Governance and foreign direct investment: comparative study between Arab Maghreb countries and ASEAN

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Abstract

The interest of this paper is to show the impact of governance on foreign direct investment and its different effects among Maghreb Arab countries and Asian countries. The results of the effect of political stability, the rule of law, the quality of regulation and the way responsibility and Showed That governance Positively and Significantly contributed to Improving the attractiveness of foreign direct investment (FDI) in Asia purpose in the Arab Maghreb countries, and the way responsibility: has a significant negative impact on FDI. The objective of this work is to study the impact of governance on direct foreign investment (FDI) for a panel of Maghreb Arab countries in Asia countries during 1996 to 2014. Empirical verification generally shows significant results in Asia and is not significant in countries of Arab Maghreb. Indeed, thesis results in Asian countries claim that governance plays a key role in attracting foreign direct investment (FDI).

Keywords: governance, foreign direct investment, Arab Maghreb, Asia, panel data.

1. Introduction

Garretsen and Peeters (2007) find that FDI inflows result in the corporate tax rate. However, foreign investors are not only looking the lowest tax rates, they also require better institutional quality, and governments compete to attract FDI that may be required to provide an effective way within the institutional framework. FDI can have a positive impact on the quality of governance. This aspect of FDI effects has not received a lot of literature. The FDI is the **source** of the most important external financing in developing countries. Institutions are needed to attract foreign investors. In particular, good governance stimulates foreign direct investment and a better allocation of economic resources. For example several empirical studies as Acemoglu, Johnson and Robinson (2001) from panel data helped highlight the role of institutions for growth and economic development. Indicators of good governance such as political stability, democracy, freedom from corruption is other factors such as the administrative organization, the effective political, civil liberties are fundamental to promote economic development in all countries of the world. Because today the accumulation of capital and market size are not guarantees of rapid economic growth and sustainable development is the reduction of poverty. Good governance is a New Institutional Economics (NIE), which plays a very important role in strengthening economic development in African, Latin American and Asian countries.

The importance of socio-political factors to attract long-term foreign investors is emphasized in the literature. Thus, the inclusion of various measures of social and political attributes of the host country in the factors behind the FDI inflows is not an aspect of the recent literature of FDI. In recent years, there has been a resurgence of interest in this subject, with work focused on these representative factors of institutional quality. Three factors contributed to the emergence of this interest. First, from the North (1990) there has been growing awareness of the important role of governance in shaping the incentives for investment and economic activity in general. Second, there was a rapid growth of FDI flows in the 1990s, and the growing interest of countries in transition and developing countries has attracted most of these flows. Third, foreign investors have shown greater interest in the quality of governance. The association of the nations of South East Asia (ASEAN) is widely regarded as the region with the most successful in the developing world to attract foreign capital flows (at least until the financial crisis Asian economic and 1997), particularly foreign direct investment, and in achieving poverty reduction. On the importance of economic integration and the role that can play in attracting foreign investors. In this respect, regional integration agreements will seek to attract foreign capital. So does the Arab Maghreb country is able to achieve regional economic integration to attract foreign investors. In recent decades, there have been a number of regional agreements. Many countries have begun to explore and participate in economic integration.

The impact of governance on foreign direct investment through a study of the countries of Maghreb Arab countries and Asian countries over the period 1996-2014. We examine the following research questions:

(1) Does governance have more impact on foreign direct investment in Maghreb Arab in Asian countries ?

This article is organized as follows: we present a literature review on the link between governance and foreign direct investment (FDI). Then we will present the methodology and describe the variables, the sample and the specification of the model. We examine the empirical results on the link between governance and foreign direct investment (FDI). Finally, we will present our findings and policy implications.

2. Literature review

Bénassy-Quéré, Coupet and Mayer (2007) examined the impact of institutional variables on bilateral foreign direct investment and conclude that the institutional distance tends to reduce the bilateral FDI that is to say between the countries 'origin. We assess whether the similarity between institutions of the host country and the country of origin raises the bilateral FDI. Institutional proximity between the country of origin and the host country is also important, but we found little impact of institutions in the country. The results are encouraging in the sense that efforts to improve the quality of institutions. Some studies have pointed to how the country of origin, address institutional variables and their impact on FDI. One of the first variable to consider in this regard was the importance of political factors as crucial determinants of FDI (Root and Ahmed (1979)).

