DETERMINATES OF THE UNITED ARAB EMIRATES FOREIGN DIRECT INVESTMENT INFLOWS

By

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MASTER OF SCIENCE (FINANCE)

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Universiti Utara Malaysia

By

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UNIVERSITI UTARA MALAYSIA

DECEMBER 2012

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I certify that the substance of this thesis has never been submitted for any degree and for any other qualifications.

I certify that any assistance received in preparing this thesis and all sources used have been acknowledged in this thesis.

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ABSTRACT

The growth of FDI in the world has been significant in recent years. Between 1990 and 2000, the world’s FDI inflows increased more than five times, and after 2000, the world’s FDI inflows have declined. During the period of FDI expansion, growth has been especially strong since 1997. However, most of the FDI transactions were between the developed countries. The distribution of FDI is unequal and less developing countries face difficulties in attracting FDI. Despite the fact that FDI is increasingly important to developing countries, over the past few years, the share of the developing countries in world’s FDI inflows has been declining.

This study investigates the effect of some macroeconomic factors on net foreign direct investment (FDI) inflows in the United Arab Emirates between 2002 and 2011. Its theoretical framework is based on the concept of Adaptive Theory and Market Efficiency Theory. To achieve the objective of this study, time-series annually data are used. Four macroeconomic factors are chosen as FDI determinates in the UAE, which are government development expenditure, saving deposit, inflation rate and export goods and services.

By using regression and correlation analyses, this study found some results which are considered as empirical evidences for future researchers. This study found there is a positive and significant relationship between two of the factors with FDI inflow which are government development expenditure and inflation rate. On the other hand, the other two factors, saving deposit and export goods and services are to have no effect on FDI inflow into the UAE.

Key Words: UAE, FDI inflow, government development expenditure (GDE), saving deposit (SD), inflation rate (INFR) and export goods and services (EXP).
In the name of Allah, the Most Gracious and Most Merciful

First of all, I praise the almighty Allah, who has given me the opportunity to study abroad, and finish a new stage of my life successfully by doing this research. I thank Allah for all his blessings and guidance, which have provided me with strength to face all the tribulations and trials in completing this part of my life. I therefore send my love and gratitude to the ones who really have cared for me, and never stopped supporting me until I reached to where I am now; my parents, all my thanks and love for you both.

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<td>UAE</td>
<td>United Arab Emirates</td>
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<tr>
<td>CB</td>
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<td>FDI</td>
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<td>JAFZA</td>
<td>Jubal Ali Free Zone Area</td>
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<td>GDP</td>
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<td>GNP</td>
<td>Gross national product</td>
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<td>EMP</td>
<td>External market pressure</td>
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<td>GDE</td>
<td>Government development expenditure</td>
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<td>SD</td>
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<td>INFR</td>
<td>Inflation rate</td>
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<td>Export goods and services</td>
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<td>Constant</td>
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<td>Malaysian Ringgit</td>
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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Foreign direct investment (FDI) has always been considered as an essential and critical factor for both private and public sectors particularly in the United Arab Emirates (UAE CB, 2008). The UAE consist of seven states controlled by a local federal government, as follows: Abu Dhabi the political capital of the country, Dubai which is considered as the economical capital, Sharjah, Ajman, Umm Al Qaiwain, Ras Al Khaimah and Fujairah. The UAE’s federal government economic policy is focused more on how to increasing FDI in the country by giving foreign investors incentives, such as tax free rates in some trading zones and, improving and adjusting investment regulations to be more attractive for them (UAE CB, 2009). The UAE, as an oil producing country, has high growth rate compared to the other countries surrounding it in the Middle East, and it’s trying to extend national income by not depending solely on oil (IMF, 2010). The several governmental efforts to developing infrastructure and enhance government development expenditures, have placed the UAE in good position to attract foreign capitals investment in many economic sectors such as tourism (IMF, 2011). For example Dubai currently considered as a very attractive city for tourists in the Middle East (IMF, 2011).

With increased investment in infrastructure, Dubai has managed to build world-class transportation and communications systems, and has one of the fastest growing airports and airlines (JAFZA, 2012). A hundred and forty square-kilometre (Dubai World Central) is being developed to meet the present and future needs of global
The contents of the thesis is for internal user only
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