper aims to observe how political regimes could potentially one of the determinants of FDI inflows which has often be leave out in past studies on FDI.

CHAPTER II: LITERATURE REVIEW

The Relationship Between Good Governance and FDI Inflows

According to United Nations (as cited in Gisselquist, 2012), governance is defined as thought of how government processes in a country. Whether to be considered as "good" or "bad" governance, depends on the level of political rights and liberties are given and guaranteed to citizen by a state[2].

(Booranak, Tungkunanan, Suntrayuth, & Ebenezer, 2018) summarize the principle of good governance defined by different agencies as we can see from table 1.

Table 1: Principles of good governance defined by different agencies

Agencies /Principles of Good governance	UNNESCO	UNDP	UNESCAP
The Rule of Law	o	o	o
Morality & Ethics	o		
Transparency	o	o	o
Participation	o	o	o
Responsibility	o	o	o
Cost-Effectiveness of Economy	o		
Effectiveness		o	o
Efficiency		o	o
Equity	o	o	o
Accountability			o

[2] A country that is branded as good Governance would have these characteristics in common: democratized institutions and political system; rule of law and due process; an independent judiciary to interpret those laws; free, fair, and frequent elections; pluralism; promoting equity; and public participation. In contrast, corruption, violence, and poverty are signals of bad governance. (Gisselquist, 2012)

Consensual	o	o	o
Political Legitimacy		o	
Total	8	9	9

Sources: Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013

One of the most permanent governance indicators which are widely used in study of FDI (Bouchoucha & Yahyaoui, 2019; Asiedu, 2006; Mengistua & Adhikaryb, 2011; Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013; Rakkhumkaeo, 2016; Zangina & Hassan, 2020; Barassi & Zhou, 2012 and; Sabir, Anum, & Abbas, 2019) and covers these aspects of the principle in the table 1 is governance index measured by the Worldwide Governance Indicators (WGI) project. They monitored how authority, through the traditions and institutions, in a country is exercised. (The Worldwide Governance Indicators (WGI) project, 2020) and classified state of governance into six dimensions of governance comprising of: voice and accountability (VA), political stability and the absence of violence (SV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and lastly, control of corruption (CC).

There are previous research papers which concludes that governance is a determinant of FDI which independently influence over inward FDI from other factors such as GDP per capita (Bénassy-Quéré, Coupet, & Mayer, 2007). Bouchoucha and Yahyaoui (Bouchoucha & Yahyaoui, 2019) affirmed that overall governance indicators in a host country could enhance attractiveness of FDI ,and therefore, improve economic growth whereas other findings from various studies indicate not all these six dimensions correlated with inflow of FDI. For instance, (Cheewatrakoolpong & Boonprakaikawe, 2015) conclude that the FDI recipient countries' policies of the host country like governance, political risks, and corruption are among the main concerns of outward FDI from donor countries. In agreement with (Asiedu, 2006), the findings suggest that corruption and political instability discourages flow of FDI to Africa countries while efficiency of legal system or rule of law have the opposite effect. A research paper done by Mengistua and Adhikaryb (Mengistua & Adhikaryb, 2011) which examine six governance indicators have found that four of them, namely, political stability and the absence of violence, government effectiveness, rule of law, and control of corruption are the main determinants of FDI inflows to 15 Asian economies for the period 1996–2007. The similar studies in 18 Arab countries during the period 2000- 2009 suggest an alternative result: voice and accountability, political stability and the absence of violence, government effectiveness and regulatory quality are the key determinants rather than rule of law or control of corruption (Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013) . In contrast, there is a research paper that shows Political stability and absence of violence and Control of corruption only have slightly influence over the changing of FDI inflow to their GDP as a percentage in Southeast Asian countries (Rakkhumkaeo, 2016).

Nevertheless, some other studies suggest that improvement of a recipient country in governance helps stimulating inflow of FDI, whereas a decrease in them, however, have no significant effect (Zangina & Hassan, 2020) Moreover, other studies (Barassi & Zhou, 2012; Sabir, Anum, & Abbas, 2019) have observe that the impact of governance indicators on FDI could is heterogeneous depending on other conditions laid in each country. For example, these determinants have a greater impact on FDI inflow to developed countries than in developing countries (Sabir, Anum, & Abbas, 2019).

Political Regime and inflow of FDI

As mention in the previous section, good governance in many senses seem to have a deep relationship with one certain form of political regime: democracy which is a form of political system that its people have the authority to select their governmental bodies such as legislative chamber or head of government (directly in case of presidential model and indirectly via a parliament in British Westminster model). In order to do so, the basic law or constitution in democratic countries must allow citizen to enjoy the civil and political life in the society and state, including but not limited to the right to vote, to join a political party, to run for office, to freely rallies, events, or protests, without any repression or fear caused by the government (Commission on Security and Cooperation in Europe , 2016). In contrast, authoritarianism is the opposition of democracy where those rights and liberties are suppressed by government.

The evidence from a research on relationships between political regimes and uses of violence on internal and international stages which are conducted by William H. Flanigan and Edwin Fogelman supports countries with democratic regimes have experienced domestic violence lesser than non-democratic countries. In other words, the authoritarian governance has more tendency than the democratic one to employ forces for political suppression response to domestic disruption (Flanigan & Fogelman, 1970).

Hence, political rights and civil liberties entitled to individuals without any violent suppressing from the government is one of the characteristics of democratic countries that distinguishes them from nondemocratic countries.

In order to measure degree of democracy in a country, one of the most renowned indicators is Democracy Index (DI). DI is compiled by the Economist Intelligence Unit (EIU) since 2006. There are five sub-categories of Democracy Index (DI) including: (1) Civil liberties, (2) Democratic political culture, (3) Political participation, (4) Functioning of government, and (5) Electoral process and pluralism.

These five sub-categories of DI are essentially shared the core value with principles of good governance (look at table 1). In table 2, A table shows a similarity between the two indicators by gleaning the definition of DI from a democracy Index 2019 report and principles of good governance. (The Economist Intelligence Unit, 2020)

Table 2: Five Sub-categories of Democracy Index (DI) and Principle of Good governance

Sub-categories of Democracy Index	Description by The Economist Intelligence Unit	Related with principles of good governance
Civil liberties	Including no discrimination against minorities, digital surveillance, political violence, tolerance of opposing views, media freedom, and freedom of speech. (The Economist Intelligence Unit, 2020)	The Rule of Law, Morality & Ethics, Transparency, Morality & Ethics, Accountability, Equity, Participation
Democratic political culture	Including societal consensus, believe in democratic value among the citizen, and separation of Church and State (The Economist Intelligence Unit, 2020)	The Rule of Law, Morality & Ethics, Consensual, Political Legitimacy, Participation
Political participation	Including voter participation, reasonable degree of autonomy and voice in the political process, women in parliament, NGOs and civil society engagement with politics, lawful demonstrations, and promoting political participation by authorities (The Economist Intelligence Unit, 2020)	Morality & Ethics, Consensual, Political Legitimacy, Participation, Transparency, Responsibility, Accountability
Functioning of government	Including elected representatives determine government policy, an effective system of checks and balances on the exercise of government authority, civilian government, strong domestic institutions and special interest groups, government accountability, government's authority extension over its territory, open and transparent, less corruption, willingness and capable of implementing government policy, and public confidence in government and political parties (The Economist Intelligence Unit, 2020)	The Rule of Law, Consensual, Political Legitimacy, Participation, Transparency, Responsibility, Accountability, Effectiveness, Efficiency, Cost-Effectiveness of Economy
Electoral process and pluralism	Including free and fair elections for the national and municipal legislature and head of government, equal campaigning opportunities, transparency of financing political parties process, orderly transfer of political power, and citizens' rights for form and join political and civic organizations without state interference and surveillance (The Economist Intelligence Unit, 2020)	The Rule of Law, Morality & Ethics, Consensual, Political Legitimacy, Participation, Transparency, Accountability, Effectiveness, Efficiency, Equity

Sources: The Economist Intelligence Unit, 2020; Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013

If we look at the table 3, it can be observed that almost the top 10 most democratic country according to DI also perform outstandingly in each individual dimensions of WGI as well with small number of outliners especially in political stability and the absence of violence (SV) dimension since these smaller nations on the list have relatively less political conflicts due to geopolitical location and humble population size. Hence, a democratic country is more likely to have a better state of governance or vice versa.