Huang (2003) notes that poor institutions are reducing the supply of local entrepreneurship but high quality institutions increase local entrepreneurs so mind FDI is partly determined by the strength or weakness of entrepreneurship local in host countries. By this reasoning, in a country with poor entrepreneurship, the business climate may succeed in attracting more FDI. Recent studies have pointed to composite measures of institutional quality and their impact on foreign direct investment. Globerman and Shapiro (2002) emphasize the link between governance and FDI flows and found that good governance yields are more important for the development of economies in transition compared to others. The study Boujedra (2005) showed that the risk has a significant impact on FDI, in a sample of countries from Asia, Latin America and the Caribbean. Gani (2007) notes that the rule of law, control of corruption, regulatory quality, government effectiveness and political stability are positively correlated with FDI. Indeed, the literature on institutions and FDI has delineated several ways by which institutions matter for FDI inflows. For example, **Stein and Daude (2007)** provide two channels with poor quality institutions may discourage FDI inflows. The authors assert that weak institutions can act as a tax and therefore a cost to the FDI. Poor institutional quality can also increase uncertainty with all types of investment, including FDI. We postulate that the poor quality of institutions may increase the volatility of FDI inflows and can have a negative impact on economic growth. The impact of institutions on the volatility of FDI flows is a relatively unexplored relationship in the literature. Recent studies of the relationship between FDI and corruption found that corruption reduces FDI inflows (Egger and Winner (2006)). However, there is little research to find out if corrupt countries derive less benefit from FDI they receive. According UNCTAD (2002) investment incentives for investment aid (linked to corruption and administrative inefficiency), collective facilities and after-investment. This leaves appear clearly the positive relationship between good governance and foreign direct investment (Asiedu (2003); Chatterje and Mathur (2003)). According **Ndinga (2002)** poor governance helps reduce inward FDI because of distortions and uncertainty it creates. Root and Ahmed (1979) Schneider and Frey showed the negative impact of economic instability, political, social and legal on FDI. Asiedu (2003) discusses the positive impact of macroeconomic stability, efficient institutions, political stability and a good regulatory framework on FDI. Mauro (1995) showed a negative correlation between corruption and the rate of investment and between corruption and growth rates for 67 countries during 1960-1985. **Chan and Gemayel (2004)** for their part, have shown in their study that the risk and the political instability of a country are the primary determinants of the weakness of FDI. It is for this reason that developments in the countries governments to encourage foreign investors are obliged to put in place sound macroeconomic policies and especially improve their governance system. The main objective of our study is to examine the impact of governance through its various indicators (rule of law, corruption, political stability, government effectiveness ...) on foreign direct investment.

Table 1: Examples of countries that have experienced significant institutional change from 1998-2008

The governance indicators	Countries have significantly improved	Countries have seen a significant deterioration

Effectiveness of government	Israel, China, Tajikistan Indonesia, Colombia, Malaysia Bosnia and Herzegovina, Algeria, Ethiopia, Iraq, Georgia Hong Kong, South Korea, Serbia Afghanistan, Rwanda	Maldives, Zimbabwe, Ivory Coast, Chad, Mauritania, Fiji, Belize, Togo, Spain, Bolivia, Belarus, Italy, Lebanon.
regulatory quality	Slovakia, Angola, Tajikistan, Belarus, Republic of Congo, Libya, Georgia, Iraq	Zimbabwe, Eritrea, Bolivia, Venezuela, Argentina, Maldives, Ecuador, Ivory Coast, Gabon, Uruguay.
Rule of law	Latvia, Estonia, Albania, Serbia, Liberia, Georgia, Rwanda	Zimbabwe, Eritrea, Venezuela, Bolivia, Argentina, Cote d'Ivoire, Trinidad and Tobago, Ecuador, Kyrgyzstan, Thailand.
corruption control	Estonia, Indonesia, Tanzania, Albania, Georgia, Hong Kong, Rwanda, Serbia, Liberia	Eritrea, Zimbabwe, Ivory Coast, Greece.

