

## **Liberalization of Trade in Malaysia**

By

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For this research study, I am very thankful to my teachers and supervisors for their immense support and help throughout my dissertations. Without their support, the research conducted in this dissertation would not have been possible. I am also thankful to my friends and families who have been a huge source of continuous guidance and inspiration for me throughout my research work.

## **DECLARATION**

I [full first names & surname here], declare that the following dissertation has been made by me without any aid. Moreover, all the information and knowledge collected in this research study had been done through my individual efforts. I also want to declare that all the content present in the dissertation has never been published before. Moreover, the following dissertation will reflect my opinions and views and this will not represent the opinions of any educational institute.

Signature...

Date...

## ABSTRACT

The dissertation aimed to provide significant information related to trade liberalization in Malaysia especially in the automobile industry of the country. The study aimed to analyze the existing competition in the manufacturing industry of automobiles between Malaysia and other ASEAN countries. The research provided an in-depth analysis of the Malaysian exports and examined the current trade policies which are influencing the exports. The study has also analyzed the impacts of trade liberalization policies on the manufacturing sector and its productivity in Malaysia. The improvement of productivity in any sector plays a major role in the economic development of the country. Further, the research explored that competition between Malaysia and ASEAN countries is greatly influenced by the implementation of ASEAN Free Trade Area (AFTA). Besides that, the research also aimed to explore the affects of AFTA on the manufacturing sector of Malaysia and on the automobile industry of Malaysia. Moreover, the growing liberalization of trade, the changing structure of the world demand and competitive pressures in the exports are the most important aspects, which the research study aimed to discuss. The research has utilized qualitative research approach for gathering data for the research which includes both primary as well as secondary data for the research. In order to ascertain the influence of trade liberalization on the automobile manufacturing industry of Malaysia, the researcher has selected qualitative research method. Qualitative research method has been selected by the researcher to collect primary as well as secondary data for the study. Primary data has been collected via interviews. Using random sampling, the researcher approached 7 people to determine whether trade liberalization policies are influencing the manufacturing processes of Malaysia or not. The findings of the research indicated that the trade liberalization policies of Malaysia affect the automobile industry of Malaysia and these policies are also influenced by GATT agreement, rules and regulations of WTO and some others. At the end, the research concluded that trade liberalization policies,

which are external or internal to ASEAN, have significant impacts on the Malaysian economy but still the country is playing a major and significant role in the world trade. It is also successful in promoting trade policies which is totally depend on the competitiveness of manufacturing Sector between the Malaysian economy and the ASEAN countries.

## TABLE OF CONTENT

<i>ACKNOWLEDGEMENT</i> .....	<i>ii</i>
<i>DECLARATION</i> .....	<i>iii</i>
<i>ABSTRACT</i> .....	<i>iv</i>
<i>CHAPTER 1: INTRODUCTION</i> .....	<i>1</i>
<i>Outline of the Research</i> .....	<i>1</i>
<i>Background of the Research</i> .....	<i>1</i>
<i>Research Aims and Objectives</i> .....	<i>3</i>
<i>Research Questions</i> .....	<i>4</i>
<i>Significance of the Study</i> .....	<i>6</i>
<i>Research Justification</i> .....	<i>7</i>
<i>Scope of the Study</i> .....	<i>7</i>
<i>Limitation of the Study</i> .....	<i>8</i>
<i>Structure of the Dissertation</i> .....	<i>8</i>
<i>CHAPTER 2: LITERATURE REVIEW</i> .....	<i>10</i>
<i>Import Restrictions on Motor Vehicles</i> .....	<i>11</i>
<i>World Trade Organization (WTO)</i> .....	<i>12</i>
<i>Malaysia and WTO</i> .....	<i>15</i>
<i>Facilitation of Trade</i> .....	<i>16</i>

<i>Non-discrimination</i> .....	20
<i>WTO Principles on Most Favored Nation</i> .....	22
<i>National Treatment (NT)</i> .....	23
<i>Transparency</i> .....	23
<i>Special and Differential Treatment (SDT)</i> .....	23
<i>Tariff</i> .....	24
<i>The GATTs Agreement</i> .....	24
<i>Trade related to Intellectual Property Rights</i> .....	26
 <i>CHAPTER 03: METHODOLOGY</i> .....	28
 <i>Research Design</i> .....	29
<i>Research Onion Layers</i> .....	30
<i>Research Philosophy</i> .....	31
<i>Research Approach</i> .....	32
<i>Research Strategy</i> .....	33
<i>Time Horizon</i> .....	34
<i>Data Collection</i> .....	34
 <i>Secondary Data</i> .....	35
<i>Primary Data</i> .....	36
<i>Target Population and Sampling</i> .....	36
<i>Instrument</i> .....	37
 <i>Data Analysis</i> .....	38
<i>Ethical Considerations</i> .....	38
 <i>Validity of the Data</i> .....	38

