

## **POLICY LIBERALIZATION AND FDI PERFORMANCE: EVIDENCES FROM SAFTA AND ASEAN MEMBER COUNTRIES**

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### **ABSTRACT**

Developing and least developed countries in the South and South East Asia emerged as the dynamic hosts of foreign direct investment (FDI) and their inward FDI growth surpassed that of the developing world during the last decade. However, FDI continues to flow quite unevenly into individual countries in the region although they all promote FDI through unilateral policy liberalization and some countries streamline openness to FDI through extensive participation in bilateral investment treaties (BITs). Under this scenario, this study empirically assesses the FDI effects of BITs and also the contribution of institutional factors in stimulating FDI inflows. Econometric results uncover that FDI effects of BITs is positive and significant even after incorporating additional control variables. Furthermore, institutional factors are found to exert a profound influence on inward FDI flow. Our findings support that BITs act as substitute for stable investment environment characterized by relatively better institutional quality.

**Key words:** FDI, SAFTA, ASEAN, Bilateral Investment Treaties (BITs), Institutional Quality.