

## **CHAPTER 1**

### **INTRODUCTION**

The Malaysian economy have been achieving an average Gross Domestic Product of 8% for the past 5 years. Many factors have been said to contribute to this phenomenon but the one that almost always get mentioned is the influx of foreign direct investment.

According to the Ministry of International Trade and Industry, total investments approved from 1991 to 1994 amounted to RM95 billion. A total of 871 projects were approved by Ministry of Industrial Development Authority in 1994 and of these, 368 projects or 42.3% will be joint ventures between local and foreign investors whilst 277 projects or 31.8% will be wholly foreign-owned. Of the 368 proposed joint ventures, the equity structure in 197 projects or 53.5% will have local majority and 13 projects or 3.5% will have equal local and foreign equity. (Source : News Straits Times dated 21st January 1995)

Much concern have been voiced by researchers on the impact of foreign investments on the host economy. Some argued that foreign investments augurs well for the host country whilst others cautioned the effectiveness of the assistance provided by the foreign firms. As will be discussed later, there are numerous issues linked to impact of foreign investors or multinational enterprises (MNEs) on both the host and home economies.

One of the most important issue is the purchasing practices of the foreign owned firms. It has been said that the foreign firms need not necessarily contribute towards the development of local industries of the host countries. This study aims to give further insight on this issue within the context of the Expanded Polystyrene (EPS) industry in Malaysia.

In Chapter Two, a literature review on the issue of foreign firms' purchasing policies is discussed. Statement of objectives and research methodology can also be found in this chapter.

An introduction on the Malaysian EPS industry and its development is presented in Chapter Three.

The findings of this research can be found in the Chapter Four with the conclusion of this research ending in Chapter Five.