<i>Reliability of the Data</i> .....	39
<i>Possible Outcomes</i> .....	40
 <i>CHAPTER 4: DATA ANALYSIS</i> .....	42
 <i>Interview Findings and Analysis</i> .....	42
<i>Private Car Project</i> .....	43
<i>Manufacturing and Changing Trade Structure of Malaysian Economy</i> .....	45
 <i>CHAPTER 5: CONCLUSION</i> .....	48
 <i>Future research</i> .....	51
 <i>References</i> .....	53

## Liberalization of trade in Malaysia

### **CHAPTER 1: INTRODUCTION**

#### ***Outline of the Research***

The following dissertation is based on the topic “Liberalization of trade in Malaysia”; the first chapter of thesis provided an introduction to the research topic, background of the study, aims and objectives and also the purpose of the research study. The second chapter of the thesis provided detailed review of literature and it illustrated and analyzed the previous researches, which have been conducted so far, related to the dissertation topic. The third chapter of the research study was based on the methodology, which the researcher used for the proposed dissertation. The fourth chapter of the dissertation analyzed the data and presented findings and discussion on the research topic. The fifth and final chapter of the research had provided conclusion, recommendations and also future implications of the proposed research study.

#### ***Background of the Research***

During the past three decades, the economic development of Malaysia has increased at a very fast pace; this growth has accompanied by reduced unemployment, falling poverty, low inflation, rising per capita income and reduction in income inequalities. In the success of the Malaysian economy, the most important and decisive role has been played by the manufacturing sector which has also made significant contribution towards employment, exports and output of the country<sup>1</sup>. On the other hand, export sector is also at front position in transforming the economic

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<sup>1</sup> Al-Amin, A., Siwar, C., & Jaafar, A. (2007). Trade Liberalization and Environment: Malaysian Development Strategy.

situation of the country and the export sector has also made the country highly dependent on the buoyancy of the external sector.

Malaysian trade has experienced great instability since 1947 and it has been traced since that time. There is also high instability in Malaysian export earnings during that time due to high degree of trade dependence. Later on, government has decided to diversify the economy in 1970's and announced an active policy of "Import Substitution" which has not only emerged the economic development of the country but entirely eliminated this crisis from the country. The Malaysian government has very strictly followed these policies and achieved sustainable growth in economic development of the country from 1970 to so far<sup>2</sup>. The recession period in the mid of 1980s and in 1997 had minute effects on the economic development of the Malaysia and the country has achieved sustained growth within the liberal trade frame work. Moreover, the extensive industrial policies as well as the investment regime of the country have also achieved tremendous growth after the elimination of this crisis from the country.

The Malaysian government has played an active role for the progress and promotion of the automotive industry in the state and industrial policies are also effective for the betterment of the automobile manufacturing in Malaysia. The government provide protection to the national car project and different industrial policies, which are adopted by the government, also favour the private car project<sup>3</sup>. The research had explained the globalization process such as trade liberalization in the Malaysian economy and the environmental policies of Malaysia which are influencing the trade affairs of the country. The Malaysian economy is facing various issues in this regard such as trade liberalization due to enhancement in the trade liberalization policies,

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<sup>2</sup> Okamoto, Y. (1994). Impact of trade and FDI liberalization policies on the Malaysian economy.

<sup>3</sup> Al-Amin, A., Siwar, C., & Jaafar, A. (2007). Trade Liberalization and Environment: Malaysian Development Strategy.

transition of Malaysian economy of pre and post industrial stage, air emission, environmental policies with respect to sustainability for 2020 and energy demand.

The Malaysia can enhance or sustain its share in the manufacturing sector of the world through adjusting its operations with respect to changes in the composition of the world trade. The total extent to which country can make progress in the trade industry depends on the level at which Malaysia is competing to other countries on the basis of both non-price as well as price factors. These factors are playing a major role in achieving sustainable competitiveness in the exports specifically in those product categories which are generating more revenues and have high growth ratio in the world markets.

