



FDI INFLOWS IN ASIA : A STUDY ON CHINA & MALAYSIA'S

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**Submitted in Partial Fulfillment of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

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MAY 2008

ACKNOWLEDGEMENT

First and foremost, all praises to the almighty ALLAH, the most merciful and the most benevolent for His blessing and compassion for making this challenging journey in completing this research paper as one valuable experience. It would be impossible for me to have spent the time to complete this study without the grace and help of ALLAH S.W.T.

My warmest gratitude is especially dedicated to En. Kamal Fahrulrazy Bin Rahim as I am greatly indebted for his constructive comments, advice, encouragement, help and support in which somehow inspired me upon the completion of my research paper. How can I thank you more. I am truly grateful for all your guidance.

I would like to convey my earnest and sincere appreciation to En. Muhamad Sukor Bin Jaafar who have helped me to understand the very nature of research, and for always being there for me to guide me and support me with his wide and broad knowledge. I thank you for enlighten me with your editorial guidance and for the best support you have offered me.

I wish to express my thankfulness to En. Hassan Bin Ibrahim and En. Dziauddin Bin Sharif as Economics lecturers for their theoretical teaching, motivation, critical views and discussions that had somehow enriched this work. I am truly indebted for all of your economics point of views. Without them this research paper would not be a success.

My many thanks are also dedicated to En. Mohd Fauzi Bin Hussain and his effective team at Bank Negara Malaysia's library for their excellent assistance upon completion of this research paper.

I am grateful to my classmates, friends and everyone who had directly and indirectly helped me making this research paper such an excellent reward for me. I thank them all for their thoughtful reminders and comments.

Above all, my special and heartfelt thankfulness are dedicated to my beloved family especially to my parents, En. Mohd Raidzuan Bin Mat Isa and Pn. Junaidah Binti Zainoden for their endless support, sacrifices, understanding, love and care during all this time upon completion of this research paper. To Nabila, Hafidz and Ariff, thanks for being my rock when I am in need for your supports. This has been a rewarding journey for me with all of your faith in me and continuous encouragement. I thank you with all my heart.

Thank you.

TABLE OF CONTENTS

	Page
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	iii
LETTER OF TRANSMITTAL	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vii
LIST OF TABLE	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii
CHAPTER 1 – INTRODUCTION	
1.0 The Current Status-Quo of China and Malaysia's FDI Inflows	1
1.1 Background of the Study	3
1.2 Problem Statement	6
1.3 Research Questions	7
1.4 Objectives of Study	7
1.5 Significant of Study	7
1.6 Scope of Study	8
1.7 Limitation of the Study	9
1.8 Definition of Term	11
1.9 Summary	12

ABSTRACT

Motivated by the macroeconomic factors that contribute towards the inflows of FDI into China and Malaysia, this study empirically examined the correlation of the macroeconomic determinants of FDI between the two countries by using the annual time series from 1970-2006. Furthermore, this paper also attempted to study the similarities between Malaysia and China based on their relationships of FDI inflows and macroeconomic variables namely the market size of the host country (GDP), the economic growth, the inflation rate and also the exchange rate. Using the multiple linear regression analysis as part of the methodology approach, this study explained the relationships and dynamic association that exist between the independent and dependent variables.

From the result findings, it can be seen that both countries had some similarities in terms of the relations it has on FDI inflows and the market size (GDP), economic growth, and also the exchange rate. However, this study had unexpectedly found that there was no significant relation between inflation and FDI inflows in Malaysia whereas in China there was a significant relation between inflation and FDI inflows. As expected, the exchange rate also contributed towards the inflows or influx of FDI into the host countries. Exchange rate somehow had a significant negative relationship towards the FDI inflow. Therefore, there were some similarities and differences found in this paper between Malaysia and China's determination of FDI inflows when looking at the macro economic variables context as analyzed in this study.