The relationship between host country factors and FDI motivations: Evidence from Korean FDI in ASEAN countries

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ABSTRACT

The literature suggests that various host country factors influence firms' decisions to invest abroad, but there is a low consensus in empirical research, as results vary across contexts. However, empirical studies typically examine the relationship between overall FDI and host country factors, ignoring the differences in investment motivations of multinational enterprises. Firms may have different motivations, such as market seeking or efficiency seeking, and thus are attracted by other factors in host countries. Using data from the Korean Export-Import (EXIM) Bank and fixed-effect models, this study examines how the determinants of FDI vary based on different investment motivations from South Korea to nine ASEAN countries (excluding Brunei). Economic growth deters low-wage-seeking and resource-seeking FDI but does not impact other FDI motivations. However, some factors commonly believed to influence specific motivations affect FDI similarly across motivations. For example, GDP and wages consistently emerge as determinants across different types of investment. Our findings thus contribute to the literature on the determinants associated with various FDI motivations. However, as our study covers a limited set of host country factors and is focused on a specific context, further and more comprehensive investigations are needed in the future.

1. Introduction

Various theories have been proposed to explain how and why firms choose to internationalize (Buckley & Casson, 1976; Dunning, 1977, 1998; Hennart, 1982; Rugman, 2006; among others) and thus contribute significantly to our understanding of how firms select locations for investment. This literature on FDI location choices has identified numerous determinants in host countries such as market size, growth, natural resources, availability of skilled labor, labor costs, tax burden, institutions, infrastructure, and government policies.

However, the importance of specific host country characteristics in attracting FDI may be influenced by the particular motivations behind firms' decisions to invest abroad. Theoretically, the primary motivations for MNEs to invest overseas can be categorized into four types: market seeking, resource seeking, efficiency seeking, and strategic asset seeking (Dunning, 1993, 1998; The United Nations Conference on Trade and Development [UNCTAD], 2006). Generally, market-seeking FDI is attracted to large, growing markets with high purchasing power. In contrast, resource-seeking FDI targets countries with abundant natural resources, supporting

factors such as skilled labor, low-cost labor, or infrastructure to exploit the resources. Efficiency-seeking FDI is motivated by cost advantages, such as low labor costs or favorable tax regimes. Dunning (2009) argued that the location choice of MNEs "depends heavily on the motivations for their foreign value-added activities" (p. 22), meaning each type of FDI is drawn to different sets of location advantages. Similarly, Franco et al. (2008) state that analyzing FDI determinants without considering investment motivations can lead to results that are either insignificant or highly dependent on the sample of countries studied.

Meanwhile, most empirical studies focus on the link between overall FDI inflows and the locational factors in host countries (such as Asiedu, 2006; Asiedu & Lien, 2011; Batschauer da Cruz et al., 2022; Gastanaga et al., 1998; Kolstad & Wiig, 2012; Saini & Singhania, 2018; Saleem et al., 2018; Wong et al., 2023). According to several review papers (Islam & Beloucif, 2024; Karpovitch, 2023; Nielsen et al., 2017; Ramírez-Alesón & Fleta-Asín, 2016), the results are inconclusive. For example, Islam and Beloucif (2024) found that the host market's size is the most consistent determinant of FDI, followed by trade openness, infrastructure quality, labor costs, macroeconomic stability, human capital, and growth prospects. However, they noted, "after evaluating the empirical literature on the determinants of FDI, there is no consensus among the empirical studies regarding the significant determinants of FDI. This is happening because different types of FDI may be affected by different factors" (Islam & Beloucif, 2024, p. 329).

While there is no previous papers examining the relationship between FDI motives and location factors, there are some papers find that firms when investing abroad, other behaviors are affected by motivaions, such as the link between FDI motivation and the use of tax heaven (Driffield et al., 2021), the moderating roles of FDI motives on the relationship between institutional distance and level of subsidiary ownership control (Wu et al., 2022), or FDI motives and location preferences (Danes et al., 2022).

To address this gap, this study aims to examine the relationship between host country factors and the investment motivations declared by multinational enterprises. Specifically, we investigate the determinants for each type of FDI motive using data from the Korean Exim Bank. Companies undertaking FDI projects in South Korea must report information to the Exim Bank. The information includes the locations of firms' subsidiaries, the total FDI amount, investment motivations, company scale, sector of operation, and other details. Using this dataset, we will explore the link between host country factors and the declared investment motivations of Korean MNEs. This analysis will help clarify which specific host country factors attract different groups of foreign investors.

Korea's FDI in ASEAN has emerged as a central axis that forms the core of Korea-ASEAN economic relations. Total Korean FDI in ASEAN was USD 114 billion of registered capital; USD 89 billions of implemented capita that accounted for 11.4% of the total outward registered FDI, and 10.9% of the total outward implemented capita which made Korea - the fifth most important investor in ASEAN (The Association of Southeast Asian Nations [ASEAN], 2024). ASEAN is the third most crucial investment destination for Korean outward FDI after the USA and EU (European Union) in 2022 (Exim [Export-Import Bank of Korea], 2024). Accordingly, as Korea's investment in ASEAN expands and is one of the most important investors, the demand to analyze its dynamics, achievements, and problems from the national economic perspective is significantly increasing.