### ***Research Aims and Objectives***

The main and primary aim of the research is to study different aspects of Malaysian trade and to study the impacts of liberalization policies on the Malaysian economy. This aim can be achieved through following objectives:

- To study the impact of implementation of WTO liberalization policies which results in unrealistic competition between Malaysian small and medium sized auto manufacturers and big international companies.
- To examine different factors in the current Malaysian automobile industry's policies which make small and medium sized companies vulnerable to market liberalization?
- To find out different ways in which market liberalization provides support to giant car manufacturers in the world to rule the global market, by wiping out the domestic manufacturers.

- To identify various issues which have been faced by the Malaysian economy due to liberalization of trade in automobile industry of Malaysia.
- To thoroughly discuss the impact of GATT agreement on the automobile industry of Malaysia.

### ***Research Questions***

- Does implementation of WTO liberalization result in unrealistic competition between Malaysian small and medium sized auto manufacturers and big international companies?
- What factors in the current Malaysian automobile industry's policies make small and medium sized companies vulnerable to market liberalization?
- Does market liberalization aim to support giant car manufacturers in the world to rule the global market, by wiping out the domestic manufacturers?
- What are different issues faced by the Malaysian economy due to liberalization of trade in automobile industry of Malaysia?
- How does GATT agreement impact the automobile industry of Malaysia?

### ***Problem Statement***

In the past, many countries which preferred importing completely built-up (CBU), i.e. cars ready to get on road, switched to import substitution. In this arrangement, a country got into an agreement or a joint venture with a foreign company to import car parts, which then got assembled in the importing country. This setting enabled domestic markets to remain protected

from imported items which generally wiped out their market. Although, during the last four to five decades, import substitution, particularly in developing and under-developing countries have provided substantial protection to smaller domestic companies; however, it has been highly criticized at global level. Consequently, 21<sup>st</sup> century which is characterized by globalization, has led to making markets more liberal so that trade can flow from one nation to another without import barriers. The liberalization at global level is encouraging heavy investment sectors like automobile industry to get integrated into the global network; however, smaller domestic companies in developing countries like Malaysia, India etc are not ready to compete in the global forum.

Domestic players in Malaysian automotive industry strongly condemn market liberalization attempts by the government because they are of view that welcoming global players to establish their target market in Malaysia resulted in wiping out their menial market share, consequently, few big players only be able to compete and grab the highest market share in the domestic market. Whereas supporters of liberalization at government level are of view that it helped to attract foreign direct investment in the country as well as result in healthy competition. In the wake of such polarized opinions, it is imperative to investigate the effect of liberalization policies on the Malaysian automotive industry; this had not only helped in assessing the degree of risk which the domestic market is exposed to by liberalization of the market, but also helped in identifying the factors which when incorporated into the policies, can help to protect domestic market in Malaysia.

## **Significance of the Study**

The study was significant in examining the important aspects of Liberalization policies of trade in Malaysia and the influence of these policies on the economic development of the country. The Malaysia has transformed its trade liberalization policies in the mid of the 1980's and there are two main reasons behind this transformation; one is that a large number of new industries were emerging in the country but they were not achieving enough growth. The second reason is that the export industry of the country can not compete in the international market due to these industries. Therefore, it is important to implement a trade liberalization policy that can bring changes in the import and export patterns of the country.

It is very important to analyses the impact if trade liberalization policies on the automobile manufacturing sector of Malaysia. The automobile industry is rapidly growing in the ASEAN and they are regarded as the development centers for the automobile industry. Malaysia and Thailand are regarded as the biggest and best automobile manufacturing nations across the globe. The study had successfully outlined those strategies and approaches which have been used by Malaysia for the development of automobile industry. These two nations export their automobiles to other countries so that they can bring economic development for their country. The research is also significant for other developing nations who want to develop automobile manufacturing industry. The study has successfully explained challenges and barriers which come across due to globalization and liberalization of automotive industry. Moreover, the study is also significant for developing nations so that they can learn that trade liberalization policies can impact the overall development of the nations.