Table 3: The list of top 10 countries that have the highest score on DI versus GI in 2018

Rank	Worldwide Governance Indicators (WGI)						Democracy Index (ID)
	VA	SV	GE	RQ	RW	CC	
1	Norway	Greenland	Singapore	Hong Kong	Finland	Finland	Norway
2	New Zealand	Monaco	Switzerland	Singapore	Norway	New Zealand	Iceland
3	Switzerland	New Zealand	Finland	Netherlands	Switzerland	Singapore	Sweden
4	Finland	Singapore	Andorra	New Zealand	Sweden	Denmark	New Zealand
5	Denmark	Liechtenstein	Hong Kong	Australia	New Zealand	Sweden	Finland
6	Sweden	Andorra	Norway	Sweden	Austria	Norway	Ireland
7	Netherlands	Tuvalu	Denmark	Finland	Singapore	Luxembourg	Denmark
8	Luxembourg	Iceland	Netherlands	Switzerland	Denmark	Switzerland	Canada
9	Canada	Luxembourg	Sweden	UK	Netherlands	Netherlands	Australia
10	Australia	Aruba	Luxembourg	Norway	Luxembourg	Liechtenstein	Switzerland

Sources: The Worldwide Governance Indicators (WGI) project, n.d; The Economist Intelligence Unit, 2020

According to Charles Kucera and Principi, the finding from their study on FDI outflow of American multinational firms to 15 industries in 54 countries suggested that there is a positive effect of democracy in recipient countries on FDI particularly for service than manufacturing industries, namely finance and insurance and information sectors, but negative effects for mining and oil and gas extraction sectors (Charles Kucera & Principi, 2014)

In contrast, some research papers found that a more democratic recipient country is not necessity attract more FDI inflow, additionally authoritarian government such as military government can be more successful in attracting FDI if they can maintain quality of its institutional quality, high level of regulatory quality and political stability, market liberalization and trade openness. (Uddin, Chowdhury, Zafar, Shafique, & Liu, 2019) Besides, in developing countries where democratic tradition is weak, authoritarian government with some extent of existing democratic institutions, like legislative body, together with suppressive political means could promise a more steady investment environment (Moon, 2019) for foreign multinational corporations (MNCs), therefore, more FDI.

Besides, there are evidence that democratic countries are more able to adopts restrictive measures targeting developing country, including sanction on trade, which fail to uphold democratic value or human right, for example, countries in European Union (EU) and United States. (European Councli: Council of the European Union, 2020; Masters, 2019) In other words, more authoritarian countries tend to be sanctioned by democratic countries than the latter sanction to its kind.

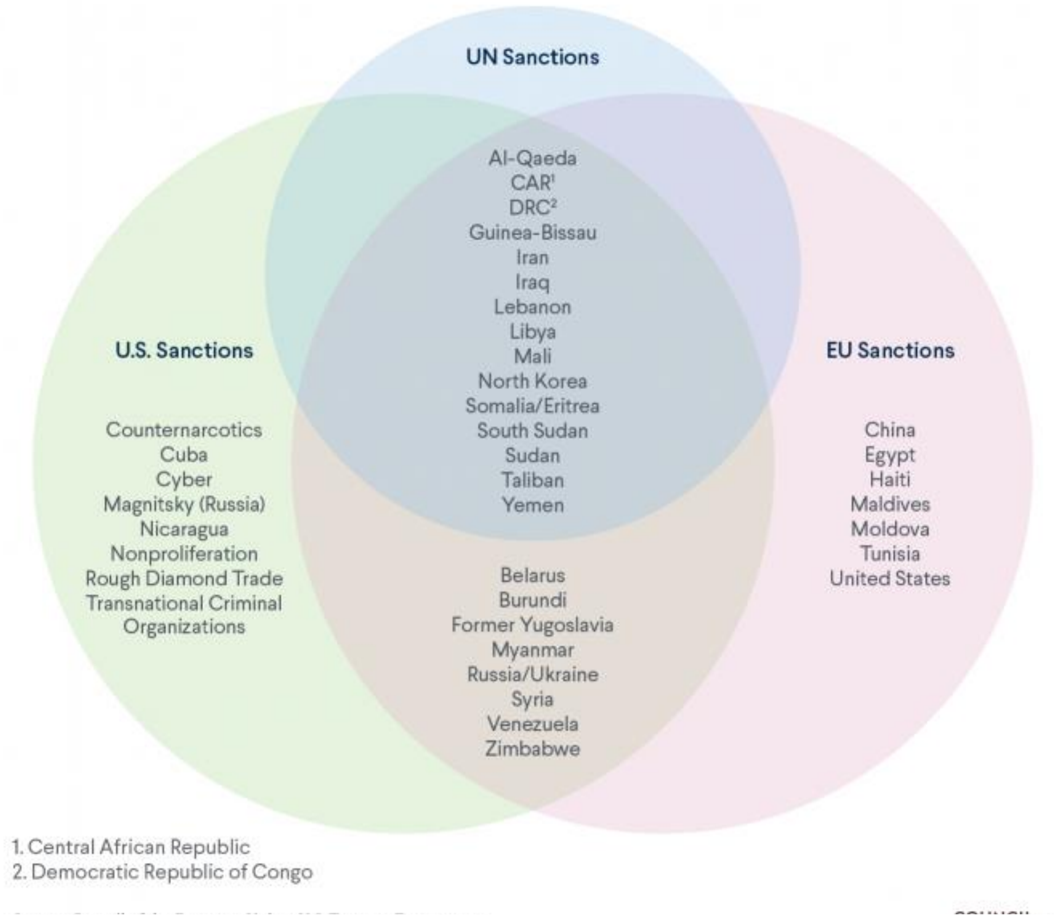
Take the most recent coup d'état in Thailand that occurred on 22 May 2014 as an example, the immediate response was from Japan, US, France, and EU calling for the urgent democratic system, and there was no justification or legitimate claim for a military intervention (Bangkok Post online reporter team, 2014). Moreover, both US and EU have considered to take economic measures against Thailand. It was EU who took the first sanction on fishing industry and suspend a trend agreement with Thailand since 2015 claiming Thailand ‘human rights abuse’. In 2015, about €240 million of trade in fish exports into EU was lost due to the sanction comparing to the year before (Schulz, 2018).

The ban was lifted recently in 2019, two months before Thailand’s general election took place in March. However, there was no similar actions from countries like China, Russia, and those who have performed poorly on democracy index have never imposed such as restrictions on Thailand.

Furthermore, according to Mirkina’s study on sanction imposition on foreign investment in 184 countries from 1970 to 2010 and found that not only its effect has contributed to the decrease in FDI especially in the short term, but also these sanction on non-democratic governments could imply higher risks of political instability in their countries (Mirkina, 2018) which again, related to governance determinants.

This, in a way, indicate that deficiency of democratic governance in a host country would reduce its FDI inflow from democratic countries as Figure 5 illustrates that almost all countries which have been sanctioned by United Nation, United states, and EU are low performing in governance and democracy simultaneously.

Figure 5: Global Sanctions Regimes



Sources: Council on Foreign Relations, 2019

Concluding Remarks

Although it is debatable on which dimensions of governance are the most significant from previous studies that have been mention here in this chapter, It can at least conclude that governance-related factors in FDI recipient countries are a determinant to the flow of FDI. Moreover, Those research papers suggest some implications of democratic characteristic, which heavily influence how governance is defined, of a home and how a host country react could alter its flow. For these matters, I will provide more details in the following chapter of theoretical framework.

However, there is a gap which is needed to further investigate. First, regarding governance determinants of inflow FDI to recipient country, these previous studies simply analysis FDI and its relationship with domestic governance performance in the time series without distinguish by which type of political regime, whether democratic or authoritarian, of its FDI origin.

CHAPTER III: PROJECT DESIGN

Research Objectives

There are a number of research papers (Mengistua & Adhikaryb, 2011; Cheewatrakoolpong & Boonprakaikawe, 2015; Sun, 2003; Globerman & Shapiro, 1999; Combes, Kinda, Rasmane, & Plane, 2019) investigating the influence of public governance of a recipient country to its inward FDI from a donor country. However, most of these works focus only on public governance of a host country regardless political regimes or “good governance “of FDI origins. Thus, the paper will further examine political regime of the donor countries and its trend of FDI to Thailand when the host country switch from democracy to authoritarian and vice versa. This capstone project seeks to address this gap in the case of Thailand as a host country.

In addition, the study of FDI inflows to Thailand will expand our understanding on non-economic or financial determinants and political regimes influencing FDI and then can be a learning reference for scholars who want to further conduct an research in the field and for policy makers and public administrators in Thailand whose responsible for FDI related topics, such as Ministry of Commerce, Ministry of Industry, Board of Investment, National Economic and Social Development Council, and etc. to identify the problem there and designed a public policy aiming to FDI promotion.