By examining the link between FDI motivations and host country factors, this study provides an interesting context for understanding the significant determinants of different

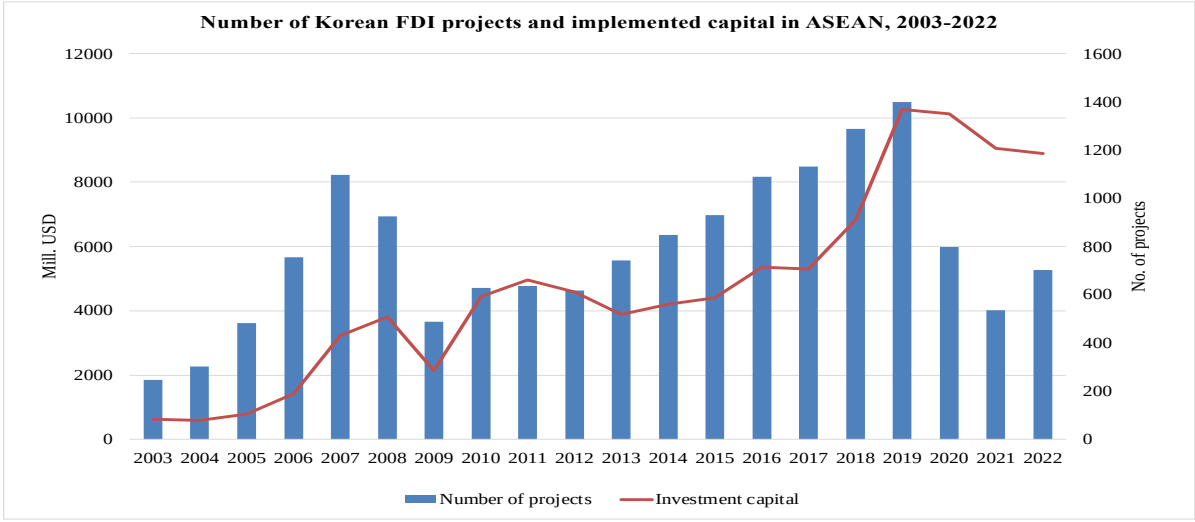
investment motivations. Additionally, it offers insights into why Korean firms invest in ASEAN countries and identifies the host country factors that influence their decisions, which could have important implications for ASEAN countries. The findings could suggest alternative sets of host country determinants for different groups of Korean investors in the context of ASEAN countries.

2. Overview of Korean (South Korea) FDI in ASEAN Countries

ASEAN countries have been among the most critical targets of Korean MNEs in recent years. In 2003 Korea invested 625 million dollars and conducted 247 new projects in these ASEAN countries. Over the years, the investment amount has consistently grown, reaching 10.26 billion dollars in 2019. However, during the global financial crisis of 2008 - 2009, Korea's FDI experienced a temporary decline but recovered from 2010 onwards. In 2019, the outbreak of the Covid-19 pandemic led to a slowdown in FDI from Korea, resulting in a slight decrease in the FDI flow over the last 03 years.

Figure 1

Number of Korean FDI Projects and Implemented Capital in ASEAN



Note. Korea EXIM Bank database

As FDI motivations vary depending on the features of the home country and host country, this study reviews Korean FDI motivations in ASEAN over the last 01 years to identify the primary motivations used for later analysis.

In South Korea, when a corporation is planning to invest abroad, it is required to report to the EXIM Bank information such as the locations of their subsidiaries, the total FDI amount, the reasons driving their investments, their company's scale, the sector they operate in, among other details. MNEs may have multiple motivations for one project, but they need to report the most crucial motive of that project in the specific location (Exim, 2024).

The EXIM dataset classifies South Korea firms' motivations into eight categories: local market-seeking (market-seeking), resource exploitation, export promotion, low wage-seeking (efficiency-seeking), technology-seeking, investment in third countries, overcoming trade barriers, and others. Table 1 presents the five most popular motivations of Korean firms engaging in FDI in ASEAN in the last 20 years. The remaining motivations, which include overcoming protective trade, technology seeking, and securing raw materials, only account for a small proportion of total Korean FDI.

Table 1 shows that from 2003 to 2022, the most popular motive was market-seeking, accounting for 55.48% of the total, followed by the exploitation of resources and export promotion, which represented 12.21% and 10.57%, respectively. Another essential motive is investing in third countries, which account for a substantial proportion of 10.4% of total Korean FDI flowing into ASEAN countries. The motive of going to a third country is mainly associated with FDI from MNEs in Korea to Singapore. These companies establish their headquarters in Singapore to benefit from favorable tax regulations, the country's strategic location, a highly qualified human capital pool, stable political environments, and others while conducting manufacturing operations in other ASEAN nations (Cortez, 2024). Another vital motivation was seeking low-wage opportunities (efficiency-seeking) (9.23%) to take advantage of the cheap labor force in ASEAN countries to reduce costs.

