

## Abstract

An empirical study of 59 companies at Shah Alam and Petaling Jaya Industrial Estates examined the determinants of foreign direct investment (FDI) in Malaysia. Also, issues regarding the importance of fiscal incentives and disincentives and some economic impact of FDI were highlighted. The results showed that the most important priorities for investment in Malaysia are political stability, access to markets, and the economic status of Malaysia. Export-oriented firms considered all five aspects of political stability as significant. Other investors were only concerned with some of these factors.

In access to markets category, export-oriented firms were concerned with production for home and third countries, while the Malaysian market was cited as important by other investors.

Newly Industrialising Countries and food and beverage industry considered size, growth, and infrastructure facilities as significant. Japanese companies, electrical and electronic industry (it also includes other industries categorized under industry 38), and export-oriented companies were concerned with infrastructure facilities and cheap land. Local-market oriented firms cited size and growth as significant. To some extent, domestic prices and exchange rates were significant. With regard to factors of production, all three variables of human resources were cited as significant by investors.

Among fiscal incentives and disincentives, tax and trade