Research Questions

1. Which could be the key governance indicators that facilitates FDI?
2. Do MNEs from democratic countries are considered more on governance performance of the host countries when choosing FDI than from the countries with hybrid regime and authoritarianism.

Research Hypotheses

1. Higher level of governance indicators will cause a positive impact on inward FDI trend
2. FDI from donor countries which recognized as democratic countries are more controlled by governance indicators of a host country than those from non-democratic regimes.

Research Scope

The study focuses on governance related factors measured by the Worldwide Governance Indicators (WGI) project in six dimensions of governance that are determinants of inward FDI to Thailand from its major FDI donors stated by Bank of Thailand (BOT) in though time series analysis during 10-year period: from 2007 to 2016.

To answer the research questions, the study investigates the effects of all six dimensions of governance: voice and accountability (VA), political stability and absence of violence (SV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and lastly, control of corruption (CC) which are for panel data regression with the cross-countries and time-series dimension on cumulative FDI

Also, these donor country will be divided into four categories according to their type of political regime compiled by the EIU comprising of: (1) full democracy, (2) flawed democracies, (3) hybrid regimes, and (4) authoritarian regimes in order to test does political regime is a controlling factor of sensitivity of FDI origin countries on governance determinants of Thailand.

The reasons why I choose the index is first, DI have international recognition which is conduct by a creditable analytic unit using qualitative research methods, and second, the index have been published since 2006 which are well-fitted with my time series analysis during 10-year period starting from 2007 to 2016.

CHAPTER IV: THEORETICAL FRAMEWORK AND METHODOLOGY

Development of a Gravity Model of International Trade

This paper applies panel data analysis to monitor the effects of governance on FDI inflow in Thailand from 2007-2016 which is based on augmented gravity model. The model borrowed Newton's law of universal gravitation and then adjusted them into international economics realm. According to the origin concept, every object has gravitational force draw toward them which they could attract the other objects depending on each other masses and distance between them (OpenStax, 2020).

The concept of universal gravitation is translated into econometric studies of trade flows which was initially mentioned by the works of Isard (Isard, 1954), Tinbergen (Tinbergen, 1962), and Pöyhönen (Pöyhönen, 1963) in international economics, then was developed by Leamber (Leamer, 1974) who used the gravity equation in his trade-interdependence models distribute trade potential among trading partner, together with Heckscher-Ohlin (HO) model of international trade in a regression analysis of trade flows.

Later, Anderson (Anderson J. E., 1979) was among the pioneer who tried to formally develop the gravity equation into gravity model since its use for policy has no theoretical justification. His paper gives a theoretical explanation on the gravity equation that apply to commodities. Particularly, product differentiation by country of origin. Moreover, he suggested distance as proxy for transport costs and border taxes in the model.

In Bergstrand (Bergstrand, 1985), similar to Anderson, his saw previous applications of a gravity equation are lacking solid theoretical foundation for predictive purposes although the models' high explanatory power. Therefore, the study focuses on addressing microeconomic foundations of the gravity equation including prices using

GDP deflators. The findings from this paper empirically support that the gravity equation is a reduced form of a partial equilibrium subsystem of a general equilibrium model which differentiated product by its nationality.

Furthermore, Deardorff (Deardorff, 1998) applied a gravity equation comprised trade barriers and transport costs as distance variables. The results indicate the elasticity of trade in accordance to these relative distance measures. The more trade between close countries will exceed of the gravity equation, but they are smaller among distant countries. In his frictionless trades model, by assuming competitive trade when all goods are homogeneous products without transport costs and no other trade impediments that cause will difference among trading partners even their own country to producers and consumers, individual trade flows will surpass or lagging of the gravity equation depending on a weighted correlation between deviations of the exporter and the importer from the world average supplies and demands.

Haveman and Hummels (Haveman & Hummels, 2004) give thought to Helpman (Helpman, 1987) and Davis (Davis, 1995), they expanded scope of a gravity equation considering the existence of intra-industry trade and the large volume of bilateral trade between countries that are similar in economic size within the same trade blog under monopolistic competition. They also illustrate that it is possible to generate the gravity equation as a statistical relationship, not as a specific prediction on bilateral trade, from an incomplete specialization model. Furthermore, they showed that complete specialization models in previous studies often overstate the degree of goods differentiation or the extent of that differentiation valued by consumers.

Lastly, Anderson's (Anderson J. E., 2011) work was one of recent extensive papers to mention about theoretical development of the gravity models and other applications of them beyond studies on international trade. He reviewed and summarized structural models of migration, FDI, Portfolio Investment mentioned by other related works especially those in 2000s. In his FDI sections, Anderson concluded that the ratio of exports to foreign affiliate sale and trade cost as well as communication cost which are changing caused by a firm's technology should receive more attention. In addition, His work stated concerns about problem of zeros which occur when bilateral trade flows, FDI, migration are not active.

Framework of the Gravity Model of FDI inflows

The Regression Model

As I went through the development of gravity model in the last section, It was firstly used only for trade flows between countries when it appeared as a gravity equation, then has been modified to cover other social sciences topics. In this section, I attempt to explain FDI flow to Thailand from its major economies using a gravity model built upon theorical foundations found in (Asiedu, 2006; Mengistua & Adhikaryb, 2011; Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013; Wang, Yang, & Chang, 2019; Cró & Martins, 2020)

For my model for the studies, I begin with the simply standard gravity equation:

$$F_{ij} = \mathrm{G} * \frac{M_i * M_j}{D_{ij}} \qquad (1)$$

In this formula, F_{ij} is trade flow between two countries (country i and j), G is a constant, M is an mass of countries (i and j) such as population or GDP, and D_{ij} is a distance between the two country. Hence, a bilateral trade will be increased when their economic size (or each one of them) become larger and will be decreased when measurements of distance between two countries are reduced. Those measurement in the formula here can be transportation cost including trade barriers; communication cost; and common languages, culture, and institutions besides geographic distance.

This paper focus on FDI inflow to Thailand in specific time period, so time-series dimension will be added to the formula as well as other variables. I adjust the equation (1) to the modified version that will be adopted in this capstone which is shown in the equation (2):

$$\text{In } fdi_{ijt} = \alpha + \beta_1 \text{ In GDP}_{it} + \beta_2 \text{ In GDP}_{jt} + \beta_3 \text{ In DIST}_{ij} + \gamma_1 \text{ VA}_{it} + \gamma_2 \text{ SV}_{it} + \gamma_3 \text{ GE}_{it} + \gamma_4 \text{ RQ}_{it} + \gamma_5 \text{ RL}_{it} + \gamma_6 \text{ CC}_{it} + \delta_1 FTA_{ij} + \delta_2 \text{ASEAN}_{ij} + \varepsilon_{ijt} \quad (2)$$

where $\boldsymbol{fdi_{ijt}}$ is the FDI inflow (nominal) into Thailand in USD (*i*) from its economic partner (*j*) in specific time period, $\mathbf{GDP}_{it}$ and $\mathbf{GDP}_{jt}$ represents the gross domestic product of the home and the host country respectively, $\mathbf{DIST}_{ij}$ is a geographic distance between the capital city of the two countries, $\boldsymbol{GO_{it}}$ represents variables of dimensions of governance; voice and accountability (VA), political stability and the absence of violence (SV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and lastly, control of corruption (CC), $\boldsymbol{\alpha}$ is a intercept, $\mathbf{FTA}_{ij}$ is dummy variable when the two countries have signed free trade agreement whereas $\mathbf{ASEAN}_{ij}$ represent dummy variable when the two countries are in ASEAN blog, and finally, $\boldsymbol{\varepsilon_{ijt}}$ is an error term. I calculate this modified equation using panel data analysis.

The reason why I applied log transformations on a dependent ($\boldsymbol{fdi_{ijt}}$) and independent ($\text{GDP}_{it}, \text{GDP}_{jt}, DIST_{ij}$) variables is to make regression results clearer and easier to interpret the changing interaction between FDI and Governance variables. An interaction will be show in relative term (1% change in a predictive variable will associate with how many percentage changes in the response variable) rather than absolute term. The changing of un-log FDI stock can be confused to interpret owing to historical inflation and currency exchange rate from 2007-2016 and can be unrealistic to determine the effects of predictive variable in relation with absolute changing among of FDI from donor countries under the studies which is extremely diverse. To illustrate, the change of Japanese FDI from 2014 to 2015 (12.45 to 10.52 billion USD) is larger than the change of FDI originated from 9 ASEAN countries combined (7.41 to 8.01 billion USD) (Bank of Thailand, 2020). Therefore, study on influence of Governance indicators on percentage change of FDI inflow is more feasible.

