

FOREIGN DIRECT INVESTMENT IN A DEVELOPING ECONOMY:  
THE MALAYSIAN PERSPECTIVE

By

DEVAN IYAVOO

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(Name) : \_\_\_\_\_  
(Penyelia Utama/Principal Supervisor)

Tandatangan   
(Signature) : \_\_\_\_\_

Nama **PROF. MADYA DR. DAWOOD  
M. MITHANI**  
(Name) : \_\_\_\_\_

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## **ABSTRAK**

*Objektif kajian ini bertujuan untuk menyelidik dan mengkaji arah aliran Pelaburan Asing Terus (PAT) ke Malaysia dan juga ASEAN dalam jangka waktu 1985 hingga 1999.*

*PAT dikaji berlatarbelakangkan ilmiah dan kajian statistik. Regresi linear mudah dan ujian ANOVA digunakan untuk menganalisa data-data yang dikumpul. Keputusan kami mendapati bahawa arah aliran pelaburan awam dan swasta meningkat. Walaubagaimana pun, pada tahun 1999, pelaburan swasta melebihi pelaburan awam di Malaysia. Selain daripada itu, pembolehubah-pembolehubah makroekonomi seperti KDNK, peluang pekerjaan eksport didapati meningkat secara positif berbanding dengan PAT.*

*Daripada kajian ini, saranan-saranan positif dikemukakan untuk menggalakkan aliran masuk PAT ke Malaysia seperti mengekalkan kestabilan harga, memantapkan pembolehubah-pembolehubah makroekonomi serta keberkesanan jentera tenaga kerajaan dalam usaha untuk meningkatkan perkembangan ekonomi negara.*



## ABSTRACT

*The objective of the study is to investigate and analyze the trend pattern, determinants and impact of FDI in Malaysia vis-à-vis in ASEAN settings over the period of 1985 to 1999.*

*The theoretical underpinning of the FDI role in Malaysia is explored as background of the study. The empirical study was carried out by linear regression model (OLR) and tested with ANOVA method. Our results show an increasing trend of public and private investment in the country over the years. However, the growth of private investment in the flow of FDI has out paced the rise in public investment, 1992 onwards. The macroeconomic variables such as GDP, GNI, employment and exports are found to be positively influenced by the growth of FDI in Malaysia.*

*FDI is an engine of growth for the Malaysian economy. For sustained flow of FDI, we suggest the policy-makers should maintain price stability and macro-economic balance with effective policy measures combined with good governance and accelerating growth rate of the economy.*

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Devan Iyavoo

*Tribute to my late father, K Iyavoo whose dreams will always be on my mind.*

*It's the ties that bind,  
And our knots are forever, dear father,  
I love you.*

*Devan Iyavoo*

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## **LIST OF ABBREVIATIONS**

<b>BOP</b>	Balance of Payments
<b>CA</b>	Current Account
<b>EMP</b>	Employment Rates
<b>EXP</b>	Export Volume
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>IMF</b>	International Monetary Fund
<b>PBI</b>	Public Investment
<b>PFI</b>	Portfolio Investment
<b>PVI</b>	Private Investment
<b>UR</b>	Unemployment Rate
<b>WTO</b>	World Trade Organisation



**CHAPTER 1**  
**INTRODUCTORY**

Although Asia is diverse in culture and history, it has many common business and political environmental features. Richard Stubbs (1998), on this ground, rightly stated that it is possible to identify the typical business characteristics of East and South East Asia in the market economy of the region as Asia-Pacific capitalism. In these days of interdependent global economic environment, it is impossible to discuss an Asian model of business growth that is divorced from Asia's integration and its dependency upon global market forces and the influence of foreign capital and foreign business strategies.

**1.1 Introduction: Problem Statement**

In recent years in most developing economies, foreign direct investment (FDI) has assumed a significant role in their development and industrial growth process. Particularly in the ASEAN region, its business growth model

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