Table 1

Korean FDI Motive in ASEAN, Invested Amount (Unit: Million USD)

Year	Export promotion	Resource seeking	Low wage	Going to a third country	Local market seeking	Total FDI from Korea
2003 - 2007	954.1 (14.3)	1,265.9 (19.0)	760.2 (11.4)	175.23 (2.6)	2708.5 (40.6)	6,675.8
2008 - 2012	2,168.2 (10.9)	5,086.1 (25.5)	1,703.1 (8.5)	1,148.0 (5.80)	9,644.1 (48.4)	19,939.1
2013 - 2017	2,662.8 (11.5)	3,375.9 (14.6)	2,898.3 (12.5)	2,343.5 (10.1)	11,483.8 (49.6)	23,161.6
2018 - 2022	4,252.9 (9.4)	1,867.14 (4.1)	3,404.3 (7.5)	6,203.8 (13.7)	28,826.9 (63.8)	45,152.1
2003 - 2022	10,038.1 (10.6)	1,1595 (12.2)	8,766 (9.20)	9,870.4 (10.4)	52,663.2 (55.5)	94,928.6

Note. Author's compilation

Table 1 also clearly illustrates that market-seeking shows a notable upward trajectory over the past two decades. Market-seeking and resource-seeking motivations exhibit somewhat similar proportions of investment in this period. Conversely, there has been a decline in the motivation to seek resources in recent years. This observation indicates a growing inclination among Korean MNEs to invest in ASEAN with the strategic objective of generating profits through market expansion, beyond focusing solely on cost reduction strategies. Overall, the findings highlight the shifting priorities of Korean MNEs in their investment decisions, placing greater emphasis on market-seeking motivations as a means to capitalize on the potential for revenue growth within the ASEAN region.

3. Theoretical basis

3.1. Theoretical background

While many theories analyze FDI, Dunning's theory or eclectic paradigm (1977, 1979) is widely recognized as the most prominent and commonly employed theory focusing on firms' internationalization. This paradigm refers to three dimensions: Ownership, Location, and Internalization (OLI) advantages. Ownership-specific advantages (O) relate to enterprises' core competencies that may offer them competitive advantages. These advantages contribute to a

company's capacity to outperform competitors and preserve a unique market position. Location-specific advantages (L) are fixed, natural, or artificial resources and endowments that incentivize investment in a given nation. Internalization advantages (I) refer to the advantages of internalizing their operations rather than depending only on licensing or franchising agreements to avoid losing valuable know-how to competitors and to control the supply chain to coordinate strategic moves globally. Location-specific advantages (L), thus, refer to host country-specific factors affecting the location choice of foreign MNEs. Specifically, the location advantages of a host country are a function of natural resource endowment, lower production and transport costs, market size and growth, infrastructure, institutions, and others.

Some previous studies (such as Dunning, 1998; Narula & Dunning, 2010) put forward Dunning's eclectic paradigm by classifying FDI by motivations, including resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking, with host country-specific determinants of FDI. Resource-seeking is motivated by the need for resources such as minerals or other raw materials. One of the main forces is finding an affordable, trustworthy, and safe supply source. Market-seeking MNEs expand overseas to seize the opportunity presented by bigger markets. Aspects of market-seeking investments include expanding international markets, fortifying trade channels, and developing new markets with simple access to raw materials. Efficiency-seeking is thought to happen primarily in two situations: firstly, businesses "take advantage of differences in the availability and costs of traditional factor endowments in different countries," and secondly, they "take advantage of the economies of scale and scope and differences in consumer tastes and supply capabilities" (Dunning, 1993, p. 60). Strategic asset-seeking FDI is to complement and acquire a new technology foundation rather than to take advantage of already-existing assets. Investments in strategic asset searching are made to strengthen already-existing competitive advantages, seek new competitive advantages, and, most importantly, find human capital resources.

3.2. Review of previous studies

The topic of FDI location choices and the factors leading to and resulting from these choices has been a central focus in various academic fields. While the literature points out many determinants, the empirical studies find inconclusive results. Meanwhile, several review papers (Islam & Beloucif, 2024; Karpovitch, 2023; Nielsen et al., 2017; Ramírez-Alesón & Fleta-Asín, 2016) state that empirical research primarily focuses on the relationship between host country factors and overall FDI, and the results, unsurprisingly, remain mixed and inconclusive. These studies have provided long lists of papers that find contradictory results. For example, while Kolstad and Wiig (2012), Asiedu (2006) found that natural resource-rich developing countries attract more FDI, other studies (Asiedu & Lien, 2011; Gastanaga et al., 1998) reported a negative relationship between the two factors, supporting the resource-curse paradox (Corden & Neary, 1982; Sachs & Warner, 1995). The cost of labor was found to be a crucial factor for FDI in Chinese provinces during 1985 - 1995 by Coughlin and Segev (2000), Cheng and Kwan (2000), but earlier studies by Head and Ries (1996), Broadman and Sun (1997) found no significant impact for the period 1985 - 1992.

Previous papers state that one potential reason for inconclusive findings is that the host country FDI determinant may differ due to country-specific contexts (Asiedu, 2002; Assunção et al., 2011; Bailey, 2018; Blonigen, 2005; Meyer & Sinani, 2009; Nielsen et al., 2017). Similarly, Blonigen and Wang (2005) demonstrated that combining data from both developed and developing countries in a single analysis could lead to incorrect conclusions which are consistent with the Investment Development Path (IDP) framework by Dunning and Narula

(1996) or Narula and Dunning (2000, 2010). The FDI patterns differ across the development stages of countries. However, there are mixed results on the factors that attract or deter FDI in developing countries (Karpovitch, 2023).

