MALAYSIA – ASEAN TRADE DETERMINANTS, PATTERNS AND PROSPECTS

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A Project paper Submitted to the Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, in Partial Fulfillment of the Requirements for the Degree Master of Economic
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Abstrak

Kajian ini bertujuan menganalisis faktor-faktor yang memberi kesan terhadap perdagangan antara Malaysia dan negara ASEAN lain dari 1980-2014. Selain Malaysia, negara ASEAN lain adalah Brunei, Indonesia, Thailand, Singapura, Vietnam, Kemboja, Myanmar, Filipina and Laos. Lima ujian punca unit panel yang berbeza (Ujian LLC, Ujian Breitung, Ujian IPS, Ujian F ADS, dan Ujian F-PP) telah dijalankan bagi mengenal pasti isu-isu kepegunan. Hasil ujian punca unit panel menunjukkan kesemua pemboleh ubah pegun pada satu tahap, dan berubah menjadi tidak pegun pada perbezaan pertama. Selain itu, keputusan Ujian Causality Granger menujukkan bahawa dalam jangka pendek, causality satu arah telah dikenal pasti pada Keluaran Dalam Negeri Kasar (KDNK) per kapita dan kadar pertukaran jumlah perdagangan Malaysia antara Malaysia dan negara ASEAN yang lain, serta pada jumlah penduduk ke jumlah perdagangan negara ASEAN lain. Bagi ujian bersama, causality dwiarah telah dikenal pasti pada KDNK per kapita Malaysia, KDNK per kapita negara ASEAN lain, kadar pertukaran Malaysia, kadar pertukaran negara ASEAN lain, jumlah penduduk negara ASEAN lain, jarak antara ibu negara Malaysia dan ibu negara bagi negara ASEAN lain, dan jumlah perdagangan antara Malaysia dan negara ASEAN lain. Dengan kata lain, kesemua pemboleh ubah berbangunan antara satu sama lain. Keputusan model GMM menunjukkan KDNK per kapita Malaysia dan negara ASEAN lain serta kadar pertukaran Malaysia dan negara ASEAN lain adalah positif dan signifikan secara statistik. Walau bagaimanapun, jumlah penduduk negara ASEAN lain tidak signifikan, walaupun pada kadar signifikan 10 peratus. Hubungan jumlah jarak antara ibu negara Malaysia dan negara ASEAN lain juga tidak signifikan. Peningkatan kadar KDNK Malaysia dan negara ASEAN lain serta peningkatan kadar pertukaran mata wang Malaysia dan negara ASEAN lain akan turut merangsang kadar dagangan antara Malaysia dan negara ASEAN lain. Kesimpulannya, peningkatan jumlah jarak antara ibu negara Malaysia dan negara ASEAN lain akan membantu kadar dagangan antara Malaysia dan negara ASEAN lain.

Kata kunci: Dagangan Antarabangsa, Ujian Causality Granger, Model GMM, Malaysia, ASEAN
ABSTRACT

The main objective of this study is to analyze the factors that effect Malaysia – ASEAN trade during 1980 – 2014. The (9) ASEAN countries such as Brunei, Indonesia, Thailand, Singapore, Vietnam, Cambodia, Myanmar, Philippines and Lao PDR. There are five different panel unit root test have been applied to check the stationarity issues the five test are {LLC test – Beritung test - IPS test – F ADS test – F-PP test}. The results of panel unit root tests shows that all the variables are stationary at level and become non-stationary at first difference. In addition, results of Granger causality suggested that in the short run unidirectional Granger causalities were found to be running from per capita GDP and exchange rate of Malaysia total trade between Malaysian and other ASEAN countries, as well as from total population of other ASEAN countries to total trade. For joint tests, bi-directional causalities were observed between per capita GDP of Malaysia, per capita GDP of other ASEAN countries, exchange rate of Malaysia, exchange rate of other ASEAN countries, total population of other ASEAN countries, distance between capital of Malaysia and capital of other ASEAN countries and total trade between Malaysia and other ASEAN countries. In other words all the variables are reliant to each other. The results of GMM model show that per capita GDP of Malaysia and other ASEAN countries as well as exchange rate of Malaysia and other ASEAN countries are positively and statistically significant. However, total population of other ASEAN countries is insignificant even at 10 percent level of significant. Similarly, total distance between capital of Malaysia and other ASEAN countries is negatively significant. An increase of Gross Domestic Product (GDP) of Malaysia and other ASEAN countries as well as exchange rate of Malaysia and other ASEAN countries will increase it will also boost the trade between Malaysia and other ASEAN countries. Consequently, increase the distance between capital of Malaysia and other ASEAN countries will decrease the trade between Malaysia and other ASEAN countries.

Keywords: International Trade, Granger Causality, GMM model, Malaysia, ASEAN
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Everlasting love.
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>GMM</td>
<td>Generalized Method of Movement</td>
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<tr>
<td>OLS</td>
<td>Ordinary Least Square</td>
</tr>
<tr>
<td>MCA</td>
<td>Malaysian Chinese Association</td>
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<tr>
<td>NEP</td>
<td>New Economic Policy</td>
</tr>
<tr>
<td>NEM</td>
<td>New Economic Model</td>
</tr>
<tr>
<td>NDP</td>
<td>New Development Policy</td>
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<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>AFAS</td>
<td>ASEAN Framework Agreement on Services</td>
</tr>
<tr>
<td>AIA</td>
<td>ASEAN Investment Area</td>
</tr>
<tr>
<td>DOTS</td>
<td>Direction of Trade Statistics</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization of Economic Co-operation and Development</td>
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<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>2SLS</td>
<td>Two Stage Least Square</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>SADC</td>
<td>South Africa Development Community</td>
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<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SBC</td>
<td>Schwarz Bayesian Criterion</td>
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<tr>
<td>CLRM</td>
<td>Classical Linear Regression Model</td>
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<tr>
<td>CD</td>
<td>Cross Dependency</td>
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<td>LLC</td>
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CHAPTER ONE

INTRODUCTION

➢ Organization of studies:-

The chapter begins with the background of the study under section 1.1. In this section study explain the importance of international trade towards economic growth and development and role of Malaysian trade with ASEAN countries. The problem of the study is stated under Section 1.2. The problem of the study is stated under Section 1.2. The research questions and objectives have been provided in the Section 1.3 and Section 1.4 respectively. The significance of the study is discussed under Section 1.5 followed by scope of the study under Section 1.6. The structure of the study is presented under section 1.7. Finally, Section 1.8 provides the conclusion of the chapter.

1.1 Background of the Study

International trade have fundamental role in an economic system. The import of raw materials, capital and intermediate goods are always required to enhance the production. The countries want to import these items due to scarcity of these items domestically and foster exports growth. Imports of consumer goods are also required to meet the excess in domestic demand. Export of trade is crucial to meet the required foreign exchange gap and to increase the import capacity. An increase in import capacity boosts the industrialization and overall economic activities, which, in turn, can ensure economic growth.
The contents of the thesis is for internal user only
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