### ***Research Justification***

Malaysia has been regarded as the biggest manufacturer of automobiles and this industry has flourished since the 1980's. During this time, the Malaysian government was heavily investing towards the development of automobile industry and there were different car manufacturing companies were establishing. The main aim behind the research was to rationalize and localize the automotive industry so that they can improve the economic situation of the country. However, previous studies conducted so far has provided enough information and knowledge regarding the liberalization of trade in Malaysia but there is a lack of specific research on the effects of liberalization on the automobile industry of Malaysia. The researcher has specifically chosen this topic for the research because he has found a research gap, therefore, it is very important to highlight this issue and explain the impacts of trade liberalization on the automotive industry of Malaysia.

### ***Scope of the Study***

Malaysian automobile industry has been regarded as the largest automobile industry of the world and the country also provide opportunities to international automotive and component manufacturers to invest in their country. There are various reasons such as economic and political stability, well-developed infrastructure, pragmatic government policies and skilled labor force of the country attracts international manufactures to establish their automobile manufacturing plants in Malaysia. However, as this study is for academic purpose therefore; this research focused on how liberal trade policies in Malaysia influence the automobile industry of the country. Due to increased competition between the Malaysia and other ASEAN nations, it has become important to study the impact of trade liberalization policies on the automotive industry of Malaysia. Hence, this study is limited to impact of trade liberalization on Malaysia

and therefore; examined how automobile manufacturing sector is influenced either positively or negatively. However, the findings of this dissertation were significant for both Malaysian government and ASEAN nations to acquire effective trade policies for the development of their country.

### ***Limitation of the Study***

The proposed research dissertation has its own limitations and scope. One of the major constraints that the researcher has faced is the time. Due to unavailability of sufficient time, the researcher is unable to find more relevant and reliable data for the study. Lack of financial resources also serves as the major constraint for the researcher, due to this reason, the researcher cannot purchase various kinds of data from authenticate online data bases.

### ***Structure of the Dissertation***

Standard framework of study has been followed by the researcher in this study. The study has been divided into five chapters. A brief overview of each chapter is as following:

**Chapter 1 - Introduction:** This chapter of the study provides an overview of research background, research aims and objectives, problem statement, research questions, significance of the study, research justification, and scope of the study and overall structure of the dissertation. The purpose of this chapter is to build proper understanding of the readers.

**Chapter 2 - Literature Review:** This chapter of the study presents the previously conducted similar studies and researches of various researchers and theorist. By accessing various public and private libraries, the researcher has acquired the relevant data in order to enhance the understanding.

Chapter 3 - Methodology: This chapter of the study highlights the methodology that has been selected by the researcher to collect the required data. Keeping in view the nature of the study and research requirement, the researcher has adopted appropriate research philosophy, approach, strategy, data collection, data analysis and ethical consideration.

Chapter 4 - Analysis and Discussion: This chapter of the study analyze the data that has been collected by the researcher using selected research method.

Chapter 5- Conclusion and Future Implications: This chapter of the study concludes the study. All the discussion, analysis and explanation will be summarized. Moreover, the researcher also provides some implications for future studies.

**CHAPTER 2: LITERATURE REVIEW**

This chapter of the study provides the previously conducted similar studies and researches that had collected by the researcher via various authentic and reliable public and private libraries. Using internet as a source of searching, the researcher had collected the previously conducted similar data to enhance the understanding.

***Introduction***

It has been observed that there are several reasons due which no major changes have been occurred in the Malaysian trade policies. In Malaysia, the government is not putting too much effort towards protecting the restriction policies. With the rise of exchange liberalization arrangement, under the World Trade Organization, (WTO) has converted the worldwide business, in this manner encouraging open business sector access to both created and creating nations. On the other hand, the supposed monetary liberalization structure is intended to defend the investment of the created countries, while the creating and slightest created nations have encountered various tests throughout the previous decade. Malaysia is the main nation to embrace a national industrialization arrangement to counter the negative impacts of WTO administration, keeping in mind the end goal to secure the nearby assembling businesses, most eminently, the car business.

Malaysia has likewise encountered firm tests in the wake of new changed exchange arrangement skeleton. Despite the fact that the nation has made uncommon financial advancement in the previous five decades, however the auto part is still in its creating stage. Keeping in mind the end goal to contend in the worldwide auto showcase, the Malaysian government has actualized another car approach skeleton, however that has neglected to handle any outcomes, as the restraining infrastructure of two national automakers and outside car

goliaths, for example, Toyota, Honda, Mitsubishi, and in any case others proceeds<sup>4</sup>. Then again, absence of innovative help, foundation improvement, and deficient preparing offices, a substantial number of incompetent laborers, are a portion of the main considerations that have helped drowsy advancement drifts inside the Malaysian auto producing industry.