Another explanation for mixed empirical results may relate to the FDI motive literature. These papers argue that different host country determinants attract investors with different motivations. For example, Dunning (1998) shows that the determinants of resource-seeking are natural resources, infrastructure enabling resource exploitation, government restrictions on FDI, investment incentives, and the availability of local partners, while for market seeking, many factors such as market size, adjacent regional markets, market growth, costs of skilled/unskilled labor and raw materials, transport costs and trade barriers, government restrictions on FDI with privileged access to import licenses, agglomeration economies, infrastructure, institutional quality, and stable macroeconomic environment are potentially significant.

The above analysis shows that different FDI motivations may share similar determinants, especially those affecting operational costs and risks. At the same time, some host country factors may be more specific to a type of FDI motive. Franco et al. (2008) argue that analyzing FDI determinants without considering investment motivations can lead to either insignificant or highly dependent results on the sample of countries studied. Similarly, Islam and Beloucif (2024, p. 329) state that "after evaluating the empirical literature on the determinants of FDI, there is no consensus among the empirical studies regarding the significant determinants of FDI. This is happening because different types of FDI may be affected by different factors".

4. Research methodology

As analyzed in Section 2, as the Covid-19 pandemic is an abnormal event that alters the trend of Korean FDI, our analysis will cover the data from 2003 to 2019. We also excluded Brunei from our sample as this country differs from other ASEAN countries in population, natural resources, economic development, and other factors. There are 05 primary motivations of Korean firms in the ASEAN market: market-seeking, resource-seeking, going-to-the-third-country, export-promotion, and low-wage-seeking in this period. While the going-to-the-third-country motive is essential, this motive is related explicitly to FDI in Singapore, so we will not analyse this motive in this study. We also do not focus on export promotion motive as we prefer to examine the three primary motivations: market-seeking FDI, resource-seeking FDI, and low-wage-seeking FDI (efficiency-seeking motive). These three motivations cover about 78% of Korean FDI in ASEAN countries for the last period.

Regarding host country determinants, in this paper, we will select the determinants that are theoretically associated with the three investment motivations: market-seeking, low-wage-seeking, and natural resource-seeking motivations. While literature provides a long list of determinants for each motive (Dunning, 1993, 1998; Narula & Dunning, 2010), we employ the most popular determinants used in empirical studies. Islam and Beloucif (2024) conducted a systematic literature review. They found that the size of the host market is the most robust determinant, followed by trade openness, infrastructure quality, labor cost, macroeconomic stability, human capital, and the growth prospects of the host country. This study uses market size, growth, wage, trade openness, natural resources, exchange rate, and political stability. While these host country factors may affect multiple types of motivations, especially cost-related factors, we expect that the extent of the impact of different factors varies across motivations. Specifically, the factors that theoretically motivate a specific FDI motive are

more related to that respective FDI motive. For example, we expect the market size to affect market-seeking FDI more than other FDI motivations substantially.

4.1. Estimation methods

We use multiple regression to examine the FDI determinants by motivations, by previous literature (e.g., Buckley et al., 2007; Voss, 2011). To enhance the stability of the variables and decrease heteroscedasticity, the logarithmic forms for the non-ratio and non-negative variables are used, so variables apart from *GROWTH* (%), *ORE* (%), *FUEL* (%), *INF* (%), and *PS* (ranging from -2.5 to 2.5) are transformed into natural logarithms. Furthermore, there could be endogeneity between the independent and dependent variables. To reduce endogenous effects, the independent variables in the model in this study are lagged by one period (Todd & Wolpin, 2003), as indicated by equation (1):

$$LFDI_{jt}^{i} = \alpha + \beta 1 LGDP_{jt-1} + \beta 2 GROWTH_{jt-1} + \beta 3 LWAGE_{jt-1} + \beta 4 ORE_{jt-1} + \beta 5 FUEL_{jt-1} + \beta 6 INF_{jt-1} + \beta 7 LEXCH_{jt-1} + \beta 8 OPEN_{jt-1} + \beta 9 PS_{jt-1} + \varepsilon_{ijt} \quad (1)$$

The dependent variable is the overall FDI ***(****LFDI)* and by motivations *(LMKFDI, LRSFDI, and LWAGEFDI),* representing the natural log of total Korean FDI flows and by motivations i in country j in ASEAN in year t. α and εijt represent the constant item and residual, respectively. We also use robust standard errors (vce(cluster)), which, when applied in panel data models, can adjust for both heteroskedasticity and within-cluster serial correlation through clustering.

Standard analytical models used in panel data include fixed effects models and random effects models. In the fixed effects model, unobserved heterogeneity is considered constant over time. The random effects model assumes that the individual effects are randomly distributed. Suppose the random effects assumption holds, the random effects model is more efficient than the fixed effects model. The Hausman test selects whether the Random Effects (RE) or the Fixed Effects (FE) model is selected. However, we also run an F-test to compare Pooled OLS (POLS) and Fixed Effects (FE) models. In addition, we will run the T-tests to compare the extent of the impact of determinants across different FDI motivations when necessary.

4.2. Data source

Data in this study were obtained from multiple sources. The dependent variable, Foreign Direct Investment (FDI), is derived from the EXIM dataset, which offers a comprehensive South Korean outward FDI record. This dataset is particularly valuable as Korean corporations are mandated to report detailed information about their FDI activities to Korean financial institutions. These reports include details such as the location, investment amount, motivations, industry, and company size, making it a rich resource for analysis.

