ABSTRACT

The corruption remains significant and unfair barriers to trade and economic development in many countries. These practices increase costs, decrease fair competition and represent a significant deterrent to foreign investment. Previous studies have showed that corruption tends to have negative impact on foreign direct investment (FDI) but only few studies have investigated the possibility of effects in the opposite direction. This paper attempts to find the relationship between corruption and FDI with two ways: assess the effect of inflows of FDI, as a measure of trade openness, on corruption at the country level and also attempts to see the effect of corruption on FDI. It conducts regression analysis on a cross section of six ASEAN countries over the period 1997 to 2005 and controls for some other variables likely to impact on corruption as well as FDI. The result shows that there’s significant impact of corruption on inflows of FDI, and in opposite indicated that inflows of FDI is significant with the lower level of corruption in six ASEAN countries.

Keywords: Korupsi, Penanaman Modal Asing, ASEAN