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Foreign direct investment (FDI) is a way of choice for many developing countries. As a consequence, factors drawing in an FDI, including economic infrastructures, are importance. These economics infrastructure can broken into the systems of public utilities and telecommunications. The purposes of this study are to find out the role of the telecommunications system to attract FDI, and to compare their relative importance of the telecommunications system and public utilities system in inducing an FDI into a given province.

The study employs the Cointegration and Error Correction Model (ECM) techniques. Areas of the study include 9 provinces from the Central, the North, and the South and are subdivided according to their relative rates of growth. The period of study is from 1982 to 1994. The result on the importance of the telecommunications system to FDI is inconclusive since only in a few provinces that telecommunications is found to have an effect in attracting FDI. On the other hand, public utility is found to be positively related to FDI in almost all provinces. On a statistical front, it has been observed that several predetermined factors in the respective cointegration equations have displayed a significant long-run equilibrium relationship with FDI. In the short-run, the ECM method points out that changes in those factors not covered in the respective equations would not alter their long-run equilibrium positions.

Even with a problem of multicollinearity in several predetermined factors, the result of the study is conclusive. In any event, it is still necessary that adequate public utilities are to be provided if FDI is desired, while telecommunications services need to be simultaneously expanded. This will become a basic infrastructure to pave the way for building up the rest of the country to be the place we would hope them to be.

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