Inward FDI from ASEAN and Its Implication on Malaysian Manufacturing Sector

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ABSTRACT

Regional FDI or South-South FDI refers to the inflows of FDI from developing countries to another developing country; and it is gaining importance and is growing over time. This can be observed from the increasing amount of outward FDI from developing countries. Without exception, the ASEAN region is also contributing more to outward FDI. While there is an abundance of researches dealing with the inflows of FDI from developed countries into developing countries, in particular into ASEAN countries, less attention has been paid on the FDI from developing countries. As a large chunk of FDI from ASEAN goes into ASEAN neighboring countries, it is the aim of this study to investigate the impact of intra-ASEAN inward FDI on Malaysian manufacturing sector.

Keywords: Intra-ASEAN; FDI; Manufacturing sector

INTRODUCTION

Attracting inflows of foreign direct investment (FDI) is a very important economic policy to many countries, may they be developing or developed countries. Without exception, Malaysia has been actively promoting a conducive domestic business environment in order to attract FDI inflows as well as to retain the existing ones from fleeing away to other competing locations such as China, Vietnam and Cambodia. As a result, as we can observe from Table 1, the FDI inflows into Malaysia have been generally growing in amount and lately ranked

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<td>Singapore</td>
<td>11,503</td>
<td>10,376</td>
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<td>13,930</td>
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<td>Malaysia</td>
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<td>8,403</td>
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<tr>
<td>Indonesia</td>
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<td>-596</td>
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<td>8,337</td>
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<td>Thailand</td>
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<td>1,952</td>
<td>1,414</td>
<td>8,048</td>
<td>9,010</td>
<td>9,575</td>
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<tr>
<td>Vietnam</td>
<td>1,780</td>
<td>1,450</td>
<td>1,610</td>
<td>2,021</td>
<td>2,360</td>
<td>6,739</td>
</tr>
<tr>
<td>Brunei</td>
<td>583</td>
<td>3,123</td>
<td>212</td>
<td>289</td>
<td>434</td>
<td>184</td>
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<tr>
<td>Philippines</td>
<td>1,577</td>
<td>491</td>
<td>688</td>
<td>1,854</td>
<td>2,921</td>
<td>2,928</td>
</tr>
<tr>
<td>Myanmar</td>
<td>318</td>
<td>291</td>
<td>251</td>
<td>236</td>
<td>143</td>
<td>428</td>
</tr>
<tr>
<td>Laos</td>
<td>88</td>
<td>20</td>
<td>17</td>
<td>28</td>
<td>187</td>
<td>324</td>
</tr>
<tr>
<td>Total</td>
<td>28,231</td>
<td>19,664</td>
<td>25,661</td>
<td>39,091</td>
<td>51,243</td>
<td>60,514</td>
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</table>

Note: Figures in [ ] denote ratio of total inward FDI into ASEAN. Figures in ( ) stand for growth rate of inward FDI into ASEAN.

Source: UNCTAD Statistics (UNCTAD, 2010).