Economic factors, including GDP, GDP growth rate, natural resource availability, exchange rates, and inflation rates, were sourced from the World Development Indicators (WDI) provided by the World Bank. Data on wages were obtained from the International Labour Organization (ILO) statistics. Meanwhile, measures of trade openness and political stability were gathered from the World Governance Indicators (WGI) published by the World Bank. Data covers 17 years from 2003 to 2019. Table 2 describes the data sources and variable measurements.

Table 2

Variables and Data Sources

Type of variables	Variable name	Variable symbol	Measurement index	Data source
Dependent variables	FDI	*LFDI*	Annual South Korean outward FDI flows into ASEAN	EXIM bank
	Market-seeking FDI	*LMKFDI*	Annual South Korean outward FDI flows in ASEAN with the motive of expanding into the local market.	EXIM bank
	Resource-seeking FDI	*LRSFDI*	Annual South Korean outward FDI flows in ASEAN with the motive of securing and exploiting natural resources.	EXIM bank
	Low wage-seeking FDI	*LWAGEFDI*	Annual South Korean outward FDI flows in ASEAN are expected to reduce costs by exploiting the low wages of the host country.	EXIM bank
Independent variables	GDP	*LGDP*	Each country's year-end gross domestic product in current US$	WDI of the World Bank
	GDP growth rate	*GROWTH*	Annual GDP growth rate at market prices based on the current US	WDI of the World Bank
	Wages	*LWAGE*	Average monthly earnings of employees	ILO statistics
	Ore and Metal endowment	*ORE*	Ratio of ores and metal exports to the GDP of the host country	WDI of the World Bank
	Fuel endowment	*FUEL*	Ratio of fuel exports to the GDP of the host country	WDI of the World Bank
	Trade openness	*OPEN*	Total exports and imports as a percent of GDP	Trade Openness
Control variables	Exchange rate	*LEXCH*	National authorities or the rate specified in the legally sanctioned exchange market determines the country's exchange rate.	WDI of the World Bank
	Inflation rate	*INF*	Annual growth rate (annual %) of the GDP implicit deflator	WDI of the World Bank
	Political Stability	*PS*	Political stability and the absence of violence/terrorism in the host country, ranging from approximately -2.5 to 2.5.	WGI of the World Bank

Note. Author's compilation

Table 3 provides descriptive statistical analyses for all variables, presenting the mean, standard deviation, and minimum and maximum values of the variables. Our sample consists of 153 observations and includes 09 countries in ASEAN (except Brunei). In our sample, the variables vary quite substantially across countries and years.

5. Empirical results

5.1. Descriptive statistics

Table 3

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
LFDI	153	10.71	2.68	-9.21	15.06
LMKFDI	153	10.76	3.12	-9.21	14.95
LRSFDI	153	9.34	2.68	-9.21	13.52
LWAGEFDI	153	7.53	5.36	-9.21	13.35
LGDP	153	25.34	1.56	21.43	27.74
GROWTH	153	6.27	2.62	-1.51	14.52
LWAGE	153	5.54	1.11	3.42	8.21
ORE	153	19.92	16.69	0.01	64.69
FUEL	153	12.30	11.38	0.00	44.52
OPEN	153	131.08	93.85	37.42	437.33
EXCH	153	4838.88	6542.37	1.25	23050.24
INF	153	5.34	5.90	-5.99	42.30

Notes. We replace zero value with 0.0001 to get the natural log value of relevant variables. Author's compilation

LFDI, LMKFDI, LRSFDI, and LWAGEFDI represent the logarithmic transformations of FDI metrics, encompassing total FDI, market-seeking FDI, resource-seeking FDI, and wage-related FDI, respectively. Among these, LMKFDI has the highest mean value, followed by LRSFDI and LWAGEFDI, indicating a greater proportion of FDI motivated by market-seeking than other motivations. The minimum values for all these variables (-9.21) reflect instances of zero, which were replaced with 0.0001 to enable the computation of natural log values for the relevant variables.

Market size (log of GDP) has a mean of 25.34 and a standard deviation of 1.56, suggesting that the GDP of ASEAN countries in the sample does not vary significantly among nations. GROWTH (GDP growth rate) shows moderate variability, with an average of 6.27% and a range from -1.51% to 14.52%. Similarly, LWAGE (log of wages) varies moderately, ranging from 3.42 to 8.21.

ORE (mineral resources) and FUEL (fuel resources) are highly variable, with 19.92 and 12.30, respectively. OPEN (trade openness) exhibits significant variability, with a mean of 131.08 and a range from 37.42 to 437.33, reflecting diverse trade dependencies. EXCH (exchange rate) shows the most considerable variability, with a mean of 4,838.88 and an extensive range (1.25 - 23,050.24), indicative of differences in currency values and economic environments. INF (inflation) is also variable, with a mean of 5.34%, occasional deflationary periods (-5.99%), and inflation spikes reaching as high as 42.30%.

