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The Impact of FDI, International Trade, and National Economy on People's Standard of Living in ASEAN Countries

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Abstract
This research paper analyzes the impact of foreign direct investment (FDI), international trade, and national economy on the standard of living of people in ASEAN member countries, using data from 2012-2021. The study uses data from this period to examine the effects of these variables on the standard of living in ASEAN member countries. The results indicate that international trade and national economy have a significant influence on people's standard of living in the region. However, the effect of FDI varies depending on the level of development of the country. While FDI doesn't have much effect on developing countries, it has a negative impact on developed countries. The study also provides insights for policymakers on how to promote economic growth and improve the quality of life for people in the ASEAN.
Keywords: FDI, international trade, national economy, the standard of living, ASEAN
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1. Introduction

In today's globalized world, economic development is a crucial priority for countries worldwide. One critical aspect of economic development is improving the standard of living of a country's citizens. According to Okafor (2016), the standard of living, which is inversely related to poverty, is the degree of comfort, wealth, material goods and necessities of life available to a particular socioeconomic class of people. Standard of living also means the ability of an individual to assess basic necessities of life with no difficulty (Akpunonu, Nkechukwu and Okonkwo. 2017). Therefore, understanding the standard of living is crucial in assessing the socio-economic development of a region.

In the context of ASEAN member countries, the standard of living has seen significant improvements over the past few decades, particularly in countries like Singapore, Malaysia, and Thailand. These countries have experienced rapid economic growth, driven by many factors leading to significant improvements in the standard of living for their citizens. However, the situation is not uniform across all ASEAN member countries, with some countries still grappling with poverty, inadequate healthcare, and education systems, and other challenges that impact the standard of living. As a result, there is still a significant gap between the standard of living in ASEAN countries and that of more developed nations.

Previous research has identified a range of factors that contribute to people's standard of living in ASEAN countries. These factors include economic growth, access to basic services such as healthcare and education, income distribution, social protection programs, and the overall quality of life. However, among these factors, foreign direct investment (FDI), international trade, and national economic policies have been identified as key drivers of economic growth and development in the region. A study by Zawani et al. (2019) has shown that FDI has significantly increased access to capital and markets, creating new job opportunities. Similarly, research by the United Nations Conference on Trade and Development (UNCTAD) (2021) also highlighted the role of trade in promoting sustainable development, including by diversifying economies, and supporting environmental conservation efforts. Nevertheless, the impact of FDI and international trade on people's standard of living is complex and varies in different regions.So, it is very important to conduct further research to gain a more comprehensive understanding of how FDI, international trade, and national economy impact people's standard of living in ASEAN member countries.

Through the evaluation of domestic and international research, there are two gaps that need to be addressed and improved. Firstly, a context of studying people‘s standard of living in a specific association (ASEAN) considering their unique economic, social, and environment seems to have little attention from researchers in Vietnam, even in the world. Secondly, previous researchers mostly use the average income when measuring people's standard of living and have yet to consider other factors such as life expectancy, education, health, …

With the study “The impact of FDI, international trade, national economy on people's standard of living in Asean member countries ”, we aim to investigate the relationship between FDI, international trade, national

economy, and people's standard of living in ASEAN member countries. The study will analyze the extent to which these factors affect people's standard of living and whether they have a positive or negative impact.

Our research is structured into five sections. After this introduction, Section 2 is literature review. Next, Section 3 deals with the hypotheses, empirical models, and research methods used in this study. The research results and group analysis are presented in Section 4 and 5. Finally, Section 6 displays discussions, conclusions, limits of research, and recommendations for improving people's standard of living in Asean member states.

2. Literature review

The standard of living is a multi-dimensional concept that has been widely discussed and studied. It is generally used to measure the economic and social well-being of individuals in a country or region. According to Pigou (1952), the standard of living is equated with economic welfare, the standard of real income, and material prosperity. On the other hand, Deutsch and Silber (1999) view the standard of living as the quantity and quality of goods and services that individuals are free to use. However, these definitions all suggest that people's standard of living is significantly influenced by economic factors . In this study, we will only focus on three main factors : Foreign Direct Investment (FDI), International Trade and National Economy.