However, another major independent variable that are not in the regression model is political regimes of donor countries of Thailand’s FDI inflows since it will act as sensitive amplifier of governance indicators of Thailand. I employ political regime indicator based on democracy index from 2007-2016 of Thailand’s 42 FDI partners that reported by The Economist Intelligence to classify country into four groups. Unit. The table below shows political regime types according to democracy index’s score range

Table 4: Types of Political Regimes ranked by Democracy Index

Political regime types	Score Range
Full Democracy	8.00-10.00
Flawed Democracy	6.00-7.99
Hybrid Regime	4.00-5.99
Authoritarian Regime	0.00-3.99

Sources: The Economist Intelligence Unit, 2020

In accordance to the table, it is possible that the same country may be categorized into different group each year if their score changed from one period to another. To illustrate, US had been ranked from 2006 as full democracy until its stand dropped into flawed democracy from 2016 to the present. Additionally, the number of observations in the panel data will greatly reduce if I categorize the FDI home countries across 10 year periods into four groups. For example, there will be only 28 observations in hybrid regime category which could decrease precision in my estimation results. Therefore, I regrouped all observation into just two groups by merging full democracy and flawed democracy, and hybrid regime and authoritarian regime together.

Country fixed-effects and time fixed-effects are included in the regression because things such as inflation and exchange rate changes between Thai baht and a currency of the host countries could disturb a sum of FDI inflows when they adjusted from time to time which are needed to be controlled. This implied that the impact of variables can be vary over time. However, the fixed-effects equation will not apply to time-invariant variable like distance variable (In DIST_{ij}) since it is unchangeable and would be omitted due to their collinearity in fixed-effects model. To observe the impact of this variable, random- effects would be preferred.

Hence, I will employ the augmented gravity equation using three panel estimators: ordinary least squares (OLS), fixed-effects (FE), and random-effects (RE) methods in the panel analysis for estimating results comparison.

Variables and Data sources

Dependent Variable

I set bilateral data on FDI inflows of Thailand with its donor countries and territories from 2007-2016 as the explained variable. This set of data can be obtained from an online published databased from Bank of Thailand's website which categorized the total FDI inflows by country/ economic territories and business sectors of Thai investors. There are 46 donor countries divided into 23 business sectors in the data set.[3] However, I selected only 42 of them because there no data of democracy index available for some countries particularly city-states or island nation.

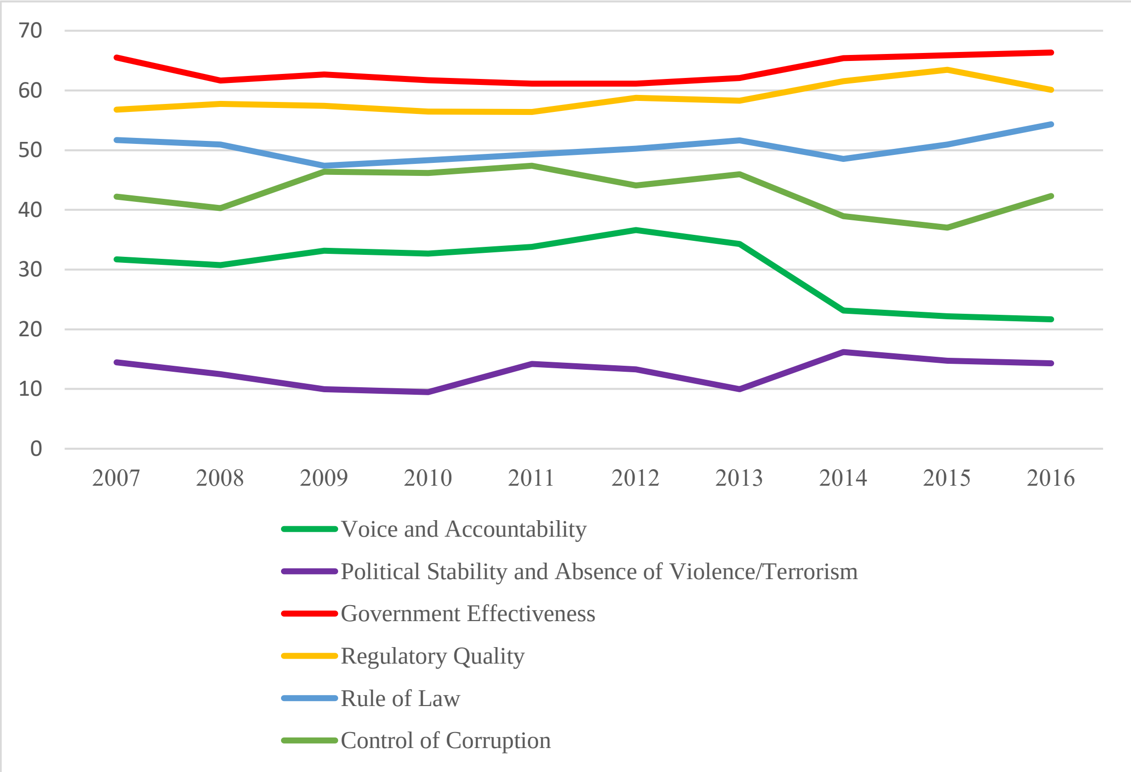
Main Explanatory Variables

Good Governance Indicators ($\boldsymbol{VA_{it}}, \boldsymbol{SV_{it}}, \boldsymbol{GE_{it}}, \boldsymbol{RQ_{it}}, \boldsymbol{RL_{it}}, and\ \boldsymbol{CC_{it}}$)

One of two major independent variables are governance indicators. I obtain the data from World Governance Indicators project report's webpage which collect governance data of more than 200 countries and territories since 1996. The data are based on various individual data sources collected by survey institutes; think tanks; non-governmental organizations; international organizations; and private sector firms (European Commission, 2019).

[3] Excluding those that are grouped into region namely ASEAN, EU (major countries), other EU, middle east (major countries), other middle east, and other countries.

Figure 6: Historical score of six governance indicators of Thailand from 2007-2016



Source: The Worldwide Governance Indicators project

I acquire all six dimensions of governance of Thailand namely voice and accountability (VA), political stability and the absence of violence (SV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and lastly, control of corruption (CC) from 2007-2016. In the regression, I employ each of the six indicator the equation to observe which dimensions of governance have positive correlation with overall FDI inflows.

Other Explanatory Variables

Besides Governance indicators and Political regimes, There are also market related economic determinants, to illustrate, market size, free trade agreement, and

ASEAN membership Therefore, I take these economic determinants into account as control variables in the model as well which included:

Gross Domestic Product ($\boldsymbol{In\ GDP_{it}}$, $\boldsymbol{In\ GDP_{jt}}$)

GDP is the value of the goods and services production of all economic activities in one country in specific time period (U.S. Department of Commence, 2020). This is a common representative for mass in the gravity equation as it refers to a size of aggregated economic output of a country. I used in current U.S. dollars which is transformed into a logarithm form of donor (i) and recipient (j) countries as an indicator of market size which retrieved from IMF Database. This study expects a positive correlation with FDI inflows.

Geographical Distance ($\boldsymbol{In\ DIST_{ij}}$)

Geographical distance between home and host countries represents physical distance in the equation. The number of geographical distances using in the regression of Thailand and donor countries is a bilateral distance the capital city or the largest city in kilometer as a unit of measurement between country *i* and country *j* calculated by latitude and longitude of their location (logarithm) which published on CEPII database. Base on gravity equation, FDI from country i and country j have a negative relationship with geographical distance

Free Trade Agreement ($\boldsymbol{FTA_{ij}}$)

Free Trade Agreement (FTA) is a bilateral or multilateral trade pact. It basically provides rules and code of conducts on international trade which likely to adapt the concept of Neoliberalism ideas that aiming to eliminate all forms trade barriers, and maximum market-oriented mechanism. countries that have signed FTA mutually have more tendency to attract each other trade and financial exchanges than with those who do not join the agreement.

According to a research on The Impact of Free Trade Agreements on Foreign Direct Investment: The Case of Korea, FTAs have a positive effect on FDI by creating a friendly environment for FDI both outward and inward direction (Bae & Jang, 2013). Therefore, I added a dummy variable for the host countries in the model when the value of 1 means they have signed FTA and in its effect with Thailand bilaterally or multilaterally and the value of 0 if they have not.

