The Interactive Dynamic Relationships Among Taiwan's Economic Growth, Investment and Export

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ABSTRACT

ABSTRACT This paper studies the dynamic linkage among economic growth, outward foreign directly invest(OFDI), inward foreign directly invest(IFDI) and export, in the case of Taiwan. Economic development is significantly affected by OFDI, providing the policy implication that it is not proper to limit enterprises oversea direct investment. IFDI is beneficial to economy development; implying government should provide more incentive to attract foreign capital to stimulate economic development. Exports also a significant factor for economic development, offering the positive evidence for the impact of export expansion on economic development. The analysis of OFDI shows both economic development and exports play important role on OFDI, implying enterprise has more incentive to conduct outward investment as income and exports increase. Exchange rate does not exhibit significantly impact on OFDI. On contrast, exchange rate is crucial to exports. The depreciation cause more exports activity. One of our important finding is OFDI has positively influence on exports, revealing more OFDI lead to more exports. Finally, we found the level of domestic economic development is the most important concern for IFDI decision. Regarding the second moments analysis, economic growth and OFDI shows GARCH effect. We found the volatility of OFDI has significantly transmission effect on that of economic development. Key Words: OFDI IFDI economic growth export GARCH

Keywords: Economic Growth ; OFDI ; IFDI ; Export ; GARCH

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