



**THE EFFECT OF FOREIGN DIRECT INVESTMENT ON
GROSS DOMESTIC PRODUCT, EXCHANGE RATE AND
TRADE BALANCE IN CHINA**

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ABSTRACT

Foreign Direct Investment (FDI) has played a very important role in determining the economic growth of the countries of China. This study is carried out in order to determine the effects of foreign direct investment on gross domestic product, exchange rate and trade balance in China. The main objectives of this study are to examine whether FDI gives an impact to the gross domestic product, exchange rate and trade balance in China.

The sample is taking from 1984 to 2004 and focus in China especially. Multiple Regression Analysis is used to investigate the relationship between FDI and gross domestic product (GDP), exchange rate and trade balance in China. The study finds that the gross domestic product (GDP), the exchange rate and trade balance have positive effect and significantly to FDI economy.

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