Source : Kaufman et al (2008)

4. Methodology and Data

In this paper, we will try to study and empirically evaluate the relationship between governance and foreign direct investment in countries Maghreb Arab and Asian countries over a period from 1996 to 2014, using data panel and the World bank database.

4.1. Econometric model

We use panel data to study the impact of governance on FDI. The context of the Arab Maghreb countries and Asian countries during the period 1996-2014. We develop their model using indicators of governance. We also use a number of new control variables in our model. Other variables can be added to the model to assess their relative impact. In this section, we estimate a model that connects the IDE with governance in the presence of financial development variables, civil freedom and other variables. This part deals with our first question: (1) Is the governance of the overall attractiveness of foreign investors in countries and Arab Maghreb countries in Asia?

Our empirical model is developed to study the impact of governance on FDI in countries Arab Maghreb and Asia. The model takes the following form:

model 1

FDI_{it}= β_0 + $\beta_1 STAB_{it}$ + $\beta_2 CL_{it}$+$\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$+$\beta_5 INF_{it}$ + $\beta_6 HK_{it}$ + $\beta_7 CRED_{it}$ + $\beta_8 ODA_{it}$ + $\beta_9 Debt_{it}$+ ε_{it}

Model 2

FDI_{it}= β_0 + $\beta_1 COR_{it}$ + $\beta_2 CL_{it}$ + $\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$ + $\beta_5 INF_{it}$ + $\beta_6 Hk_{it}$ + $\beta_7 CRED_{it}$+ $\beta_8 ODA_{it}$ + $\beta_9 Debt_{it}$ + ε_{it}

Model 3

FDI_{it}= β_0 + $\beta_1 EFFECT_{it}$ + $\beta_2 CL_{it}$ + $\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$ + $\beta_5 INF_{it}$+ $\beta_6 Hk_{it}$ + $\beta_7 CRED_{it}$ + $\beta_8 ODA_{it}$+$\beta_9 Debt_{it}$ + ε_{it}

Model 4

FDI_{it}= β_0 + β_1Rule of Law_{it} + $\beta_2 CL_{it}$ + $\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$ + $\beta_5 INF_{it}$ + $\beta_6 Hk_{it}$ + $\beta_7 CRED_{it}$ +$\beta_8 ODA_{it}$+$\beta_9 Debt_{it}$ + ε_{it}

Model 5

FDI_{it}= β_0 + $\beta_1 REG_{it}$ + $\beta_2 CL_{it}$ + $\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$ + $\beta_5 INF_{it}$ + $\beta_6 Hk_{it}$ + $\beta_7 CRED_{it}$ + $\beta_8 ODA_{it}$+ $\beta_9 Debt_{it}$ + ε_{it}

Model 6

FDI_{it}= β_0 + $\beta_1 RESP_{it}$ + $\beta_2 CL_{it}$ +$\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$+$\beta_5 INF_{it}$ + $\beta_6 Hk_{it}$ + $\beta_7 CRED_{it}$ + $\beta_8 ODA_{it}$ + $\beta_9 Debt_{it}$ + ε_{it}

Model overall 7

FDI_{it}= β_0 + $\beta_1 GOV_{it}$ + $\beta_2 CL_{it}$ + $\beta_3 GDP_{it}$+ $\beta_4 Openness_{it}$+$\beta_5 INF_{it}$ + $\beta_6 HK_{it}$ + $\beta_7 CRED_{it}$ + $\beta_8 ODA_{it}$ + $\beta_9 Debt_{it}$+ ε_{it}

4.2. The sample

Countries Arab Maghreb: Tunisia, Algeria, Morocco, Libya, Mauritania

Nations Association of Southeast Asian (ASEAN): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand, Vietnam

4.3. Variables

The dependent variable (endogenous variables)

Foreign direct investment (FDI): are measured by net FDI as% of GDP.

The explanatory variables (exogenous variables)

Governance (GOV): is based on an index developed by Kaufman, Kraay and Zoido-Lobaton (1999) the index is an aggregate of six buildings: rule of law, corruption, voice and accountability, efficiency government, political stability, regulatory quality. Corruption and political instability are governance indicators that seem to have the greatest impact on foreign direct investment (FDI).