In terms of Foreign Direct Investment, Babarinde (2020) in Nigeria and Ek (2007) in China have found that FDI has a significant positive effect on the countries' economic growth. With the same result, Chidoko and Sancharare (2015) also discovered that FDI positively affects economic growth in Zimbabwe. However, it is important to note that the impact of FDI can vary depending on the country and the specific context. Xu and Zhu (2017) in China found that FDI has a negative impact on the income distribution and employment opportunities, leading to a decrease in the standard of living for some segments of the population. Additionally, a study by Ortiz and Taylor (2018) in Latin America found that FDI has a negative impact on social welfare policies, which could also affect the standard of living.

International Trade is considered as one of the essential factors that can influence people's standard of living. Several studies have explored the impact of international trade on the standard of living in different countries. Cingolani and Verduzco-Gallo (2019) investigated the impact of international trade on the standard of living in Latin American countries. They found that international trade has a positive impact on the standard of living in Latin American countries.

In addition, the national economy also plays a crucial role in affecting people's standard of living, and this has been the subject of various studies. Kim and Lee (2019) conducted a study to explore the relationship between the national economy and the standard of living in South Korea. They used various economic indicators, such as GDP per capita, employment rate, and poverty rate, to measure the impact of the national economy on people's standard of living. Their findings indicated that a stronger national economy positively impacts the standard of living in South Korea. Similarly, Gulzar et al. (2017) conducted research in Pakistan not only highlighted the significance of the national economy in shaping people's living standards but it also suggested that a strong economy is likely to positively affect people's quality of life.

The assessments of FDI, international trade, and the national economy impacting on people's standard of living is quite comprehensive. Still, the limitation of these studies is that they mostly just consider the impact factors individually, not yet looking at the combination of these 3 factors on people's living conditions. These limitations also stem from the failure to concern the relationship between these factors in the role of impacting people's living standard. In addition, there is not much research on quality of life in specific associations like ASEAN

3. Hypothesis, research methods, and empirical models

3.1 Hypothesis

To examine the factors affecting the standard of living of people in ASEAN member countries the authors concentrate on building some hypotheses below concluding three different independent variables: International trade, Foreign Direct Investment (FDI), National economy. The impact of Foreign Direct Investment (FDI), international trade, and national economy on the standard of living of people in ASEAN member countries has been the subject of numerous studies. Many researches have shown that FDI, international trade and the national economy can have a significant impact on standard of living if there is a supportive policy environment and adequate investment in education and healthcare. Ultimately, a holistic approach that considers a range of factors beyond just economic indicators is necessary to promote sustainable development and improve the standard of living in ASEAN member countries.

H1: *Foreign Direct Investment (FDI) has a negative impact on standard of living*

There have been several studies conducted to investigate the impact of FDI on the standard of living. One such study by UNCTAD (2015) found that the relationship between FDI and standard of living is complex and varies depending on the host country's economic and social conditions. The study suggests that while FDI can bring about positive effects such as employment opportunities and technology transfer, it can also lead to negative impacts on labor standards, income inequality, and environmental degradation.

Besides, a study by Aizenman and Noy (2009) found that FDI inflows can lead to a crowding-out effect, whereby domestic investment is reduced, leading to a negative impact on employment and income levels. This can further lead to a decline in the standard of living for the host country. In addition, a study by Edwards (1998) found that FDI can lead to a "race to the bottom" in labor and environmental standards. Host countries may compete with one another to attract multinational corporations by offering lower labor costs and weaker regulations, resulting in a downward spiral in standards that ultimately harm the standard of living for workers and communities in these countries.

In conclusion, while FDI can bring benefits to host countries, there are also potential negative impacts to consider. These include declining labor standards, negative environmental and social impacts, and a "race to the bottom" in labor and environmental standards. Policymakers and investors should take these factors into account when considering FDI and work to ensure that it benefits the standard of living in host countries.