### ***Import Restrictions on Motor Vehicles***

Malaysia applies considerable taxes of up to 35 percent in the auto division, and its National Auto Policy (NAP) incorporates nontariff measures that fundamentally raise the expense of transported in vehicles, including an import license and a legislature forced valuing framework, extract obligations that lopsidedly influence foreign made vehicles, and unique charge diminishments for vehicles with segments fabricated in Malaysia. Malaysian auto approach recognizes "national" autos, (e.g., vehicles fabricated by provincial makers Proton and Perodua) and "non-national" autos, which incorporate vehicles amassed in Malaysia by remote organizations<sup>5</sup>. The NAP sets out an arrangement of "sanction licenses," which give the right to import and convey autos and bikes. At present, the top on foreign new and utilized vehicles is situated at 10 percent of the domesticated business. This framework has been reached out through 2020.

Different arrangements further cutoff the intensity of outside auto imports. The worth of transported in cars is built by the Malaysian government, with the set cost distributed in the official journal. The formally set value serves as the groundwork for the evaluation of import

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<sup>4</sup> Hoekman, B. M., & Kostecki, M. M. (2009). The political economy of the world trading system: the WTO and beyond. Oxford University Press.

<sup>5</sup> Rose, A. K. (2004). Do WTO members have more liberal trade policy?. *Journal of International Economics*, 63(2), pp 209-235.

obligations and extracts assessments forced by Malaysia<sup>6</sup>. The impact of this strategy is to raise the cost of foreign made vehicles so it is generously higher than that of locally processed automobiles. Moreover, improvement of the huge bike market has been influenced by Malaysian movement confinements and commotion guidelines.

In 2011, the Malaysian government started an alternate audit of the NAP. The legislature has not given any official portions on the extension or timing of the survey process. However the Minister of Trade has over and over said that the center in updating the NAP will be on advertising processing of vitality proficient vehicles<sup>7</sup>.

### ***World Trade Organization (WTO)***

The World Trade Organization or WTO called by its acronym in English, WTO was established in 1995. The WTO administers trade agreements negotiated by its members (referred to as covered agreements). In addition to this primary function, the WTO is a forum for multilateral trade negotiations, given the procedures for settling trade disputes (disputes between countries); oversees trade policy and cooperates with the World Bank and International Monetary Fund in order to achieve greater coherence between trade and economic policy worldwide. Theoretically, free trade is not among its objectives, although in practice, the WTO is a forum where Member States seek agreements to reduce certain tariffs (liberalization), and which resolves any trade disputes that may arise among its members on the final agreement.

Thus, the WTO was established on January 1 of 1995, replacing the GATT, in the city of Geneva, Switzerland, where he still maintains his headquarters. Since its inception, the GATT

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<sup>6</sup> Athukorala, P. C. (2002). Malaysian trade policy and the 2001 WTO trade policy review. *The World Economy*, 25(9), pp 1297-1317.

<sup>7</sup> Mansfield, E. D., & Reinhardt, E. (2003). Multilateral determinants of regionalism: The effects of GATT/WTO on the formation of preferential trading arrangements. *International organization*, 57(4), pp 829-862.

was explicitly designed as a temporary agreement which later formed part of the OIC. Lacking an institutional structure, it was decided to create the WTO to shortfalls.

Main differences between the GATT and the WTO are the following:

- Single contract (undertaking): The WTO agreement is a single contract, i.e. that all its provisions apply to all members. This is an important difference with respect to the GATT where, mainly in developing countries, could decide whether to sign an agreement.
- Dispute Settlement Body (dispute settlement): The WTO is almost impossible to block the creation of panels to resolve disputes or adoption of reports, while this it was possible in the case of GATT.
- Transparency: The WTO has a mandate to achieve greater transparency and oversight of their functions, mainly through the creation of the Mechanism for Trade Policy Review (Trade Policy Review Mechanism).
- Organizational Leadership: Reflecting the increased scope of the organization, rather than designating a senior official of one of the Member States (as was tradition in the GATT), the Directors General of the WTO are political figures, former general politicians.
- Performance: While the GATT could be a decade without ministerial meetings at the WTO, Members shall meet at least once every two years.

### *Criticism of the systemic functioning of the WTO*

Some countries have reported irregularities in the process of negotiation in the WTO and maintain extreme positions until the last minute to get interim agreements, negotiating in small groups of marginalized countries to least important. It has also been criticized that no developing country has the capacity to deal unilaterally to a deadlock in negotiations.

