The Nexus between Economic Liberalisation and Economic Growth: Empirical Evidence from ASEAN, China, and India

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Abstract - The main objective of this paper is to examine the impact of economic liberalisation on economic growth. This paper also explores the relationship between trade and financial liberalisation. The analysis focuses on all ASEAN countries as well as China and India. Using the Generalised Method of Moment (GMM) dynamic panel data analysis, this paper finds that economic liberalisation is significantly related to economic growth in ASEAN6 and CLMV. For ASEAN, China, and India as a whole, trade openness has no significant impact on economic growth. However, a strong financial growth nexus exists. In ASEAN6 and CLMV, the results indicate that economic liberalisation leads to economic growth.

Keywords: Liberalisation; Economic Growth; Dynamic Panel Data; ASEAN

1. Introduction

Economic liberalisation has been central in the adjustment policies introduced in developing countries since the late 1970s, mostly in the context of promoting domestic efficiency and productivity as well as to provide a friendlier environment for trade and foreign investment (Fujita & Hu, 2001). As economic liberalisation is the primary driver of economic globalisation, authorities of developing economies are moving towards a more open economy on the basis that liberalisation policies are unable to generate steady increases in income,