The Table 5 shows information from Department of Trade Negotiations, Ministry of Commence of Thailand that there are 11 free trade agreements that Thailand currently have signed and in effect (FTA Unit Section, Bureau of Trade Information Management, 2014)

Table 5: List of Free Trade Agreement signed by Thailand

No.	Agreement	Date of Signing	Entry into force: EIF
1	Thailand – Australia	5 July 2004	1 January 2005
2	Thailand – New Zealand	19 April 2005	1 July 2005
3	Thailand - Japan	3 April 2007	1 November 2007
4	Thailand – India (Partial EHS 82 items)	9 October 2008	1 September 2004
5	Thailand – Peru (EHS on Goods)	19 November 2005	31 December 2011
6	Thailand - ASEAN	26 February 2009	17 May 2010
7	ASEAN – Australia/New Zealand	27 February 2009	12 March 2010 (for Thailand)
8	ASEAN – China	29 November 2004	July 2005
8	ASEAN – Korea	27 February 2009	1 January 2010
10	ASEAN - India	13 August 2009	1 January 2010
11	ASEAN - Japan	1 April 2008	1 June 2009

Sources: FTA Unit Section, Bureau of Trade Information Management, 2014

ASEAN membership ($\boldsymbol{ASEAN_{ij}}$)

Lastly, similar to FTA, a regional economic blog like ASEAN can potentially influencing FDI as well. Thailand are a member of ASEAN as well as ASEAN Economic Community (AEC) which have been established since 1967 and 2016, respectively. The ASEAN Leaders adapted the AEC Blueprint 2025 that contain five mutual pillars among AEC (ASEAN secretariat, 2017), explicitly: (1) A Highly Integrated and Cohesive Economy (2) A Competitive, Innovative, and Dynamic ASEAN (3) Enhanced Connectivity and Sectoral Cooperation (4) A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN, and (5) A Global ASEAN.

All of five pillars here emphasized economic integration among member states aiming to increase trade (goods and services) and financial investment within the region including FDI. According to the ASEAN officially website, AEC member comprising of 10 countries: Brunei Darussalam Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. So, I create a dummy variable to indicate whether FDI donor countries are a member of FTA or not.

By employing these two dummy variables, I have done a research on their application in FDI studies since Regional Trade Agreements (RTAs) like ASEAN and FTAs tend to be endogenous or is depended on other variables such as trade tariffs or privileges such as taxation and customs procedures which can be found in the agreement between Japan and the kingdom of Thailand for an economic partnership[4] as an example.

Also, ASEAN and FTA membership can have an indecisive impact on FDI. For instance, on one hand, reducing trade barriers from FTA may cause MNEs to send FDI

[4] See more in full PDF version of the agreement in https://www.mofa.go.jp/region/asia-paci/thailand/epa0704/agreement.pdf

less to host countries since their goods will no longer suffer barriers on goods origin to compete with domestic goods. In another hand, FTAs can also promote FDI by encouraging economic activities within the party (Reed, Lira, Lee, & Lee, 2016).

Nonetheless, some recent researches on the relationship between FTAs as well as RTAs and inward FDI suggests FTAs is a driver that considerably stimulated FDI inflows (Cherif & Dreger, 2018, Song & Oh, 2019; Duong, Holmes, & Strutt, 2020). Therefore, I included both dummies in the regression model. Here, two tables (table 5 and 6) illustrate description of variables and descriptive statistics are below

Table 6: Description of variables

Variables	**Data Sources**	**Definition**	**Expected Sign (+/-)**
$\boldsymbol{fdi_{ijt}}$	Bank of Thailand	The FDI inflow into Thailand (i) from its economic partner (j) in current U.S. dollars (logarithm)	
In $\boldsymbol{GDP_{it}}$	IMF Database	GDP of the FDI home country in current U.S. dollars (logarithm)	+
In $\boldsymbol{GDP_{jt}}$	IMF Database	GDP of the FDI host country in current U.S. dollars (logarithm)	+
$\boldsymbol{VA_{it}, SV_{it}, GE_{it}, RQ_{it}, RL_{it}}$, **and** $\boldsymbol{CC_{it}}$	WGI Database	The score of Thailand on six dimensions of governance	+
In $\mathbf{DIST_{ij}}$	CEPII Database	The geographical distance between home and host countries in kilometer (logarithm)	-
$\boldsymbol{FTA}$	Ministry of Commence, Thailand	A dummy variable whether the Free Trade Agreement is signed and in effect between the two countries	+
$\boldsymbol{ASEAN}$	ASEAN website	A dummy variable whether the two countries are ASEAN member states	+

Table 7: Descriptive statistics (All Countries)

Variables	Observations	Mean	Std. Dev.	Min	Max
In GDPi	410	5.920902	1.747237	1.56	9.84
In GDPj	410	5.868	0.1695467	5.57	6.04
In DISTij	410	8.448293	0.8945472	6.26	9.77
VA	410	3.385	0.1877524	3.08	3.6
SV	410	3.385	0.1877524	3.08	3.6
GE	410	4.147	0.323039	4.11	4.19
RQ	410	4.072	0.0379408	4.03	4.15
RL	410	3.918	0.382042	3.86	4
CC	410	3.761	0.799035	3.61	3.86
FTA	410	0.2536585	0.435636	0	1
ASEAN	410	0.195122	0.3967787	0	1

Table 8: Descriptive statistics (Full and Flawed Democratic Countries)

Variable	**Observations**	**Mean**	**Std. Dev.**	**Min**	**Max**
In GDPi	278	6.262626	1.628396	2.1	9.84
In GDPj	278	5.87205	0.1688646	5.57	6.04
In DISTij	278	8.756942	0.6543272	7.08	9.77
VA	278	3.380288	0.1902324	3.08	3.6
SV	278	2.544928	0.1805342	2.25	2.78
GE	278	4.147662	0.0324777	4.11	4.19
RQ	278	4.073094	0.0382722	4.03	4.15
RL	278	3.918489	0.0384804	3.86	4
CC	278	3.75946	0.0804055	3.61	3.86
FTA	278	0.2589928	0.4388717	0	1
ASEAN	278	0.1151079	0.3197277	0	1

Table 8: Descriptive statistics (Hybrid Regime and Authoritarian Countries)

Variable	Observations	Mean	Std. Dev.	Min	Max
In GDPi	132	5.201212	1.776144	1.56	9.33
In GDPj	132	5.85947	0.1713053	5.57	6.04
In DISTij	132	7.798258	0.9824113	6.26	8.86
VA	132	3.394924	0.1827337	3.08	3.6
SV	132	2.535833	0.1812638	2.25	2.78
GE	132	4.145606	0.0320128	4.11	4.19
RQ	132	4.069697	0.0372722	4.03	4.15
RL	132	3.91697	0.0377404	3.86	4
CC	132	3.764242	0.0790412	3.61	3.86
FTA	132	0.2424242	0.1301821	0	1
ASEAN	132	0.3636364	0.4828783	0	1

CHAPTER V: RESULTS, DISSCUSSION, AND CONCLUSION

Empirical Results

The regression results are based on 402 observations for all countries model. The number was initially 410 observations, however, FDI inflows from some countries in a certain time periods are a negative figure because of negative reinvestment of earnings that surpasses the normal FDI inflows which can occur when direct investment enterprises in Thailand incur losses or pay dividend in excess of the profit of the current period (Bank of Thailand, 2020). Those inputs would be applicable for log transformation, therefore, I instead using missing values in that cases.

Then, all 402 observations is split into another two groups according to DI score of the home countries in the panel which are full and flawed democratic countries group (270 observations), and hybrid and authoritarian countries group (132 observations) implying that the last two groups are an unbalanced panel data set.

Since the cross-countries and time-series dimension on cumulative FDI are taken into consideration in my model, I first using Breusch-Pagan test to check the presence of heteroskedasticity in the panel data. According to Asiedu, I assume significance level of 1% (Asiedu, 2006). The results from Breusch-Pagan test rejected the null hypothesis of homoskedasticity and heteroskedasticity is assumed in the model (the result yields a p-value at 0.0000 for all countries, 0.0015 for full and flawed democratic countries, and 0.0001 for hybrid regime and authoritarian countries). Next, the Wooldridge test is being conducted for autocorrelation in the panel data, and the test shows the existing of autocorrelation in all three countries groups models (the result yields a p-value at 0.0000 for all countries, 0.0000 for full and flawed democratic countries, and 0.0095 for hybrid regime and authoritarian countries). To cope with the presence of heteroskedasticity and autocorrelation, Thus, cluster-robust standard errors should be used in panel estimators (Hoechle, 2007).