H2: *International trade has a positive impact on standard of living.*

International trade has long been recognized as a key driver of economic growth, but its impact on the standard of living is a topic of much debate among economists and policymakers. While some argue that increased trade can lead to negative effects on living standards, there is a growing body of research that supports the idea that international trade can have a positive impact on the standard of living in countries that participate in it.

One of the most commonly cited benefits of international trade is that it can lead to increased productivity and efficiency, which can result in higher levels of economic growth and ultimately contribute to improvements in the standard of living. A study by Bacchetta and Van Wincoop (2013) found that countries that participate in international trade tend to have higher levels of productivity, which in turn leads to higher levels of life expectancy, education, income…

Additionally, international trade can provide access to a wider range of goods and services, which can improve the quality of life for individuals and households. A study by Siedschlag and Zhang (2018) found that increased trade openness is associated with higher levels of consumer welfare, as consumers are able to access a wider range of goods at lower prices.

Moreover, research has shown that international trade can also promote innovation and technological advancement, leading to higher productivity and economic growth. A study by Rodriguez and Rodrik (2001) found that trade openness can increase a country's access to new technologies and knowledge, leading to improvements in productivity and ultimately contributing to higher living standards.

While there are some potential negative impacts of international trade, such as job displacement in certain industries or exploitation of labor in some countries, the overall evidence suggests that increased international trade can have a positive impact on the standard of living in participating countries. As such, policymakers should continue to promote policies that encourage international trade and mitigate any potential negative impacts.

H3: *National economy has a positive impact on standard of living*

National economy has a positive impact on standard of living, as supported by various studies and economic theories. One of the most prominent theories is the Solow-Swan growth model, which suggests that sustained economic growth leads to higher standards of living through increased production and consumption of goods and services.

Moreover, a study by Alesina, Glaeser, and Sacerdote (2001) found that there is a positive correlation between economic growth and various measures of well-being, such as life expectancy, literacy rates, and access to basic amenities like electricity and clean water.

Similarly, a study by Easterlin (2003) found that there is a positive relationship between economic Growth and happiness, particularly in low-income countries where basic needs are not yet met. The study suggests that economic growth can lead to improvements in material well-being, which in turn can contribute to higher levels of happiness and well-being.

In addition, a study by Fleurbaey and Blanchet (2013) found that economic growth can lead to greater equality and social inclusion, which can ultimately contribute to higher standards of living. The study suggests that economic growth can create opportunities for marginalized groups, leading to greater access to education, healthcare, and other essential services.

Overall, the positive impact of the national economy on standard of living is clear, though it is important to note that the benefits may not be distributed equally among all members of society. Policymakers must ensure that economic growth is inclusive and sustainable, and that the benefits are shared by all members of society.

3.2 Research Methods

3.2.1 Collecting Research Data

The present research adopts a documentation approach to obtain pertinent information on the research subject. This technique entails collecting reliable data from diverse and credible sources, such as the World Bank database, the World Population Review website, official websites, articles, and publications authored by economists.

To assess the standard of living, the Human Development Index (HDI) is employed. The Foreign Direct

Investment (FDI) construct is created using a single observed variable, denoted as FDI, which quantifies the amount of foreign investment that enters a country within a specific period in a year. Two observed indicators, as presented in Table 1, are utilized to measure the influence of international trade.

In the realm of economics, the national economy is commonly evaluated using total Gross Domestic Product (GDP) or GDP per capita. Thus, after adjusting for purchasing power parity, we employed per capita GDP as a solitary indicator to form the national economy construct

Table 1: Lists of dependent and independent variables of the regression models

Variable	Meaning	Determined by	Role	Model
SOL	People's standard of living	Human Development Index	Dependent variable	SOL
FDI	Foreign Direct Investment	Foreign Direct Investment	Independent variable	FDI
IT	International Trade	Total Exports	Independent variable	TE
		Total Imports	Independent variable	TI
NE	National Economy	GDP (PPP) per capita	Independent variable	PGDP

Empirical Model

To consider and justify the effects of 4 different independent variables on Human Development Index, in this research, the authors will follow the quantitative research method into regression models with the independent variables: Foreign Direct Investment,Total Exports,Total Imports, and GDP (PPP) per capita with the assistance of IBM - SPSS 22 version 22.0.

