

THE DETERMINANTS OF INWARD FOREIGN DIRECT INVESTMENT: THE CASE OF MALAYSIA

Yong-Ting Aw

BDO Kendalls, Australia

Tuck-Cheong Tang

Monash University Sunway campus

ABSTRACT

This study empirically explores the role of corruption, and the impact of China joining the WTO in 2001 on inward foreign direct investment (FDI) in Malaysia. From the empirical tests, this study suggests:- (1) FDI and its determinants are cointegrated; (2) Openness, interest rate, inflation rate, the joining of China into the WTO, and the level of corruption are the major determinants explaining inward FDI in Malaysia, both in the long-run as well as short-run. In general, these findings do provide the policymakers with empirical information about the policy formation on the variables those stimulating FDI in Malaysia.

Keywords: Corruption; Foreign Direct Investment; Malaysia.