I employ Hausman test to determine whether allowing for RE in the regression is appropriate or not comparing to FE. The test results fail to reject the null at 1% significance level which indicate appropriation of random-effects estimation in all three categories (the result yields a p-value at 1.0000 for all countries, 0.4977 for full and flawed democratic countries, and 1.0000 for hybrid regime and authoritarian countries).

Furthermore, I conduct Breusch-Pagan Lagrange Multiplier or LM test to verify a suitability of RE in comparison with OLS. I conclude from the evidence from the LM test that the null hypothesis is rejected which implied significance of differences across the countries in the panel (the result yields a p-value at 0.0000 for all countries, full and flawed democratic countries, and hybrid regime and authoritarian countries).

Country-level analysis: All countries

The table 10 indicates results of OLS, FE, and RE panel-estimation methods when standard error estimates are robust to disturbances being heteroscedastic and autocorrelated. While the empirical results from OLS estimation strongly indicates that GDP of the home country is a factor that stimulating FDI inflow, the results based on FE and RE estimation methods, however, suggest the significance of VA, SV, CC, and RQ. Other two governance variables: GE and RL have no impact on FDI inflow. Moreover, the regression estimations also reveal no significant of GDP size of the recipient country and geographical distance as well as dummy variables of FTA and ASEAN.

Table 10: Regression results under different estimation methods of the relationship between FDI inflows and governance indicators (all countries)

	OLS	FE	RE
In GDPi	0.962*** (0.08)	0.895* (0.38)	0.940*** (0.20)
In GDPj	-1.527 (1.71)	-1.279 (0.75)	-1.311 (0.74)
In DISTij	0.316 (0.25)	0.000 (.)	0.334 (0.75)
VA	1.806 (1.69)	1.587* (0.71)	1.594* (0.71)
SV	0.885 (1.03)	0.913* (0.43)	0.907* (0.43)
GE	-1.699 (9.23)	-1.644 (3.90)	-1.605 (3.86)
RQ	16.960 (12.25)	16.140** (5.18)	16.135** (5.15)
RL	-0.957 (3.84)	-0.728 (1.62)	-0.725 (1.61)
CC	4.559 (4.73)	4.7698 (1.99)	4.762* (1.98)
FTA	0.484 (0.35)	0.218 (0.28)	0.221 (0.26)
ASEAN	1.045 (0.56)	0.000 (.)	1.178 (1.68)
Constant	-78.968 (60.15)	-74.997*** (25.22)	-78.251** (25.94)
R square Rho No. of observations	0.3286 402	0.3187 0.828 402	0.3274 0.842 402
Note: *, ** and *** indicate level of significance at 10%, 5% and 10% respectively.			

<u>Country-level analysis: Full and flawed democratic countries</u>

In case of Full and flawed democratic countries, the FE and RE estimations that demonstrate in table 11 reveal that FDI from countries which its political regime is considered as full and flawed democracy are determined by VA, SV, RQ, and CC.

As for non-governance indicators, the evidence from FE and RE estimations illustrate the importance of the size of FDI donor's economic and FTA dummy variable in facilitating FDI inflows to Thailand. nonetheless, geographical distance to be associated with decreased FDI flows to Thailand.

Table 11: Regression results under different estimation methods of the relationship between FDI inflows and governance indicators (full and flawed democratic countries)

	OLS	FE	RE
In GDPi	0.709*** (0.06)	1.330* (0.54)	0.699*** (0.16)
In GDPj	0.102 (1.38)	-1.332 (0.81)	-0.952 (0.80)
In DISTij	-1.190*** (0.22)	0.000 (.)	-0.939 (0.54)
VA	2.409 (1.37)	2.113** (0.77)	2.109** (0.78)
SV	0.939 (0.83)	0.910 (0.47)	0.965* (0.47)
GE	5.000 (7.52)	2.105 (4.26)	2.068 (4.29)
RQ	13.007 (9.97)	16.503** (5.61)	16.018 (5.67)
RL	-2.552 (3.10)	-0.830 (1.74)	-0.995 (1.76)
CC	3.345 (3.85)	4.998* (2.16)	4.805* (2.18)
FTA	-0.399 (0.27)	1.155** (0.35)	0.998** (0.31)
ASEAN	-0.417 (0.43)	0.000 (.)	-0.585 (1.10)
Constant	-75.635 (49.03)	-96.119*** (27.60)	-82.643** (28.180
R square Rho No. of observations	0.4000 270	0.3023 0.825 270	0.3453 0.696 270
Note: *, ** and *** indicate level of significance at 10%, 5% and 10% respectively.			

Country-level analysis: Hybrid regime and authoritarian countries

Table 12: Regression results under different estimation methods of the relationship between FDI inflows and governance indicators (hybrid regime and authoritarian countries)

	OLS	FE	RE
In GDPi	1.515*** (0.17)	0.977 (0.68)	1.542*** (0.35)
In GDPj	-1.776 (3.26)	-1.302 (1.66)	-1.705 (1.67)
In DISTij	-2.117** (0.68)	0.000 (.)	-2.335 (1.35)
VA	0.357 (3.05)	0.282 (1.48)	0.339 (1.55)
SV	0.534 (1.82)	0.782 (0.89)	0.671 (0.92)
GE	-11.767 (16.30)	-9.770 (8.09)	-8.548 (8.34)
RQ	9.569 (21.79)	15.492 (10.71)	13.301 (11.04)
RL	-1.191 (6.94)	-0.753 (3.35)	-0.732 (3.50)
CC	3.774 (8.38)	4.535 (4.07)	4.097 (4.23)
FTA	-1.389 (0.97)	-0.821 (0.50)	-1.011* (0.50)
ASEAN	0.313 (1.44)	0.000 (.)	0.041 (2.49)
Constant	19.230 (106.48)	-34.624 (51.68)	-11.142 (54.93)
R square	0.4230	0.1919	0.4127
Rho		0.864	0.691
No. of observations	132	132	132
Note: *, ** and *** indicate level of significance at 10%, 5% and 10% respectively.			

In table 12, the findings from three estimations running on hybrid regime and authoritarian countries model indicates that governance indicators play no significant role in supporting or discouraging FDI inflows to Thailand. GDP of donor countries and geographical distance reminded positive and negative signs of regression coefficients, respectively.

The evidences here proof my second hypothesis that FDI originated from hybrid regime and authoritarian group are less controlled by governance indicators than the full and flawed democratic.

Conclusion

Overall, the finding from the models running on all 41 FDI home countries between 2007-2016 lend strong support for the importance of four governance indicators namely voice and accountability (VA), political stability and the absence of violence (SV), regulatory quality (RQ), and control of corruption (CC) to Thailand’s FDI inflows. Additionally, the results reaffirm the crucial role of economic mass of the FDI home countries.

For the comparison of influence of governance determinants on full and flawed democratic countries versus hybrid regime and authoritarian countries. The analysis in particular FE and RE regression results confirm that FDI from countries which its political regime is considered as democracy (full and flawed democracy) are determined by VA, SV, RQ, and CC. even after I take into account the heteroscedasticity and autocorrelation across the panel. In contrast, none from six governance indicator have a significant influence on foreign direct investment from countries that underperform in democracy index (hybrid and authoritarian regimes)

Additionally, I also found that regression coefficients of free trade agreement dummy have a positive sign for democratic countries, but a negative sign for those undemocratic ones. These could explain by the fact that all countries which have hybrid and authoritarian political regimes that have FTA with Thailand are also the member of ASEAN. Due to their geographic proximity with the host country, it become less necessary for firms from these countries to invest abroad to Thailand that one could access to Thai domestic market where trade barriers are reduced or eliminated. Instead, they can investment within their own countries and export to Thailand, and still benefits more from relatively lower local labor cost comparing to Thailand.

Building upon findings of my research, The future comparable researches on the effects of good governance on FDI inflows in other individual country cases or various host countries to further explore the role of FDI decision based on political regimes of their origins would be greatly desirable. Those studies may confirm the validity of the hypotheses since this capstone paper solely investigate the influence of governance determinants of Thailand on FDI from its partners differentiate by their political regime,

REFERENCES

Anderson, J. E. (1979). A Theoretical Foundation for the Gravity Equation. *The American Economic Review*, 106-116.

Anderson, J. E. (2011). The Gravity Model. *Annual Review of Economics*, 133-160.

ASEAN secretariat. (2017, June 30). *ASEAN Economic Community*. Retrieved from Association of Southeast Asian Nations: https://asean.org/asean-economic-community/

Asian Development Bank. (2011, August). *Asia 2050: Realizing the Asian Century: Executive Summary.* Retrieved from Asian Development Bank: https://www.adb.org/sites/default/files/publication/28608/asia2050-executive-summary.pdf

Asiedu, E. (2006). Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability. *World Economy, 29(1)*, 63-77.

