



## MALAYSIA AND RCEP COUNTRIES: GAIN OR PAIN?



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### ABSTRACT

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The study analyses the determinants of *Malaysia's export to RCEP* (Regional Comprehensive Economic Partnership) using panel data of 15 countries for the period 1997-2018. The analysis shows that the *Malaysia's GDP and trade openness will increase as export increases. On the other hand, exchange rates have inverse relationship with export. Remoteness, however found to be insignificant to affect the export.* Thus by joining RCEP, Malaysia can look forward to see the growth in its economies as well as attracting more foreign investors into the countries as the economies expanded and become more open. The economic benefit gain from the inverse relationship between export and exchange rate will further placed Malaysia to become more competitive in international markets. In the long run, the lower exchange rate will reduce imports and raise exports to compensate for the increase cost of exports.

**Contribution/ Originality:** This paper is one of very few studies which have investigated the influence of RCEP agreement on Malaysia export. Particularly, it focuses on the performance of Malaysia's export as whether RCEP could promote Malaysia export with its member's countries using gravity model and panel analysis. Despite of some challenges with different ROOs between ASEAN + 1, will Malaysia have a great opportunity in improving its export among RCEP countries.

## 1. INTRODUCTION

Economic integration defines as two countries or a group of countries in a same region together establish a regional trading bloc or economic union by choosing a similar tariff rate for non-members countries as well as to establish open trade opportunity between members countries. Countries act as custom union if they impose common tariff from non-members countries and they get the chance to trade product freely among themselves. Furthermore, members can establish a common market in which countries inside agreement can have free movement of labor and capital if common tariff and free internal trade is achieved between them (Todaro) [1]. Trade liberalization usually occurs in two forums such as multilateral negotiations and free trade agreement (FTA). Basically, FTA eliminate import and export tariff, quotas and prioritize most of the products and services traded among FTA member countries. There are two types of FTA, a party of FTA or two parties known as bilateral FTA. Each party can be a country, trade block or it can be an informal group of nation. On the other hand, if FTA happen to have more than