Political stability (STAB): political stability and absence of violence (Political Stability and Absence of Violence; STAB) measures the perceived likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism. As well as the political stability of the government, which is a political institutional function based on the correlation between FDI, the different national institutional factors and bilateral investment treaties. Political stability is seen as the most important aspect of governance in terms of relationship with the IDE.

Corruption (COR): control of corruption (Control of Corruption; CRP) measures the perception of corruption in which public power is exercised for private gain, including both large and small forms of corruption, as well as " the accaparation "of the state by elites and private interests. Corruption is a threat to FDI because it allows people to take positions of power through patronage rather than ability. The patronage threatens the rights of foreign investors because it facilitates the expropriation by the government investment or can cause direct conflicts with clients and investors

Government effectiveness (EFFECT): government effectiveness (Government Effectiveness; GEFCV) measures the perceived quality of public services, the quality of public education and the degree of its independent from political pressures, the quality of policy formulation and their implementation, and the credibility of the government's commitment to such policies.

Rule of law: rule of law (Rule of Law; RLAW) measures perceptions of the extent to which agents have confidence and respect the rules of society in particular the quality of contract enforcement, property fingers, police and courts, as well as the likelihood of crime and violence.

Regulations (REG): the quality of regulation (Regulatory Quality; REQTY) measures the perception of the government's ability to formulate and implement sound policies and regulations that promote the development of the private sector.

Voice and accountability (RESP: representation and participation (Voice and Accountability; ACNT) measures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression , freedom of association and freedom of the press.

Control variables

To improve our empirical analysis, we also consider a set of control variables. These variables are the following:

Gross domestic product per capita (GDP) measures the rate of economic growth per capita, level of life is defined by GDP per capita.

Trade openness (OPEN) is measured by the total of exports and imports to GDP. An open economy is conducive to FDI flows. We expect a positive coefficient.

Inflation (INF): it is measured by the percentage change in the GDP deflator is the variable that represents the macro economic policy. Is proxy for macroeconomic stability in the economy. It is measured by the rate of inflation on the basis of either the index of consumer prices or the GDP deflator. A higher inflation rate is lower indicator of macroeconomic stability and real incomes. It therefore discourages market research but not necessary for the research resources. We expect a negative coefficient.

Human capital (HK): it is measured by the percentage of secondary education and obtained from the World Bank database.

The financial market development (CRED) is assessed respectively, total credit by financial intermediaries in the private service in relation to GDP (it measures a country's financial intermediation and market capitalization relative to GDP).

Development assistance (HELP): percentage of GDP represents disbursements of loans and grants concessional terms (excluding repayment of principal) and grants by public bodies of the Organization for Economic Cooperation and Development (OECD).

External debt (DEBT): it is measured by total debt to GDP

Table 2: The independent variables and expected signs

FDI / GDP Foreign direct investment.

exogenous variables	**expected sign**
political stability (STAB)	Positive
Corruption (COR)	Negative
Government Effectiveness	Positive
Rule of Law	Positive
regulatory quality	Positive
The track and responsibility	Positive
GDP per capita	Positive
Inflation (INF)	Positive/ Negative
Trade openness (OPEN)	Positive
human capital (KH)	Positive
Financial Development (CRED)	Positive
Development assistance (HELP)	Positive
External debt (DEBT)	Positive

Source: specification of the author.

4.4. The estimation technique

The method of principal component analysis (PCA) for indicators of governance.

The base Kaufman et al (2008) studies the quality of governance based on the processes by which those in authority are selected, monitored and replaced; the government's ability to effectively manage resources and implement sound policies; and the respect of citizens and the state for governance that govern economic and social interactions. It includes six indicators that describe different dimensions of governance. Our fertility rate will be a weighted average of six major components of governance variables, the weight will be determined by the proportion of variance explained by each variable principal component. **Scully (1992)** has already used this method to build are index of political and economic freedom; Alesina and Perotti (1996) were used to develop indices of political stability. We normalized these indicators on a scale from 0 to 10 in order to compare the data and then use them to produce an aggregate indicator. The aggregate index of Governance (GACP) will be the linear combination of PS governance indicators, COR, EG, RL, QR, VR:

$G_{ACPi} = y_1PS + y_2COR + y_3EG + y_4RL + y_5QR + y_6VR$

PS, CORE G RL VR and VR are the major components of the vectors and coefficients y1, y2, y3, y4, y5, y6 calculated by the series of data in each country.

