

**FOREIGN DIRECT INVESTMENT, EXPORTS AND MACROECONOMIC
PERFORMANCE IN MALAYSIA: A CAUSALITY ANALYSIS**

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Abstract

This study explores the causal link among foreign direct investment (FDI), exports and domestic growth in Malaysia using quarterly data from 1980 to 2000. This is to ascertain the importance of development strategies and its impact on economic growth. Based on Toda and Yamamoto's (1995) Granger notion of non-causality, the findings reveal that growth is determined by FDI and exports. It also suggests an export-driven FDI nexus in Malaysia.

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List of Abbreviations

ADF	= Augmented Dickey Fuller
BNM	= Bank Nasional Malaysia (Central Bank of Malaysia)
DF	= Dickey Fuller
ECM	= Error correction mechanism
ELG	= Export-led growth
EP	= Export promotion
FDI	= Foreign direct investment
FLG	= FDI-led growth
IMF	= International Monetary Fund
IS	= Import substitution
J & J	= Johansen and Juselius
LDCs	= Less Developing Countries
LR	= Likelihood ratio
MNCs	= Multinational corporations
MWALD	= Modified WALD
NDP	= National Development Policy
NEP	= New Economic Policy
NICs	= Newly Industrializing Countries
NVP	= National Vision Policy
PP	= Philips Perron
SUR	= Seemingly Unrelated Regression
TFP	= Total factor productivity
TNCs	= Transnational corporations
VAR	= Vector autoregressive
VECM	= Vector error correction mechanism