### The lack of transparency

One of the most criticized aspects regarding the transparency of the WTO negotiations are called the Green Room, an informal meeting system established during the Uruguay Round, named for the color of the room where they do. In these meetings, a few countries with an interest in the topic that will be negotiated, come together to reach an agreement later be ratified by consensus by all member countries (among which many who have not been invited to meetings). This mechanism is repeated in Seattle, and was one of the most important reasons for the failure of the conference, as other African countries and the periphery were planted in this situation and refused to ratify the final statement (in the negotiation of the which did not participate because they had been marginalized in the negotiations of the "green room" throughout the conference). The processes in the Green Room were criticized during the nineties, especially from developing countries and NGOs concerned about the lack of transparency, being both excluded from these processes.

There have been various proposals for decades to conclude the negotiations in the Green Room by creating an executive committee to manage the agenda of the WTO, with a permanent core of members based on agreed criteria, such as the proportion of world trade driven by each country, along with a rotating group of countries. Some authors consider that the abuse in the Green Room negotiations by WTO members is unnecessary. In any case, despite that greater transparency is indeed necessary and always advisable for the organization, other authors believe that a similar mechanism to the negotiations in the Green Room (where certain members meet to discuss trade policies that affect single or primarily to them without the participation of other members) seems inevitable in an organization with so many members.

Another frequent criticism directed at the WTO is that there is free access to all data generated by the WTO. For example, there is free access to the Integrated Data Base of the WTO, which includes data on tariff limits to which members have committed. Although the tariff limits are at the heart of the WTO, its analysis is complicated by any outside investigator since this requires analysis of a phenomenal amount of data. However, the WTO Secretariat organized and more understandable collects these data but only have access to the governments of the Member States.

### ***Malaysia and WTO***

The World Trade Organization (WTO) is the main universal association managing multi-along the side concurred governs on exchange around its part nations. Through the WTO understandings, which define their rights and commitments, Member nations work a non-oppressive exchanging framework that has permitted world exchange to develop. The objective is to help makers of merchandise and administrations, exporters and merchants direct their business in a way that guarantees unoriginality and dependability. The WTO is likewise a gathering for constant transactions to make a more transparent, foreseeable, reasonable and liberal worldwide nature's domain. Transactions are pointed at continuously uprooting boundaries to exchange request to make better market access chances for its Members. WTO principles are advancing through periodical audit of existing runs and arrangements on new runs the show<sup>8</sup>.

The WTO assertions give the lawful standard procedures to the behavior of universal exchange. In any case, the WTO does not oblige Members to uproot all hindrances to exchange

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<sup>8</sup> Jawara, F., & Kwa, A. (2004). Behind the scenes at the WTO: The real world of international trade negotiations. Zed Books.

and every Member is allowed to focus its exchange administration. On genuine grounds to seek after developmental objectives, and seek after healing movements when confronted with out of line exchange polishes.

Enrollment in the WTO and the GATT at one time has helped Malaysia's investment development. The bringing down of exchange hindrances in the fare markets and expanded business chances has permitted Malaysia's fare to develop. The opening of Malaysia's business has empowered inflows of remote immediate financing and infused intense components into local businesses. The WTO controls likewise accommodate a more aggressive business environment by demoralizing "uncalled for" exchange practices, for example, dumping items underneath expense to increase piece of the overall industry. Malaysia has utilized hostile to dumping activities as an exchange cure against such polishes that brought on harm to domesticated businesses<sup>9</sup>. Through dynamic support in WTO arrangements, Malaysia will keep on resulting that exchange regulations and exchange measures that are arranged are reasonable and give the adaptability to Malaysia to actualize advancement destinations and approaches.

### ***Facilitation of Trade***

Transactions on multi-horizontal principles for exchange assistance are pointed at elucidating, enhancing and further speeding up the development, discharge and leeway of merchandise, transparency and distribution of exchange regulations and upgrading specialized aid and limit building. Exchanges from both creating and created nations have raised worry that

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<sup>9</sup> DeSombre, E. R., & Barkin, J. S. (2002). Turtles and trade: the WTO's acceptance of environmental trade restrictions. *Global Environmental Politics*, 2(1), pp 12-18.

traditions methodology and prerequisites frequently need transparency and are endlessly duplicative in numerous territories<sup>10</sup>.