3.4. Regression results and interpretations

Table 2: result of the estimation: the impact of governance on FDI from Asian countries

(Dependent variable: Foreign Direct Investment, FDI)

Variables explicative	M1	M2	M3	M4	M5	M6	M7
STAB	0.005*** 0.000						
COR		0.059 0.754					
EFF			0.191 0.007				
Rule of law				0.008*** 0.965			
REG					0.069* 0.369		
RESP						0.039** 0.682	
GOV							0.001*** 0.833
GDP	0.557 0.761	0.189 0.036**	0.442 0.283	0.415 0.287	0.352 0.399	0.612 0.276	0.640 0.285
HK	0.439* 0.006	0.779* 0.061	0.418 0.118	0.825 0.027	0.797 0.014	0.717 0.047	0.801 0.023
Openness	0.875 0.936	0.680 0.165	0.338 0.046	0.990 0.414	0.303 0.257	0.902 0.385	0.841 0.383

CRED	0.136 0.855	0.164 0.537	0.018** 0.031	0.145 0.390	0.095* 0.167	0.062* 0.303	0.156 0.268
INF	0.054 0.033	0.236 0.068	0.362 0.208	0.130 0.136	0.164 0.183	0.169 0.115	0.229 0.145
Debt	0.046*** 0.000	0.081*** 0.002	0.223 0.005	0.079* 0.003	0.249 0.001	0.071* 0.002	0.111 0.002
ODA	0.759 0.470	0.620 0.459	0.577 0.470	0.772 0.372	0.551 0.366	0.514 0.367	0.728 0.374
CL	0.163*** 0.005	0.546*** 0.000	0.554 0.003	0.218 0.000	0.927 0.004	0.219 0.007	0.102 0.001
Nombre d'obs.	118	118	118	118	118	118	119
Nombre de groupes	7	7	7	7	7	7	17
Wald Chi2(9)	104.92	91.47	94.17	33.54	21.73	24.69	43.93
Probabilité	0.7906	0.1279	0.0000	0.0001	0.0098	0.0033	0.0000

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

The interpretations of the results of the estimation for Asian countries

Model M1

For the results of the impact of governance on FDI from Asian countries, in the first model (M1), the probability of the test is greater than 5%, while the random effects model is prior to fixed effect model. In general, according to Table 1 in the notice that there are variables that are statistically significant and others is not significant and can be positively or negatively correlated with the dependent variable.

Political stability variable is positive and statistically significant at 1%. This means that there is a positive relationship between political stability and FDI. These results confirm empirically studies by Asiedu (2003) show that the positive impact of political stability in the attraction of

FDI. The high significance of political stability variable confirms our hypothesis that the influence of foreign direct investment stability. This result also confirms other recent estimates, including studies Gouenet (2011) examines the impact of socio-political instability on private investment in Cameroon. The socio-political instability is highlighted as a risk factor for investment that generates transaction costs for economic activity.

The coefficient of human capital variable (KH), significant at the 10% level and negatively affects foreign direct investment. Inflation (INF), significant at the 5% threshold and positively correlated with FDI significant external debt at 1% level and negatively affects FDI. The significant civil liberty variable at the 1% threshold is positively contributes to the improvement of the ratio of inflow of foreign direct investment (FDI) in Asian countries over the period of the study. This result is comparable to others. Indeed, among the first researchers who are interested in studying the impact of institutions on economic performance of nations, and **Körmendi Meguire (1985)** examined the effect of civil liberties, among others, on economic growth and investment for 47 countries along only from 1950 to 1977.

The results they have achieved is that countries that have a high level of civil liberties are the best performers. Subsequent studies by **SCULLY (1989) and Tullock (1987)** found a positive association between civil liberties and economic growth for a large number of countries.