Atlantic Council. (2016). *Politics, Governance, and State-Society Relations.* Washington, D.C.: Atlantic Council.

Bae, C., & Jang, Y. J. (2013). The Impact of Free Trade Agreements on Foreign Direct Investment: The Case of Korea. *East Asian Economic Review*, 417-444.

Bangkok Post. (2013, May 19). *Red shirts rally at Ratchaprasong*. Retrieved from Bangkok Post: https://www.bangkokpost.com/thailand/politics/350807/red-shirts-rally-at-ratchaprasong

Bangkok Post Edutorial Column. (2019, July 6). *Army budget out of control*. Retrieved from Bangkok Post : https://www.bangkokpost.com/opinion/opinion/1707870/army-budget-out-of-control

Bangkok Post online reporter team. (2014, May 22). *As US weighs sanctions, foreign reaction rolls in*. Retrieved from Bangkok Post: https://www.bangkokpost.com/thailand/general/411293/as-us-weighs-sanctions-foreign-reaction-rolls-in

Bangrapa, M. (2020, June 15). *Local elections cannot be rushed, says Anupong*. Retrieved from Bangkok Post: https://www.bangkokpost.com/thailand/general/1935136/local-elections-cannot-be-rushed-says-anupong#cxrecs_s

Bank of Thailand. (2020, June 30). *Foreign Direct Investment (Inflow) Classified by Country/Economic territories and Business Sector of Thai Investors (US$).*

Retrieved from Bank of Thailand: https://www.bot.or.th/App/BTWS_STAT/statistics/ReportPage.aspx?reportID=853&language=eng

Bannaga, A., Gangi, Y., Abdrazak, R., & Al-Fakhry, B. (2013). The effects of good governance onforeign direct investment inflows inArab countries. *Applied Financial Economics*, 1239-1247.

Barassi, M. R., & Zhou, Y. (2012). The effect of corruption on FDI: A parametric and non-parametric analysis. *European Journal of Political Economy*, 302-312.

Bénassy-Quéré, A., Coupet, M., & Mayer, T. (2007). Institutional determinants of foreign direct investment. *World Economy*, 764-782.

Bergstrand, J. H. (1985). The Gravity Equation in International Trade: Some Microeconomic Foundations and Empirical Evidence. *The Review of Economics and Statistics*, 474-481.

Besley, T., Persson, T., & Sturm, D. M. (2010). Political Competition, Policyand Growth: Theoryand Evidence from the US. *Review of Economic Studies*, 1329-1352.

Boix, C., & Svolik, M. W. (2013). The Foundations of Limited Authoritarian Government: Institutions, Commitment, and Power-Sharing in Dictatorships. *The Journal of Politics*, 300-316.

Booranak, N., Tungkunanan, P., Suntrayuth, D., & Ebenezer, J. (2018). Good Governance of Thai Local Educational Management. *Asia-Pacific Social Science Review*, 62-77.

Bootsripoom, A., & Chanwanpen, K. (2017, December 30). *Junta’s road map to democracy is full of detours*. Retrieved from The Nation Thailand: Junta’s road map to democracy is full of detours

Borensztein, E., Gregorio, J. D., & Lee, J.-W. (1998). How does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 115-135.

Bouchoucha, N., & Yahyaoui, I. (2019). Foreign direct investment and economic growth: The role of the governance. *Economics Bulletin*, 1-16.

Burnside, C., & Dollar, D. (2000). Aid, policies and growth. *American Economic Review*, 847-868.

Butkiewicz, J. L., & Yanikkaya, H. (2005). The impact of sociopolitical instability on economic growth: Analysis and implications. *Journal of Policy Modeling*, 629–645.

Charles Kucera, D., & Principi, M. (2014). Democracy and foreign direct investment at the industry level: evidence for US multinationals. *Review of World Economics*, 595-617.

Cheewatrakoolpong, K., & Boonprakaikawe, J. (2015). Factors Influencing Outward FDI: A Case Study of Thailand in Comparison with Singapore and Malaysia. *Southeast Asian Journal of Economics*, 123-141.

Cherif, M., & Dreger, C. (2018). Do regional trade agreements stimulate FDI? Evidence for the Agadir, MERCOSUR and AFTA regions. *Review of Development Economics*, 1263-1277.

Collier, P., & Dollar, D. (2002). Aid allocation and poverty reduction. *European Economic Review*, 1475-1500.

Combes, J.-L., Kinda, T., Rasmane, O., & Plane, P. (2019). Financial flows and economic growth in developing countries. *Economic Modelling*, 195-209.

Commission on Security and Cooperation in Europe . (2016). *Citizenship and Political Rights*. Retrieved from Commission on Security and Cooperation in Europe : https://www.csce.gov/issue/citizenship-and-political-rights

Cró, S., & Martins, A. M. (2020). Foreign Direct Investment in the tourism sector: The case of France. *Tourism Management Perspectives*, 1-11.

Davis, D. R. (1995). Intra-industry trade: a Heckscher-Ohlin-Ricardo approach. *Journal of International Economics*, 201-226.

De Lombaerde, P., & Chen, L. (2011). Regional Production Sharing Networks and Hub-ness in Latin America and Asia: A Long-term Perspective. *Integration & Trade*, 17-34.

Deardorff, A. (1998). Determinants of bilateral trade: does gravity work in a neoclassical world? In J. A. Frankel, *The Regionalization of the World Economy* (pp. 7-32). Chicago: University of Chicago Press.

Dellis, K. (2018). *Financial development and FDI flows: evidence from advanced economies.* Athens: Bank of Greece.

Department of Foreign Affairs and Trade, Australian Government. (n.d.). *The OECD*. Retrieved from Department of Foreign Affairs and Trade, Australian Government: https://dfat.gov.au/trade/organisations/oecd/Pages/oecd.aspx

Duong, M., Holmes, M. J., & Strutt, A. (2020). The impact of free trade agreements on FDI inflows the case of Vietnam. *Journal of the Asia Pacific Economy*, 1-5.

Duong, M., Holmes, M. J., & Strutt, A. (2020). The impact of free trade agreements on FDI inflows: the case of Vietnam. *Journal of the Asia Pacific Economy*.

Eastern Economic Corridor Office. (2020, August 1). *Government Initiative*. Retrieved from Eastern Economic Corridor: https://www.eeco.or.th/en/government-initiative

Eastern Special Development Zone Act. (2018, May 10). *EEC Act.* Retrieved from Eastern Economic Corridor: https://www.eeco.or.th/en/eec-act

Embassy of Japan in Thailand. (2012, December). *Country Assistance Policy for the Kingdom of Thailand.* Retrieved from Embassy of Japan in Thailand's Website: https://www.th.emb-japan.go.jp/en/oda/CountryAssistancePolicy_Thailand_EN.pdf

European Commission. (2019, October 9). *World Governance indicators*. Retrieved from European Commission: https://ec.europa.eu/knowledge4policy/dataset/ds00126_en

European Councli: Council of the European Union. (2020, March 6). *Sanctions: how and when the EU adopts restrictive measures*. Retrieved from European Councli: Council of the European Union: https://www.consilium.europa.eu/en/policies/sanctions/

Flanigan, W. H., & Fogelman, E. (1970). Patterns of Political Violence in Comparative Historical Perspective. *Comparative Politics*, 1-20.

Friedman, M. (1958). Foreign Economic Aid: Means and Objectives. *Yale Review* , 500-516.

FTA Unit Section, Bureau of Trade Information Management. (2014, February). *Thailand's Free Trade Agreements.* Retrieved from Department of Trade Negotiations: http://www.thaifta.com/Engfta/Portals/0/Th_FTAstatus_Eng%20.pdf

Fuller, T. (2008, November 25). *Thai Protesters Shut Down Airport*. Retrieved from The New York Times: https://www.nytimes.com/2008/11/26/world/asia/26thai.html

Gerschewski, J. (2013). The three pillars of stability: legitimation, repression, and co-optation in autocratic regimes. *Democratization*, 13-38.

Gisselquist, R. M. (2012). *Good Governance As A Concept, And Why This Matters For Development Policy.* Helsinki: UNU-WIDER.

Globerman, S., & Shapiro, D. M. (1999). The impact of government policies on foreign direct investment The canadian experience. *Journal of International Business Studies*, 513-532.