Discourse on exchange assistance is additionally pointed at securing co-operation between merchants and Government organizations including through a corresponded framework for freedom of products and disentanglement of exchange methods. Malaysia is completely steady of deliberations in the WTO to create multilateral administers on exchange assistance as these measures might accelerate conveyance of products, streamline custom systems and diminish transaction costs<sup>11</sup>.

### *Basic Principles of WTO*

#### Liberalizing Trade Barriers

The objective of WTO is to eliminate barriers to trade. A distinction is made between obstacles tariff barriers (tariffs) and non-tariff barriers such as import licensing and export subsidies and prescriptions discriminatory requirements regarding safety, environmental protection and consumer health. If negotiations are to liberalize trade previously focused primarily on reducing tariffs, since the creation obstacles non-tariff. WTO (1995), they focus on NTBs.

As a major aspect of her universal commitments under both the WTO and GATS archives, Malaysia is relied upon openly to her down home market to remote players by changing any exchange boundary strategies especially in horticulture, work escalated assembling

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<sup>10</sup> Mansfield, E. D., & Reinhardt, E. (2003). Multilateral determinants of regionalism: The effects of GATT/WTO on the formation of preferential trading arrangements. pp 829-862.

<sup>11</sup> Shaffer, G. C. (2001). The World Trade Organization Under Challenge: Democracy and the Law and Politics of the WTO's Treatment of Trade and Environmental Matters. pp 1-93.

and administrations areas separately. As an exchange, Malaysia might appropriate corresponding medication from other nation parts<sup>12</sup>. The upgraded, new market access and lessening of exchange obstructions might diminish destitution. In particular it might carry both physical and mechanical advancement, heading towards a generally better societal personal satisfaction. In accordance with its goal in turning into a dynamic key player in worldwide economy and exchange, Malaysia has taken some beginning yet critical moves towards liberalization.

In 2010 the Prime Minister of Malaysia made a fairly striking and amazement move by uprooting the 30 percent Bumiputra value necessity in nearby business element, a 41 year old disputable strategy recognized by a lot of people as exchange restraint. Such choice blankets all parts of business, expert administrations included. The article enters the effect of liberalization on what's to come for the looking over calling of Malaysia, so far a little and practically a best aggregation of experts, their availability, how they are adapting to the exceptional change, if the legislature could help them, if such aid is important or permissible under WTO regulation and the conceivable outcomes of taking activities as preemptive measures in readiness for the new wave of worldwide rivalry<sup>13</sup>

### Technical Barriers to Trade

The TBT Agreement gives that compulsory item norms ought not to be connected by nations to cause unnecessary impediments to the universal exchange. It states that nations have the right to receive the guidelines they think about suitable to secure human, creature and vegetation and the earth. Item models ought to be dependent upon logical data and

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<sup>12</sup> Ramasamy, B., & Yeung, M. (2007). Malaysia–Trade Policy Review 2006. *The World Economy*, 30(8), pp 1193-1208.

<sup>13</sup> McCrudden, C., & Gross, S. G. (2006). WTO government procurement rules and the local dynamics of procurement policies: a Malaysian case study. *European Journal of International Law*, 17(1), pp 151-185.

confirmation<sup>14</sup>. Mandatory item models ought to be dependent upon universally concurred gauges. Where it is not conceivable for part nations to build their required regulations in light of universal regulations, they are obliged to distribute these regulations in draft structure to give makers in different nations a chance to remark on them. The Agreement additionally obliges part nations to think seriously about such remarks when the guidelines are finished, therefore guaranteeing that the aspects of items prepared in, and traded by, different nations are considered<sup>15</sup>.

### Reciprocity

Negotiations within the WTO are governed by the principle of reciprocity, namely that concessions on a reciprocal basis must be equal and balanced. Developing countries occupy a special position in this regard, since countries not require industrialized receive concessions. Based on the principle of reciprocity, the WTO promotes a system of concessions multilateral. Each WTO Member accordingly *undertakes* to respect framework conditions arising from multilateral trade negotiations. Apply a determined tariff as to imported products, these liberalization agreed in the WTO cannot be revoked unilaterally. Contrary to popular belief, the international trading system is not free trade. It was originally designed after the Second World War, to open markets, but in an orderly manner, reconciling liberalism and economic and social progress. To this end, the trading system had two characteristics: first, equal treatment and its corollary, reciprocity operates between nations, and secondly, the negotiation and its corollary, multilateralism

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<sup>14</sup> Slew-Yearf, T. (2004). The future of industrialization in Malaysia under WTO. *Asia-Pacific Development Journal*, 11(1), pp 25.

