

TABLE OF CONTENTS

Contents	Page
Thesis Title	i
Declaration	ii
Approval Sheet	iii
Motto	iv
Dedication	v
Acknowledgement	vi
Table of Contents	x
List of Tables	xiv
List of Figure	xv
List of Appendix	xvi
Intisari	xvii
Abstract	xviii

CHAPTER I BACKGROUND

1.1 Introduction	1
1.2 Statement of the Problem	5
1.3 Importance of the Research	6
1.4 Objective of Research	6
1.5 Organization of the Research	7

CHAPTER II

LITERATURE REVIEW AND RESEARCH METHODOLOGY

2.1. Literature Review	8
2.1.1. Earlier Empirical Studies	8
2.1.2. Theory of Foreign Direct Investment (FDI)	13
2.1.2.1. Industrial Organization theory	13
2.1.2.2. Internalization Theory	15
2.1.2.3. The Eclectic Approach	16
2.1.2.4. The Product Life Cycle Theory	17
2.1.3. Hypotheses	18
2.2. Research Methodology	18
2.2.1. Data Used	18
2.2.2. Basic Model	19
2.2.3. Analysis Methodology	23

CHAPTER III

OVERVIEW OF THE ECONOMIC PERFORMANCE IN CAMBODIA

3.1. Location and Area	25
3.2. Cambodian Economic Development	26
3.2.1. Economic Growth and Economic Sectors Development	26

3.2.2. Interest Rate	29
3.2.3. Trade Performances	31
3.2.4. Development of Foreign Direct Investment	33
3.3. Results Analysis	37
3.3.1. Variable Definitions and Data Sources	37
3.3.2. Cointegration Approach and Error Correction Model	39
3.3.2.1. Testing for Unit Root	40
3.3.2.2. Testing for Degree of Integration	42
3.3.2.3. Testing for Cointegration	43
3.3.2.4. Stability Test	44
3.3.2.5. Estimation Results	47
3.3.2.6. Statistical Test	49
3.3.2.6.1. <i>t</i> -test	49
3.3.2.6.2. <i>F</i> -test	50
3.3.2.6.3. Goodness of Fit test (R^2)	51
3.3.2.7. Classical Assumption Test	51
3.3.2.7.1 Normality Test	52
3.3.2.7.2. Linearity Test	53
3.3.2.7.3. Heteroscedasticity Test	53
3.3.2.7.4. Autocorrelation Test	54

3.3.2.8. Empirical Estimation: ECM and I-ECM	56
3.3.2.8.1. The Short Run ECM and I-ECM Estimations	57
3.3.2.8.2. The Long Run ECM and I-ECM Estimations	60

CHAPTER IV

CONCLUSION AND RECOMMENDATION

4.1. Conclusion	62
4.2. Recommendation and Policy	64
BIBLIOGRAPHY	66
APPENDICES	75

LIST OF TABLE

Table 1.1:	FDI Share of GDP from 1992-2000	3
Table 3.1:	Real GDP and Growth Rate of GDP in Cambodia at Constant 1993 Price and Share Sectors of GDP (1993-2001)	27
Table 3.2:	SIBOR/Domestic Interest Rate	30
Table 3.3:	Export, Import and Trade Balance: 1993-2001	32
Table 3.4:	Foreign Direct Investment Inflows to Cambodia	35
Table 3.5:	Testing for Unit Root $I(0)$	41
Table 3.6:	Testing for Degree of Integration $I(1)$	42
Table 3.7:	Testing for Cointegration	44
Table 3.8:	OLS ECM and I-ECM Estimation	48
Table 3.9:	Normality Test	52
Table 3.10:	Linearity Test	53
Table 3.11:	Heteroscedasticity Test	54
Table 3.12:	Autocorrelation Test	56
Table 3.13:	Short-Run ECM and I-ECM Estimations	58
Table 3.14:	Long-run ECM and I-ECM Estimations	60

LIST OF FIGURE

Figure 3.1:	Real GDP and Growth rate of GDP in Cambodia at Constant 1993 Price (1990-2001)	28
Figure 3.2:	FDI trend and economic growth (1990-2000)	36
Figure 3.3:	Stability Test of The ECM	45
Figure 3.4:	Stability Test of The I-ECM	46

LIST OF APPENDIX

Appendix 1:	Analysis Tool	75
Appendix 2:	Raw Data	109
Appendix 3:	Unit Root Test	110
Appendix 4:	Testing for Degree of Integration	112
Appendix 5:	Testing for Cointegration	114
Appendix 6:	Results of OLS Estimation	115
Appendix 7:	Results of the ECM Regression	115
Appendix 8:	Classical Assumption Test	116
Appendix 9:	Results of I-ECM Regression	121
Appendix 10:	Classical Assumption Test	122