

**TRADE OPENNESS IMPACT ON ECONOMIC GROWTH IN
DEVELOPING SOUTH EAST ASIA COUNTRIES :
MALAYSIA AND THAILAND**

SHAHRIDAH BINTI SAIDIH

2011120637

**Submitted in Partial Fulfillment of the
Requirement for the
Bachelor of Business Administration with Honours (Economy)**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
SABAH**

JUNE 2014

ACKNOWLEDGEMENTS

Alhamdulillah, praises to Allah for the blessings in completing this study. With a humbleness and depth thanks I would like to acknowledge the support of persons whose helps in completing this thesis from the beginning until end.

First and foremost I would like to express gratitude to my main advisor, Tuan Haji Waji Ismail who has been helping a lot in conducting my research. Instead of that, with a great endeavors, infinite guidance and critique from my lecturer, this study can be done properly and smoothly. With all the knowledge of econometrics and Eviews from our lecturer also I am able to rectify mistakes and problems that arise in during the study. Moreover, I am also would like to special thanks to the second examiner Dr. Ting Siew King for the good reviews and comments about my paper especially my findings in chapter four. Thus, with all the comments I am able to rectify my paper from the mistakes.

Apart from that, a very special thanks to my parents and siblings which become the backbone for my spirit and encouragement in supporting me completing the task well. Additionally, I am gratitude to my friends from Bachelor in Business Administration with Honours (Economy), Rosfadzila Abd. Sait, Dyg. Nazathul Shuziani Bt. Awg. Hep and Farah Binti Ladis helping me in understanding more on statistics and econometrics. I would like also to thanks for those who directly and indirectly contributed in this study, yours kindness really brings a plenty meanings to me.

TABLE OF CONTENTS

<u>PARTICULARS</u>	<u>PAGE</u>
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv-v
TABLE OF CONTENTS	vi-vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
CHAPTER 1 : INTRODUCTION	
1.1 BACKGROUND OF THE STUDY	1-2
1.2 PROBLEMS STATEMENT	3-4
1.3 OBJECTIVES OF THE STUDY	5
1.4 SIGNIFICANCE OF THE STUDY	5-6
1.5 SCOPE OF THE STUDY	6-7
1.6 LIMITATIONS OF THE STUDY	7-8
CHAPTER 2 : LITERATURE REVIEW	
2.1 INTRODUCTION	9
2.2 LITERATURE REVIEW	9-10
2.2.1 Openness	10-13
2.2.2 Foreign Direct Investment (FDI)	13-15
2.2.3 Gross Fixed Capital Formation (GFCF)	16-19
2.3 THEORY	20
2.4 CONCEPTUAL FRAMEWORK	21-22
2.5 CONCLUSION	22
CHAPTER 3 : DATA AND METHODOLOGY	
3.1 INTRODUCTION	23
3.2 RESEARCH DESIGN	24
3.3 DATA COLLECTION	24-25

3.4	DATA ANALYSIS	25
	3.4.1 Multiple Linear Regressions	26
	3.4.2 T- Statistic	27
	3.4.3 F-Statistic (F-Test)	27-28
	3.4.4 Unit Root Test (Augmented Dickey-Fuller)	28
	3.4.5 Multicollinearity Test (VIF)	29
	3.4.6 Autocorrelation test (Durbin - Watson <i>d</i> test)	29-30
	3.4.7 Granger Causality Test	30
3.5	STATISTICAL SOFTWARE	31
	3.5.1 E-VIEWS	31
3.6	GENERAL HYPOTHESIS	31-33

CHAPTER 4 : FINDINGS

4.1	INTRODUCTION	34
4.2	ANALYSIS OF THE RELATIONSHIP AND THE SIGNIFICANT OF VARIABLES BETWEEN OPENNESS, FDI AND GFCF WITH ECONOMIC GROWTHS (GDP)	34-40
4.3	ANALYSIS OF THE STATIONARY AND NON STATIONARY OF EACH VARIABLE BETWEEN MALAYSIA AND THAILAND.	40-42
4.4	MULTICOLLINEARITY TEST	42-43
4.5	AUTOCORRELATION TEST	43-44
4.6	GRANGER CAUSALITY TEST	44-45

CHAPTER 5 : CONCLUSION

5.1	INTRODUCTION	46
5.2	DISCUSSION	46-48
5.3	RECOMMENDATIONS	48-49
	REFERENCES	50-54
	APPENDICES	55

ABSTRACT

Trade openness has become vital in the development process of a nation nowadays. It has become important elements in helping poverty eradication, enhancing revenues and social welfare of a country. In the meantime, it also becomes necessary in measuring the continuous growth of an each countries in ensuring the level of income able to cover outflows. Nevertheless, most of the economists globally finding and adopting effective techniques in fundamental of amplifying and sustaining the economic growth. Therefore, this paper is conducting to determine the trade openness impact on economic growth in developing south East Asia countries of Malaysia and Thailand by implementing Marelli and Signorelli (2011) methods of openness, foreign direct investment (FDI) and gross fixed capital formation (GFCF) of the data from 1983 to 2012. Additionally, by adopting these variables the significant relationship and stationary or non-stationary will be estimated. The dependent variable used is gross domestic product (GDP) as indicator to the economic growth. In which changes of the GDP is due to the changes in the inputs of openness, FDI and GFCF.