

THE IMPACT OF MALAYSIAN BILATERAL COOPERATION PROGRAMME ON TRADE

Keywords: Bilateral Trade, Cooperation, Malaysia

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ABSTRACT

The paper investigates the impacts of the Malaysian Technical Cooperation Programme on Malaysia export to countries as Indonesia, Thailand and Phillipines, both empirically and government policies. It empirically focuses on the validity of Malaysian export context with respect to technical assistance under the MTCP to Indonesia, Thailand and Phillipines. In order to achieve this, cointegration techniques and Vector Error Correction Model (VECM) are employed to test long run and short run analysis. The results shows that MTCP affect on the export are country specific, in which it has some significant effect to Thailand and Phillipines. The study suggest that there is a need for a change in the government policy and more promotion on the MTCP to strengthen bilateral cooperation among countries.

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INTRODUCTION

Malaysia has experienced rapid economic growth during the past three decades, accompanied by low inflation, reduced unemployment, falling poverty, reduction in income inequalities, and rising per capita income. The external sector has played a decisive role in Malaysian economic success, contributing significantly to output, employment, and exports. As for the export sector has been at the forefront in transforming the Malaysian economy, it has also made the country highly dependent on the external sector.

The evolution of Malaysia's foreign policy saw the creation of the bilateral technical assistance programme (MTCP) as a vehicle of sharing Malaysia's development experience with other developing countries, especially in areas in which Malaysia had a comparative advantage. It was mainly the part of the strategy and commitment of the Government in promoting the TCDC, strengthen bilateral, regional and sub-regional cooperation, and nurture collective self-reliance among developing countries.