



**INWARD FOREIGN DIRECT INVESTMENT AND
EXPORT IN ASIAN COUNTRIES:
A CAUSAL RELATIONSHIP**

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ABSTRACT

This study examines the causal relationship between inward foreign direct investment (FDI) and exports in ASIAN countries in the case of Malaysia, Thailand, Singapore and China. The empirical study is based on simple Granger-causality approach in order to determine the causal relation either FDI inward promotes exports or exports encourage inward FDI over the period 1970-2005. The variables used in this study are inward FDI and exports of the selected ASIAN countries. The findings of this study are there is a causal relationship where an export stimulates FDI in case of Malaysia. The study also found that, for Singapore there is one way complementary causal link between FDI and exports at lag 3. However, export encourage FDI occurred at lag 1 and 2. In case of Thailand, there is a causal relationship between export and FDI. The last result showed that for China, there is one way complementary causal link between FDI and export at lag 3 and a causal link from export to FDI at lag 1. All the result is significant but less contribution as compared to other independent variables.