Model: $HDI = \alpha + \beta1*FDI + \beta2 *TI + \beta3 *TE + \beta4 *PGDP$

Where: FDI : Foreign Direct Investment
TI : Total Imports TE : Total Exports
PGDP : GDP (PPP) per capita
α, β1, β2, β3, β4 are coefficients ε is error

3.2.2 Sample collection and processing process:

3.2.3.1 Implementing a Selection of the Research Objects and Scopes

According to Comrey (1973) and Roger (2006), the minimum number of survey samples required for factor analysis should be at least five times greater than the total number of observed variables. In the current study, there are 6 observed variables, thus indicating that the minimum number of survey samples needed for factor analysis is 4 * 7 = 28. In this research, the authors use 100 observations, with time-series data spanning the period from 2012 to 2021, and cross-sectional data from ten countries in The Association of SouthEast Asian Nations.

3.2.3.2 Data Processing

The collected and processed data are analyzed using various methods, including descriptive statistics analysis, which is used to describe the basic quantitative characteristics of the data. Additionally, correlation and regression analysis is employed to measure linear correlations between variables in regression models.

The following steps are taken in this analysis:

(1) Sort out statistical characteristics of the observed sample
(2) Test the quality of the measurement by Cronbach's Alpha
(3) Parse and analyze the empirical models by using SPSS 22
(4) Test the results from the empirical models.

4. Results

4.1. Descriptive Analysis

This study's variable descriptions are Foreign Direct Investment, Total Exports,Total Exports,Balance of Trade, Balance of Payment and GDP (PPP) per capita and Human Development Index (HDI). This overview can be average value data, minimum values, maximum values and standard deviations. Descriptive statistical test results can be seen on table 2.

Table 2 : Descriptive statistic

	Min	Max	Mean	ST.Deviation	Variance	Skewness	Kutosis
HDI	0,531	0,943	0,71894	,113782	0,013	0,294	-,840
FDI	-484535 8538	1114 7950 8121	14453980 028	23498471747, 7657	5521781 7448054 3300000	2,658	6,661
TI	3785090 114	6092 8000 0000	18036790 7782	15263729529 4,7194	2329814 3914887 3560000 00	0,849	,371
TE	2837105 676	7337 8178 6152	16763900 7994	18440477892 3,7834	3400512 2489929 4300000 00	1,319	1,226
PGDP	2867,5	1164 86,5	19422,5	26021,7	6771321 96,3	2,5	5,1

Source : Data Processed Using IBM SPSS20

The test results indicate that the mean values of Human Development Index (HDI) and Total Imports (TI) are greater than their respective standard deviations. This suggests that the distribution of data for HDI and TI are well-distributed. However, for the other variables, the standard deviations are higher than their respective mean values, indicating that the values in these variables vary significantly across different countries

4.2. Correlation analysis

Table 3: Pearson correlation

** Correlation is significant at the 0.01 level

			HDI	FDI	TI	TE	PGDP
SOL	HDI	Pearson Correlation	1	0,633**	0,925**	0,742**	0,769**
		Sig	0,000	0,000	0,000	0,000	0,000
FDI	FDI	Pearson Correlation	0,633**	1	0,787**	0.880**	0,935**
IT	TI	Pearson Correlation	0,925**	0,787**	1	0,875**	0,842**
	TE	Pearson Correlation	0,742**	0.880**	0,875**	1	0,876**
NE	PGDP	Pearson Correlation	0,769**	0,935**	0,842**	0,369**	1

Source : Data Processed Using IBM SPSS20

Sig coefficient. correlation of independent variables FDI, TI, TE and PGDP with dependent variable HDI are all less than 0.05, respectively. So, there is a linear relationship between these independent variables and the HDI variable.