Haveman, J., & Hummels, D. (2004). Alternative Hypotheses and the Volume of Trade: The Gravity Equation and the Extent of Specialization. *The Canadian Journal of Economics* , 199-218.

Helpman, E. (1987). Imperfect competition and international trade: evidence from 14 countries. *Journal of the Japanese and International Economics*, 62-81.

Hoechle, D. (2007). Robust Standard Errors for Panel Regressions with Cross-Sectional Dependence. *The Stata Journal*, 281-312.

Human Rights Watch. (2016, December 21). *Thailand: Cyber Crime Act Tightens Internet Control*. Retrieved from Human Rights Watch: https://www.hrw.org/news/2016/12/21/thailand-cyber-crime-act-tightens-internet-control#:~:text=(New%20York)%20%E2%80%93%20Thailand',Human%20Rights%20Watch%20said%20today.

International Monetary Fund. (2020, July 27). *Financial Development Index Database*. Retrieved from International Monetary Fund: https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B&sId=1485894037365

Isard, W. (1954). Location Theory and Trade Theory: Short-Run Analysis. *The Quarterly Journal of Economics*, 305-320.

Jittapong, K. (2008, December 31). *Thai political crisis set to drag on in 2009*. Retrieved from Reuters: Thai political crisis set to drag on in 2009

Laothamatas, A. (2013). *สองนคราประชาธิปไตย: แนวทางปฏิรูป การเมือง เศรษฐกิจ เพื่อประชาธิปไตย.* Bangkok: โครงการจัดพิมพ์คบไฟ.

Leamer, E. E. (1974). The Commodity Composition of International Trade in Manufactures: An Empirical Analysis. *Oxford Economic Papers*, 350-374.

MacKinnon, I. (2008, September 6). *Court rules Thai prime minister must resign over cookery show*. Retrieved from The Guardian: https://www.theguardian.com/world/2008/sep/09/thailand1

Masters, J. (2019, August 12). *What Are Economic Sanctions?* Retrieved from Council on Foreign Relations: https://www.cfr.org/backgrounder/what-are-economic-sanctions

Mengistua, A. A., & Adhikaryb, B. K. (2011). Does good governance matter for FDI inflows? Evidence from Asian Economies. *Asia Pacific Business Review*, 281-299.

Mérieau, E. (2019, March 20). *How Thailand Became the World's Last Military Dictatorship*. Retrieved from The Atlantic: https://www.theatlantic.com/international/archive/2019/03/thailand-military-junta-election-king/585274/

Mirkina, I. (2018). FDI and sanctions: An empirical analysis of short- and long-run effects. *European Journal of Political Economy*, 195-225.

Moon, C. (2019). Political institutions and FDI inflows in autocraticcountries. *Democratization*, 1256-1277.

Musafer, S. (2010, May 18). *Thai protests: the economic impact*. Retrieved from BBC News: https://www.bbc.com/news/10119415

OECD. (2008). *The impact of Foreign Direct Investment on Wages and Working Conditions.* Paris: Organisation for Economic Co-operation and Development.

OECD ilibrary. (n.d.). *Foreign direct investment (FDI)*. Retrieved from OECD ilibrary: https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en

OpenStax. (2020, June 13). *13.2: Newton's Law of Universal Gravitation*. Retrieved from Physics Libretexts: https://phys.libretexts.org/Bookshelves/University_Physics/Book%3A_University_Physics_(OpenStax)/Map%3A_University_Physics_I_-_Mechanics%2C_Sound%2C_Oscillations%2C_and_Waves_(OpenStax)/13%3A_Gravitation/13.02%3A_Newton's_Law_of_Universal_Gravitation

Pöyhönen, P. (1963). A Tentative Model for the Volume of Trade between Countries. *Weltwirtschaftliches Archiv*, 93-100.

Rakkhumkaeo, A. (2016). *FDI Trends, Pull Factors and Policies in Thailand.* The Hague, The Netherlands: International Institute of Social Studies.

Raymond, G. (2017 , July 25). *Thailand: The case for optimism*. Retrieved from www.lowyinstitute.org: https://www.lowyinstitute.org/the-interpreter/thailand-case-optimism

Reed, R., Lira, C., Lee, B.-K., & Lee, J. (2016). Free Trade Agreements and Foreign Direct Investment: The Role of Endogeneity and Dynamics. *Southern Economic Association*, 176-201.

Ruth, R. A. (2017, November 7). *Why Thailand Takes Pride in the Vietnam War*. Retrieved from New York Times: https://www.nytimes.com/2017/11/07/opinion/thailand-vietnam-war.html

Sabir, S., Anum, R., & Abbas, K. (2019, February 16). *Institutions and FDI: evidence fromdeveloped and developing countries.* Retrieved from SpringerOpen: https://doi.org/10.1186/s40854-019-0123-7

Schulz, F. (2018, July 27). *Human rights in Thailand: No improvement, no trade deal*. Retrieved from EURACTIV: https://www.euractiv.com/section/global-europe/news/human-rights-in-thailand-no-improvement-no-trade-deal/

Song, B., & Oh, A. (2019). How does the duration of FTAs and BITs affect FDI attraction? *Journal of Korea Trade*, 50-61.

Sun, X. (2003). *How to Promote FDI? The Regulatory and Institutional Environment for Attracting FDI.* Marrakech: Foreign Investment Advisory Service.

Tan, N., Wang, W., Yang, J., & Chang, L. (2019). Financial Competitiveness, Financial Openness and Bilateral Foreign Direct Investment. *Emerging Markets Finance and Trade*, 3349-3369.

Thailand Law Library. (2019). *National Legislative Assembly (Sections 06-14)*. Retrieved from Thailand Law Library: http://library.siam-legal.com/thai-law/interim-constitution-of-thailand-national-legislative-assembly-sections-06-14/

The Atlas of Economic Complexity Team. (2020). *What did Thailand export in 2017?* Retrieved from ATLAS of Economic Complexity: https://atlas.cid.harvard.edu/explore?country=216&product=undefined&year=2017&productClass=HS&target=Product&partner=undefined&startYear=undefined

The Economist Intelligence Unit. (2020). *Democracy Index 2019: A year of democratic setbacks and popular protest.* London: The Economist.

The Straits Times. (2015, April 7). *What you need to know about Article 44 of Thailand's interim constitution*. Retrieved from The Straits Times: http://www.straitstimes.com/singapore/what-you-need-to-know-about-article-44-of-thailands-interim-constitution

The Worldwide Governance Indicators (WGI) project. (2020). *Worldwide Governance Indicators*. Retrieved from info.worldbank.org: https://info.worldbank.org/governance/wgi/

Tinbergen, J. (1962). *Twentieth Century Fund.* New York: Twentieth Century Fund.

U.S. Department of Commence. (2020, July 28). *Gross Domestic Product*. Retrieved from Bureau of Economic Analysis, U.S. Department of Commence: https://www.bea.gov/resources/learning-center/what-to-know-gdp

Uddin, M., Chowdhury, A., Zafar, S., Shafique, S., & Liu, J. (2019). Institutional determinants of inward FDI: Evidence from Pakistan. *International Business Review*, 344-358.

United States Agency for International Development. (n.d.). *Foreign Aid Explorer*. Retrieved from USAID: https://explorer.usaid.gov/aid-trends.html

Wisniewski, T. P., & Pathan, S. K. (2014). Political environment and foreign direct investment:Evidence from OECD countries. *European Jounal of Political Economy*, 13-23.

World Bank. (2019, October). *The World Bank In Thailand*. Retrieved from The World Bank: https://www.worldbank.org/en/country/thailand/overview

World Bank. (n.d.). *Foreign direct investment, net inflows (BoP, current US$) - Thailand*. Retrieved from World Bank: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=TH

World bank. (n.d.). *Foreign direct investment, net inflows (BoP, current US$) - Thailand, Singapore, Vietnam, Philippines, Indonesia, Malaysia*. Retrieved from World bank: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2016&locations=TH-SG-VN-PH-ID-MY&start=2006

World Bank. (n.d.). *GDP growth (annual %) - Thailand*. Retrieved from World Bank: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=TH&start=1961

World Bank. (n.d.). *Population, total - Thailand, Singapore, Vietnam, Philippines, Indonesia, Malaysia*. Retrieved from World Bank: https://data.worldbank.org/indicator/SP.POP.TOTL?end=2016&locations=TH-SG-VN-PH-ID-MY&start=2007

Zangina, S., & Hassan, S. (2020, January 29). Corruption and FDI inflow to Nigeria: a nonlinear ARDL approach. *Journal of Financial Crime*, 635-650.