Table 4

Regression Results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Fixed effect				Random effect				OLS			
VARS	**overall**	**MK**	**RS**	**WAGE**	**overall**	**MK**	**RS**	**WAGE**	**FDI**	**MK**	**RS**	**WAGE**
LGDP	7.311***	6.831***	8.790***	8.134**	0.713***	0.759***	0.603***	0.783**	0.713***	0.759***	0.603***	0.783***
	(3.71)	(5.08)	(4.94)	(2.68)	(3.28)	(4.86)	(3.04)	(2.26)	(3.39)	(4.96)	(3.15)	(3.26)
GROWTH	-0.081	-0.149	-0.206*	-0.637**	-0.003	-0.115	-0.105	-0.820***	-0.003	-0.115	-0.105	-0.820***
	(-0.67)	(-1.48)	(-2.29)	(-2.32)	(-0.03)	(-1.59)	(-1.14)	(-5.10)	(-0.02)	(-1.02)	(-0.77)	(-3.81)
LWAGE	-2.492**	-1.928***	-2.515**	-2.953**	-0.513	-0.484	-0.762	-1.734*	-0.513	-0.484	-0.762	-1.734**
	(-3.06)	(-3.55)	(-2.96)	(-2.48)	(-0.87)	(-1.14)	(-1.42)	(-1.84)	(-0.86)	(-1.13)	(-1.48)	(-2.42)
ORE	0.049	0.099***	0.097***	0.091**	-0.020	-0.025*	-0.014	-0.073**	-0.020	-0.025**	-0.014	-0.073***
	(1.15)	(4.05)	(3.36)	(2.34)	(-1.03)	(-1.81)	(-0.80)	(-2.43)	(-1.05)	(-1.99)	(-1.08)	(-3.41)
FUEL	-0.123*	-0.136***	-0.166***	-0.136**	0.013	-0.002	0.073***	-0.026	0.013	-0.002	0.073***	-0.026
	(-2.05)	(-3.46)	(-4.38)	(-3.02)	(0.45)	(-0.12)	(2.85)	(-0.58)	(0.44)	(-0.12)	(2.90)	(-0.78)
OPEN	-0.021	-0.017**	-0.024**	-0.043***	0.008	0.008*	0.009*	-0.016*	0.008	0.008*	0.009	-0.016
	(-1.51)	(-2.91)	(-2.55)	(-3.81)	(1.28)	(1.77)	(1.66)	(-1.71)	(1.44)	(1.86)	(1.58)	(-1.64)
LEXCH	0.221	0.353**	0.454***	1.082**	0.226**	0.309***	0.285***	0.431***	0.226**	0.309***	0.285***	0.431***
	(1.12)	(2.69)	(3.47)	(3.06)	(2.19)	(4.16)	(3.02)	(2.61)	(2.25)	(4.40)	(3.14)	(2.65)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Fixed effect				Random effect				OLS			
VARS	**overall**	**MK**	**RS**	**WAGE**	**overall**	**MK**	**RS**	**WAGE**	**FDI**	**MK**	**RS**	**WAGE**
INF	-0.042	-0.077	-0.057***	0.060	-0.067	-0.105***	-0.061	-0.009	-0.067	-0.105*	-0.061	-0.009
	(-0.56)	(-1.73)	(-4.41)	(0.83)	(-1.57)	(-3.43)	(-1.58)	(-0.13)	(-0.88)	(-1.73)	(-0.92)	(-0.15)
PS	0.002	-0.268	-0.392	-0.960	0.444	0.550*	0.474	1.046	0.444	0.550*	0.474	1.046
	(0.01)	(-0.79)	(-0.79)	(-0.72)	(1.01)	(1.74)	(1.18)	(1.49)	(1.04)	(1.68)	(1.09)	(1.65)
Obs	153	153	153	153	153	153	153	153	153	153	153	153
R-sqr	0.4234	0.7346	0.6441	0.4527					0.4275	0.7021	0.5240	0.6221
No of ID	9	9	9	9	9	9	9	9				
Hausmann Tests (Prob > chi2)	0.001	0.000	0.000	0.000								
F test (Prob > chi2)									0.0005	0.000	0.000	0.000

Notes. p-value in the parentheses. Author's compilation

Table 4 presents the results of regressions of the determinants on four types of Korean FDI in ASEAN countries: overall FDI (1), market-seeking FDI (2), resource-seeking FDI (3), and low-wage-seeking FDI (4). The first lag of all independent variables is used in all 04 regressions. *T*-statistics shown in parentheses are based on robust standard errors. * ** , * *, and * indicate significance at the 1%, 5%, and 10% two-tailed levels. The p-values are reported for the Hausmann tests (which are used to select whether the Random Effects (RE) or a Fixed Effects (FE) model) and the F-test (which is used to select whether the Pooled OLS (POLS) or a Fixed Effects (FE) model).

5.2. Results

Table 4 presents the results of regressions of the determinants on four types of Korean FDI in ASEAN countries: overall FDI, market-seeking FDI, resource-seeking FDI, and low-wage-seeking FDI. Results of fixed effects (random effects) regressions are presented in columns 1 to 4 (columns 5 to 8, respectively). Columns 9 to 12 show the results from OLS regressions.

Based on the Hausman test which are used to select whether the Random Effects (RE) or a Fixed Effects (FE) model, in all four equations with alternative dependent variables (*LFDI*, *LMKFDI*, *LRSFDI*, and *LWAGEFDI*), the tests yield "Prob > chi2" values below 0.01, indicating that we reject the null hypothesis, which favors FE over RE. Similarly, the F-tests, which are also used to select whether the Pooled OLS (POLS) or a Fixed Effects (FE) model, show "Prob > chi2" values below 0.001, supporting the selection of the FE model instead of the POLS model.