4.3.Regression Model

4.3.1. Measuring Reliability by a Factor Cronbach's Alpha

Table 4: Reliability Statistics

Cronbach's Alpha	N of Items
0 ,925	2

Source : Data Processed Using IBM SPSS20

Table 5: Item-Total Statistics

	Corrected Item-Total Correlation
TII	0,875
TE	0,875

Source : Data Processed Using IBM SPSS20

The variables TI, TE demonstrated appropriate total correlation coefficients (≥ 0.7) and achieved a Cronbach's Alpha value of 0.925, exceeding the recommended level of 0.70 by Nunnally (1978). This indicates that these variables are reliable and serve as an excellent measuring scale for representing International Trade.

4.3.2 Model Summary

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,959	0,919	0,916	0,032965

Source : Data Processed Using IBM SPSS20

In the above study, the adjusted R-squared coefficient is 0.919, which means that the factors in the study contribute 91,9% (greater than 90%) of the change of the dependent variable " People's Standard of Living". The impact of this change is relatively stable and acceptable in the current economic context

4.3.3 ANOVA

Table 7 : ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1,179	4	0,295	271,108	0,00
	Residual	0,103	95	0,001		
	Total	1,282	99			

Source : Data Processed Using IBM SPSS20

Sig. level in the ANOVAtable used to assess the fit of the model that the research team used. In this study, the sig value. of the F-test is 0.000 (<0.05). Therefore, the linear regression model is relatively suitable compared to the population and can be used.

4.3.4 Coefficients

Table 8: Coefficients

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	0,588	,005	108,735	,000
FDI	-2,9827E-12	,000	-6,803	,000
TI	7,647E-13	,000	15,672	,000
TE	-9,57E-14	,000	-1,98	0,046
PGDP	2,701E-6	,000	6,560	,000

Source : Data Processed Using IBM SPSS20

Regression equation:

HDI = 0,588+ -2,9827E-12*FDI + 7,647E-13*TI + -9,57E-14*TE + 2,701E-6*PGDP

The t-test indicates that all regression coefficients for the independent variables are < 0.05, indicating that these variables are significant in explaining the dependent variable and none have been excluded from the model. The coefficients for Total Imports and PGDP are both > 0, indicating a positive effect on the dependent variable, while the coefficients for FDI and TE are < 0, indicating a negative impact on HDI.

5. Groups Analysis

Some studies have compared different groups in terms of inequality. Due to immense inequality of regional economic development, Chu (2012) and Li et al. (2017) compared the regional economic growth of China for coastal provinces and inland provinces. Similarly, FDI, International Trade may have varying impacts on people's standard of living in different countries in the world. Therefore, the sample of 10 ASEAN countries has been divided into two groups: developed and developing economies. The World Bank classification of country economics was used to group the countries. Based on World Bank classification, countries with gross national income (GNI) per capita higher than 12,475 USD were considered as developed economies (Brunei, Indonesia, Malaysia, Singapore, Thailand) while others with GNI per capita below 12,475 USD were considered as developing economies (Campuchia, Laos, Myanmar, Philippines, Vietnam).

The goal of group analysis is to compare the means or regression coefficients across groups, and this requires that the measurement of variables used are equivalent across groups

As the difference between the configural and equal factor loadings model is not statistically significant, metric

invariance is established. Therefore, a comparison of regression coefficients between the developed and developing economy groups can be conducted. Table 9 presents the regression coefficients of the multi-group for developed and developing economies.

Table 9: Comparison of regression coefficients

Model	Developed Countries		Developing Countries	
	Unstandardized Coefficients	Sig.	Unstandardized Coefficients	Sig.
(Constant)	0,697	0,000	0,534	0,000
FDI	-2,366E-12	0,000	-1,415E-13	0,962
TI	2,761E-13	0,000	1,924E-12	0,000
TE	-1,669E-13	0,000	-1,534E-12	0,000
PGDP	4,083E-6	0,000	9,710E-6	0,000

Source : Data Processed Using IBM SPSS20

In developed nations, the analysis shows that all independent variables are significant in explaining the dependent variable based on the t-test. However, in developing countries, the t-test for FDI is 0.962, which is greater than 0.05. As a result, FDI has little impact on HDI.

