



**DETERMINANTS ON BALANCE OF TRADE:
A COMPARISON BETWEEN MALAYSIA AND CHINA**

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“DECLARATION OF ORIGINAL WORK”

I, Nabila Binti Ismail, (I/C Number: 930915-10-6016) and Siti Nor Farhanim Binti Mohmad Yusof, (I/C Number: 931024-10-5532).

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for the degree or any other degrees.
- This project paper is the result of my independent work and investigations, except where otherwise stated.
- All verbalism extract have been distinguished by quotation and sources of my information have been specifically acknowledge.

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LETTER OF TRANSMITTAL

July 2016

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Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**DETERMINANTS ON BALANCE OF TRADE: A COMPARISON BETWEEN MALAYSIA AND CHINA**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours sincerely,

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Bachelor of Business Administration (Hons) Finance

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ABSTRACT

The importance of the trade balance is to determine the sound financial structure of a country. In fact, trade balance is also one of the main contributors towards the strength or weakness of the country's economy growth. Therefore, this research is attempting to examine the relationship between exchange rate, foreign direct investment and gross domestic products with trade balance in both Malaysia and China. Statistical technique of Multiple Linear Regression was applied in this research by using annually time series data for the period of 1984 to 2013 in order to investigate the most significant factor that affecting the balance of trade in Malaysia and China. The result revealed from this research indicates that there is a positive significant relationship between gross domestic product and trade balance for both Malaysia and China while there is a negative significant relationship between foreign direct investment with trade balance in Malaysia and insignificant relationship between foreign direct investment with trade balance in China. In addition, the result for the real effective exchange rate and trade balance for both countries which is Malaysia and China showed the insignificant relationship between these variables. Last but not least, the gross domestic product is the most influential factor that affecting the balance of trade in Malaysia and China.