We also use robust standard errors in all four regressions to deal with heterogeneity. Although the results of all three estimation methods are reported, based on the Hausman tests, we focus on fixed effects models.

The coefficient estimators of LGDP in Models (1) - (4) are 7.311, 6.831, 8.790, and 8.134, which are significantly positive at 1%. This indicates that a 1% increase in GDP is associated with about a 6% to 8% increase in FDI. This result is consistent with previous studies (such as Islam & Beloucif, 2024). Our result highlights GDP's significant and positive influence on attracting Korean overall FDI and FDI across various motivations in ASEAN countries.

We then run the T-tests to compare the coefficients of LGDP among the regressions in the first four columns. We use the coefficient of market-seeking FDI as the base case because GDP is usually used as a proxy for market size, which is the fundamental determinant of market-seeking FDI. We expect a significant impact of GDP on market-seeking FDI, and that the effect is more substantial than that of other motivations of FDI. However, the LFDI, LRSFDI, and LWAGEFDI coefficients are positive and significant. Still, the coefficient of *LMKFDI* is not significantly different from that of *LFDI* and *LWAGEFDI* (p-values are 0.64 and 0.67, respectively). In addition, the coefficient of *LRSFDI* is even higher than that of *LMKFDI* at the significant level of 10%.

Empirical studies usually use GDP as a proxy for market size, a key driver for market-seeking FDI. For example, as GDP is the most robust factor attracting FDI, Islam and Beloucif (2024) conclude that the finding reflects the fact that most of the world's FDI is market-seeking. However, our conclusions surprisingly show that GDP impacts all motivations, and the effect of this factor on the resource-seeking motive is even more potent than that of the market-seeking motive FDI.

The coefficients of *GROWTH* are all negative. However, only the GROWTH coefficients are significant for resource-seeking and low-wage-seeking FDI (at the 10% and 5% significance level, respectively). This implies that higher GDP growth rates of host countries deter resource-seeking and low-wage-seeking FDI. Higher growth rates may deter Korean investors seeking low-cost labor, potentially due to concerns about rising wages and other expenses or increased competition in rapidly growing economies.

Theoretically, economic growth can have both negative and positive effects on market-seeking FDI; the overall impact thus varies across contexts, which may depend on how the ownership advantages of home country firms compare to those of firms in host countries in exploiting the location advantages. On one hand, economic growth rates attract market-seeking FDI as this indicator signals expanding markets, increased consumer demand, and potential for higher returns on investment. However, on the other hand, the OLI paradigm of Dunning (1993, 1998) stresses that firms go abroad to exploit their ownership advantages, which derive from property rights or intangible assets, including patents, trademarks, organizational and marketing expertise, production technology, and management and general organizational abilities. Thus, economic growth can create more competition and enhance the competitiveness of firms in ASEAN countries, which may diminish the ownership advantages of some home country firms.

The coefficients of the *LWAGE* variable are all negative and significant at the level of 5% or lower. Higher wages in the host country are associated with higher operation costs, which deter FDI inflows for all motivations. These findings are consistent with economic theory and some previous studies. For example, higher wages generally deter Korean investment (Lee et al., 2021). However, our findings indicate that this is the case for low-wage-seeking FDI and other types of FDI, including market-seeking and resource-seeking FDI. Meanwhile, this finding is inconsistent with studies that emphasize the importance of resource endowments in attracting FDI, regardless of labor costs (Lu et al., 2020; Tegegne, 2024).

Because the coefficients of *LWAGE* are negative and significant in all 04 regressions (columns 1 to 4 in Table 3), we run the T-tests to compare the level of impact of this determinant across FDI groups. As wage is a typical determinant of low-wage seeking FDI, we expect that the effect of low wage on low-wage seeking FDI is more substantial than other types of motivations. Surprisingly, using low wage FDI as the base case, we compare the differences of the coefficient of *LWAGE* of resource seeking FDI with that of the individual three FDI groups (overall FDI, market seeking FDI, and resource seeking FDI), the T-tests shows that the p_values are 0.70, 0.30, and 0.60, respectively. The results are not statistically significant, so we fail to reject the null hypothesis. In other words, the results imply that the impact of the *LWAGE* variable is not significantly different across FDI types.

The coefficients of the *ORE* variable are positive and significant, while the coefficients of the *FUEL* variable are negative and significant. In addition, the impact of these two kinds of natural resources is highly consistent among FDI motivations. However, as different firms may seek other resources, whether Korean firms seek ore or fuel in this region remains unclear. In addition, higher ore and fuel exports could be potentially due to concerns about rising wages or increased competition in rapidly growing economies, leading to lower other types of FDI.

In columns (2) to (4), the coefficients of the *OPEN* variable (trade openness) are negative and significant, while the coefficients of the *LEXCH* variable are positively significant across the three FDI motivations. However, for random effects and OLS models, the sign and significance of the OPEN variable coefficients are inconsistent.

In contrast, inflation (*INF*) and Political Stability (*PS*) do not have a statistically significant impact on overall Korean FDI in ASEAN countries, nor on its specific types: market-seeking or efficiency-seeking FDI, except for the coefficients of the inflation variable on resource-seeking FDI.