6. Discussion, Conclusion and Recommendation

6.1 Discussion and Conclusion

The study found that the national economy has a positive impact on the standard of living of people in Asean member countries. A strong national economy creates a favorable environment for investment and development, which can lead to improved living standards for individuals living in these countries. This result is consistent with previous research that has shown that economic growth has a positive effect on the standard of living.

Furthermore, the results indicate that international trade has an essential impact on people's living standards. However, the impact of international trade on living standards varies depending on whether it involves imports or exports. Research shows that imports have a positive impact on living standards, while exports have a negative impact. This result may be because exports in these countries tend to focus on low value added products, while imports tend to emphasize on high value added products, value added products can improve productivity and innovation in the host country. This highlights the importance of boosting imports to support economic growth and improve people's living standards, rather than focusing solely on exports.

Finally, the study also analyzed the impact of FDI on people's standard of living depending on the level of development of the host country. The study determined that FDI has negligible impact on developing countries, despite the potential creation of new jobs, transfer of technology and knowledge, and increased investment in infrastructure. In contrast, FDI has a negative effect on developed countries, which may be due to the potential for the displacement of domestic industries and workers, as well as the possibility of environmental degradation. Policymakers need to carefully evaluate the potential impact of FDI and ensure that it benefits their country's economy and people.

In conclusion, the study concluded that FDI, international trade, and national economy have a significant impact on people's standard of living in ASEAN member countries. While FDI has a tiny impact on the standard of living in developing countries, it has a bad effect on the standard of living in developed countries. International trade has an effect on the standard of living, but the effect varies depending on whether it involves imports or exports. Finally, the national economy has a positive impact on the standard of living, indicating that economic growth is essential for improving human development. These findings have important policy implications for policymakers in ASEAN member countries who seek to promote economic development and improve the standard of living of their citizens.

6.2 Limitation

Despite the theoretical and practical contributions mentioned above, it is essential to recognize the limitations of our study that may provide opportunities for future research.

Firstly, while HDI is a widely used measure of standard of living, it does not capture all aspects of human development, such as political freedom, environmental sustainability, and social justice. Therefore, the study maynot provide a comprehensive assessment of the impact of FDI, international trade, and national economy on people's standard of living in ASEAN member countries. Other measures like poverty rate or income inequality could also be considered.

Secondly, the study may not be able to capture the differences in the impact of FDI, international trade, and national economy on people's standard of living in different ASEAN member countries. The socio-economic and political context of each country may differ, which could impact the findings of the study.

Lastly, the availability and quality of data on FDI, international trade, national economy, and HDI might

differ between ASEAN member countries. This could lead to inconsistency and inaccuracy in the results obtained.

6.3 Recommendations

Based on the findings of the research paper "The impact of FDI, international trade, national economy on people's standard of living in Asean member countries", the following recommendations can be made:

Encourage FDI in a balanced way: The study revealed that FDI doesn't have much impact on the standard of living in developing countries. Therefore, Governments in Asean member countries should not rely solely on FDI as a means to improve people's lives and should focus on implementing policies that promote sustainable economic development. Furthermore, in developed countries, the negative impact of FDI highlights the need for careful monitoring of FDI inflows and promoting policies that balance the benefits of FDI with the protection of domestic industries.

Promote import-oriented trade policies: The research paper found that imports have a positive effect on the standard of living, while exports have a negative effect. Therefore, governments should promote import- oriented trade policies that focus on importing goods and services that are necessary for economic development and improving the standard of living of their citizens.

Promote economic growth: The national economy has a positive impact on the standard of living. Governments should implement policies to promote economic growth, such as investing in infrastructure, education, and healthcare, to improve the standard of living of their citizens.

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