Model M2

Corruption is not significant, however, the distance of corruption "negative" suffered by the host country is associated with significantly lower levels of incoming FDI. GDP per capita significant at the 5% and positive. This result is consistent with previous studies (**Hejazi, 2009, Medvedev, 2012**), which confirmed that GDP attracts FDI. The significant human capital threshold of 10% and negatively affects FDI. The significant inflation at 5% threshold and positively affect FDI. The significant external debt at 1% level and negatively affects FDI. And civil liberty significant at the 1% threshold and positively affects foreign direct investment (FDI).

Model M3

Government effectiveness is not significant. The significant credit at the 5% threshold. Financial development increases foreign direct investment. Our results show that credit positively affect FDI.

Model M4

Rule of law significant at the 1% threshold and positively affect FDI. The significant external debt at 10% threshold is negatively correlated to FDI.

Model M5

Quality meaningful regulation at the 10% threshold and positively affects foreign direct investment. In a study by Ahn Chan-Lee (2002) on fifty five developed and developing countries, the two authors conclude that "improving regulatory systems functioning and governance and their implementation seem to be much larger than ordinary foundations of law in terms of impact on development» The significant variable credit at the 10% and positive. The significant variable credit at the 10% threshold.

Model M6

Track and significant responsibility at the 5% threshold and positively affect FDI. This result also confirms other recent estimates, **Kim (2010)** showed that there is a positive relationship between transparency in host countries and FDI inflows. These results are robust with market liberalization of stock and macroeconomic variables (GDP, exchange rate, corporate tax). The significant credit at the 10% and positively affect foreign direct investment. The significant external debt to 10% level and negatively affects FDI.

Model M7

The results showed that the coefficients of these governance variables, they are globally significant at the 1% and positively affect foreign direct investment (FDI). This means that governance positively and significantly contribute to improving the attractiveness of the Asian region. This could be explained among other things that the performance of Asian countries. This may reflect the government's ability to launch policies that favor foreign investors. The results confirm the study Globermen and Shapiro (2002) the link between governance and FDI flows and found that good governance yields are higher. This result reveals the relevance of governance and civil liberty as an explanation of the process of attraction of foreign investor countries in our sample. For example we found the same results the relationship between governance, civil liberty and economic growth as studies Tavares and Wacziarg (2001). Gani (2007) notes that the rule of law, control of corruption, regulatory quality, government effectiveness and political stability are positively correlated with FDI.

Table 3: results of the estimation: the impact of governance on FDI for countries Arab Maghreb

(Dependent variable: Foreign Direct Investment, FDI)

Variables explicative	M1	M2	M3	M4	M5	M6	M7
STAB	0.878 0.435						
COR		0.785 0.814					
EFF			0.135 0.855				
Rule of law				0.671 0.983			
REG					0.502 0.933		
RESP						0.050 0.012**	
GOV							0.874 0.897
GDP	0.130 0.269	0.129 0.273	0.141 0.335	0.140 0.307	0.172 0.322	0.340 0.593	0.136 0.308
HK	0.266 0.310	0.254 0.440	0.478 0.452	0.180 0.429	0.173 0.417	0.641 0.678	0.238 0.463
Openness	0.001 0.000***	0.001 0.000****	0.000 0.000***	0.001 0.000***	0.001 0.000***	0.003 0.000***	0.001 0.000***
CRED	0.256 0.088	0.203 0.270	0.155 0.192	0.112 0.241	0.142 0.153	0.341 0.756	0.139 0.317
INF	0.017 0.033**	0.017 0.036**	0.005 0.026**	0.014 0.022**	0.013 0.025**	0.014 0.020**	0.012 0.025**
Debt	0.057 0.128	0.058 0.147	0.077 0.273	0.052 0.186	0.073 0.201	0.137 0.311	0.012 0.198

ODA	0.164 0.183	0.175 0.147	0.243 0.172	0.169 0.158	0.251 0.177	0.320 0.343	0.174 0.160
CL	0.044 0.091*	0.044 0.141	0.014 0.084*	0.038 0.081*	0.052 0.108*	0.020 0.009***	0.035 0.085*
Nombre d'obs.	85	85	85	82	80	82	80
Nombre de groupes	5	5	5	5	5	5	5
Wald Chi2(9)	3.43	4.06	6.38	4.06	4.21	1.94	3.82
Probabilité	0.9448	0.9073	0.7010	0.9078	0.8971	0.9924	0.9232

