ABSTRACT

Title: Influence of Selected Macroeconomic Variables on Foreign Direct Investment Flows in China and Other Asian Economies

Researcher: Yan Zhong Liang < Prince>

Adviser: Ruben M. Nayve Jr, PhD

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Summary

Foreign direct investments have grown impressively over the years, outpacing world output by as much as four times in the most recent years. From a mere 57 million USD, FDI inflows in China stood at a whopping 60.6 billion USD in 2004. The popularity of FDIs is due primarily to their ability to fill resource gaps and generate employment. Largely viewed as an engine of growth, efforts to attract FDI inflows have become one of the top priorities of developing countries.

This study examines the influence of selected macroeconomic variables on Foreign Direct Investment Flows in China and other Asian economies for the period 1980-2004.

The study will use both the descriptive and historical approaches. Descriptive research is design to answer questions about the current state of affairs. On the other hand, historical research can be either quantitative or qualitative. Over the course of the study, the researcher shall use secondary data or data gathered from secondary sources.

The researcher's recommendations that

Both the ANOVA results and the analysis of trends indicate that the variables vary across the countries under study.

Since the results of this study reveal that some economies under study are interlinked with China through China's cross-border investments, then each of these markets should closely examine their production and resource linkages with China.

The results of this study also reveal that apart from FDI flows from China, there are other macroeconomic variables that significantly influence FDI flows in non-China Asian economies.

Since FDI flows in Singapore and Thailand have investment-creation effects on China, then China should maximize its production and resource linkages with these two economies.

Since China's growth rate is also a significant influence on FDI flows in the country, it should try to adopt policies that will enhance its economic performance.

The researchers conclude that:

There are significant differences in all the variables examined in this study across countries.

The analysis of the trends exhibited by the different variables examined for each country reveals that most countries, with the exception perhaps of China, has suffered from the Asian financial crisis in 1997, and the global economic slowdown of 2001.

The regression results reveal that FDI inflows in China seems to be diverting investments away from Thailand, while FDI flows in China have investment-creation effects on Korea and Singapore.

Economic performance in terms of GDP growth and per capita GDP are significant influences on Korea, and Thailand (GDP growth), and Malaysia (per capita GDP).

On the other hand, FDI inflows in South Korea, Singapore, and Thailand significantly affect FDI inflows in China.

China's growth rate is a significant influence on FDI flows in the country -- higher GDP growth attracts more FDI flows.

Based on the results of the study, the following are recommend:

De La Salle University – Dasmariñas
GRADUATE PROGRAM

Influence of Selected Macroeconomic Variables on Foreign Direct Investment Flows in China and Other Asian Economies

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Yan Zhong Liang

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TABLE OF CONTENTS

List of Tables

De La Salle University – Dasmariñas
GRADUATE PROGRAM

List of Figures

List of Appendices