Our analysis of the relationship between macroeconomic factors and FDI motivations has yielded interesting results. GDP emerges as a key driver across various investment motivations, including overall FDI, market-seeking, low-wage-seeking, and resource-seeking FDI. Similarly, higher wages generally deter FDI across FDI motivations. While empirical literature uses GDP as a proxy for market size, which is the key determinant of market-seeking FDI, and wage is the key determinant for low-wage-seeking FDI, we find these indicators capture multiple dimensions that attract foreign investors across different motivations. This implies that investors with different motivations prefer countries with higher GDP. A large GDP may indicate a large market size, but it also represents a large population, labor force (such as in the ASEAN context), or other factors.

On the other hand, firms may have multiple motivations besides their main motive; even when firms seek new markets, cost reduction can be essential. The findings raise concerns about traditional views regarding the link between host country factors and FDI motivations, which requires further research about how to differentiate the needs of alternative groups of investors. Understanding the specific characteristics of different foreign investors has practical implications for host countries.

Our study also finds the nuanced relationship between FDI motivations and GDP growth rate. While literature predicts that higher growth rates lead to market-seeking FDI, the results of this study show that higher growth deters low-wage-seeking FDI investment but has no impact on other types of FDI.

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This study makes several significant contributions to the existing literature on FDI. Firstly, it provides a comprehensive and up-to-date analysis of the evolving patterns of Korean FDI in ASEAN, focusing on the changing motivations and sectoral distribution of investments. This analysis fills a gap in the literature, as previous studies have often focused on specific countries or periods or have relied on aggregate data that masks the underlying dynamics of Korean FDI in the region. Utilizing a unique dataset with detailed information on investment motivations, this study offers a more nuanced and granular understanding of the factors driving Korean investment decisions in ASEAN.

Moreover, the study critically examines the relationship between macroeconomic factors and FDI motivations, challenging conventional assumptions and offering new insights into the determinants of Korean FDI. The findings highlight the importance of considering the specific motivations of investors when analyzing the impact of macroeconomic factors.

Also, the study's focus on the four major recipient countries of Korean FDI in ASEAN (Vietnam, Singapore, Indonesia, and Myanmar) provides a deeper understanding of the country-specific factors that influence investment decisions. The analysis reveals distinct patterns and motivations for each country, highlighting the importance of tailoring investment promotion strategies to each market's specific characteristics and needs. Thus, the study's findings have important policy implications for Korean and ASEAN policymakers. For Korean policymakers, the study provides insights into the evolving motivations and determinants of FDI, which can inform the development of more effective policies to support and promote outward investment in the region. By understanding the specific factors that influence different types of FDI, ASEAN countries can develop more targeted and effective policies to attract the most beneficial investments for their economic development.

6. Conclusion and limitations

The OLI eclectic paradigm by Dunning (1977, 1979) argues that host country advantages (location-specific advantages) can determine the FDI inflows, besides ownership-specific and internalisation advantages. Later papers (such as Cui et al., 2014; Narula & Dunning, 2010) provide a framework that suggests the host country determinant for different FDI motivations, including market-seeking, resource-seeking, efficiency-seeking, and asset-strategic-seeking.

Meanwhile, empirical research provides inconclusive and mixed findings about the host country determinants of FDI. As the empirical studies generally examine the relation between overall FDI and host country factors, the effect of these factors on FDI can vary across investment motivations of firms in home countries (Franco et al., 2008; Islam and Beloucif, 2024). We fill these gaps by analyzing the impact of the most widely accepted host country determinants of FDI, including GDP (proxied for market size), economic growth rate (proxied for potential market size), wage, natural resources, and other control variables on different types of FDI motivations.

Using data from the Korean Export-Import (EXIM) Bank and fixed-effect models, this study investigates how the factors influencing Foreign Direct Investment (FDI) differ based on various investment motivations in South Korea's FDI to nine ASEAN countries (excluding Brunei). The results reveal that economic growth discourages low-wage-seeking and resource-seeking FDI, while it has no significant effect on other investment motivations. Interestingly, some factors traditionally linked to specific FDI motivations, such as GDP and wages, consistently emerge as determinants across all motivations. These findings enhance the understanding of the determinants driving different FDI motivations.

The study's findings have significant policy implications for policymakers. By understanding the locational factors that attract different groups of FDI, governments in both home and host countries can design more targeted and effective policies that align with FDI motivations. Specifically, governments and corporations should segment foreign investors to develop tailored promotion and incentive policies for each target group.

This study, however, may have limitations. Regarding the data, the study relies on secondary data from the Export-Import Bank of Korea, which is comprehensive and unique, but may not capture the full complexity of FDI motivations. Some firms may have multiple motivations that are not fully reflected in the data, as they must declare their project's most important motivation. In terms of the scope, the study focuses on a limited set of macroeconomic factors as determinants of FDI. While these factors are commonly used in the literature, omitting other variables, such as institutional quality, political risk, and cultural distance, could introduce bias into the results. In addition, the indicators used as proxies for different determinants are highly correlated, which may lead to biased results. Thus, future research could incorporate a broader range of macroeconomic and institutional variables to provide a more comprehensive analysis of the determinants of Korean FDI in ASEAN.

NO CONFLICT OF INTEREST STATEMENT

All authors declare that they have no conflict of interest.

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