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

The interpretations of the results of the estimation for the Arab Maghreb countries

Model M1

Political stability has no significant effect on foreign direct investment. The coefficient on trade openness is significant at the 1% so the results of the table suggests that trade openness is an important determinant of foreign direct investment (FDI) in the countries of the Arab Maghreb. They stress that a high level of openness increases the economic growth of the country and later foreign investors. Trade openness exerts a major effect on investment in these countries that the coefficient of this variable is always positive and statistically significant.

The credit variable (CRED) significant at the 10% level and negatively affects foreign direct investment (FDI). The positive inflation and statistically significant at the 5% threshold. The significant civil freedom at the 10% threshold and negatively affects FDI.

Model M2

Variable of corruption is not significant, significant trade opening at the 1% level and positively affect FDI. The significant inflation at 5% threshold and positively affect FDI.

Model M3

Government effectiveness is not significant, the significant trade opening at the 1% level and positively affect FDI. The significant inflation at 5% threshold and positively affect FDI. And civil liberty significant at the 10% threshold and negatively affects foreign direct investment.

Model M4

Rule of law is not significant, the significant trade opening at the 1% level and positively affect FDI. The significant inflation at 5% threshold and positively affect FDI. The significant civil liberty to the 10% level and negatively correlated with FDI.

Model M5

Regulatory quality is not significant, significant trade opening at the 1%. The significant inflation at 5% level.

Model M6

Track and significant responsibility at the 5% threshold and negatively affects foreign direct investment (FDI). The significant trade opening at the 1% level and positively affect FDI. The significant inflation at 5% threshold and positively affect FDI. The significant civil liberty at 1% level and negatively affects FDI.

Model M7

Governance and does not significant, significant trade opening at the 1% level and positively affect FDI. The significant inflation at 5% threshold and positively affect FDI. The significant civil freedom at the 10% threshold and negatively affects foreign direct investment (FDI).

We mean that governance could have a favorable impact on foreign direct investment in the country making more efforts for good governance as the Asian countries and the positive effect of civil society in the attractiveness of FDI. Political stability, the rule of law, regulatory quality and the way responsibility and also appear as governance factors that can influence more on foreign direct investment in Asia. As against the countries of the Arab Maghreb, civil society and the way responsibility and plays a negative role on FDI. By focusing our attention on the comparison between Asian countries and the countries of the Arab Maghreb on the attractiveness of FDI that was the center of interests of the study. Globerman and Shapiro (2002) found that the yields of good governance are more important

Conclusion and policy implications

This study aimed to analyze the relationship between governance and the flow of foreign direct investment (FDI) in the Arab Maghreb countries and Asian countries (ASEAN) for the period from 1996 to 2014. We reviewed the impact of governance through its various indicators (political stability, corruption, government effectiveness, rule of law, regulatory quality and track and responsibility) in foreign direct investment. Empirical analyzes were conducted on panel data from seven Asian countries and five Arab Maghreb countries over de17 years. As part of this research, we have tried to contribute to the resolution of the fundamental question: is there extra link between governance and foreign direct investment (FDI)? To do this, we used a model of static panel data covering a sample of countries and Arab Maghreb countries in Asia, during the period 1996-2014. The study concluded that there is a positive relationship between FDI is governance and governance positively and significantly contributes to the improvement of the ratio of FDI inflow in Asian countries over the period of the study. As part of this empirical study we tested the relationship between governance indicators and FDI. The key findings emerged from this empirical analysis show:

-a positive impact of political stability on foreign direct investment (FDI).

-a positive effect of the rule of law on FDI.

-a positive effect of regulation on quality FDI.

-a positive impact of voice and accountability on FDI. In this paper we tried to examining the relationship between the quality of governance and foreign direct investment (FDI). We used a sample of countries of the Arab Maghreb and Asian countries during the period 1996-2014 using the static method panels. The results indicate that during the period studied the relationship between governance and FDI. Similarly, the results show that the positive effect of governance in the attraction of FDI. The development of economies in transition compared to others.

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