<sup>15</sup> Ramasamy, B., & Yeung, M. (2007). Malaysia—Trade Policy Review 2006. *The World Economy*, 30(8), pp 1193-1208.

On the basis of contract law, the concept of reciprocity is reflected particularly Important in international trade law. Thus, Article XXVIII of the General Agreement of 1947, repeated in identical texts further provides:

- During these negotiations and agreement, this may include compensations for other products, the contracting party's concerned endeavor to maintain a general level of reciprocal concessions and mutually benefit not less favorable to trade than that provided this. Similarly, the preamble to the Agreement Establishing the WTO provides:
- Desiring to contribute to the achievement of these goals by the conclusion of agreements, on the basis of reciprocity and mutual benefit, to the substantial reduction of tariffs customs and other barriers to trade and the elimination of discrimination in international trade relations.

However, no precise definition of reciprocity is given by the law of the WTO; all attempts to identify the precise contours have failed because the parties of reciprocity is the basic principle governing the negotiations between countries of equal development, non-reciprocity presides over negotiations with developing countries. The need for special provisions for developing countries has become quick.

### ***Non-discrimination***

Non-discrimination is the main idea of the WTO and has two components:

- The principle of most favored nation, which requires equal treatment for all WTO members. When a WTO member grants a privilege commercial business to another State (Member of the WTO or not), it must also give all Members of the WTO (important

exceptions: the free trade agreements and unions under Art. preferences granted to developing countries).

- The principle of national treatment requires non-discrimination, between natives and foreigners, when they are comparable with each other. Members of the WTO must apply the same requirements apply to an imported product that comparable local manufacture.

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of areas: agriculture, textiles and clothing, banking, telecommunications, government procurement, industrial standards and product safety regulations food hygiene, intellectual property, and much more. They are the foundation of the multilateral trading system.

#### Clause of the Most Favored Nation (MFN)

“Equal treatment for others”. Under the WTO agreements, countries cannot in principle discriminate between their trading partners. If you grant someone a special favor, then you must do for all other WTO members.

This principle is known as treatment of most favored nation (MFN). Its importance is such that it is the first article of the General Agreement on Tariffs and Trade (GATT), which governs trade in goods. There is also a priority clause of the General Agreement on Trade in Services (GATS) (Article 2) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Article 4), even though expressed in slightly different terms of an agreement to another. Together, those three agreements cover three main areas of trade deals with the WTO. Business practices must be predictable and cannot be arbitrary. Only measures of business regulation are accepted tariffs. Quotas are prohibited in principle. It is estimated that tariff measures are more transparent than those on volumes goods and their effects on international trade are less severe. Tariff cuts during bargaining rounds are included in the lists commitments.

Such lists have been created for services in the field market access and national treatment in order to identify which country grants access to markets (or national treatment) and under what conditions. The mutual review of trade policy at regular intervals also promotes transparency.

The WTO law recognizes that trade restrictions can be imposed, for example to protect the health or the environment, to defend the security, to maintain public order or to protect temporarily the national economy during extraordinary circumstances. These restrictions can nevertheless not be arbitrary, or constitute a protectionist measure.

### ***WTO Principles on Most Favored Nation***

MFN Treatment is the rule of non-segregation around Members, obliging all parts to be dealt with similarly. There are nonetheless, a few exemptions to this guideline. Case in point, particular obligations are considered parts of territorial exchanging courses of action or special plans, for example, the Generalized System of Preferences GSP). Parts are likewise permitted to raise hindrances against those included in out of line exchange drills. These special cases are permitted just under strict conditions<sup>16</sup>.

The principle of most favored nation, which requires equal treatment for all WTO members. When a WTO member grants a privilege commercial business to another State (Member of the WTO or not), it must also give all Members of the WTO (important exceptions: the free trade agreements and unions under Art. preferences granted to developing countries).

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<sup>16</sup> Ziguras, C. (2003). The impact of the GATS on transnational tertiary education: Comparing experiences of New Zealand, Australia, Singapore and Malaysia. *The Australian Educational Researcher*, 30(3), pp 89-109.

***National Treatment (NT)***

NT stipulates that domesticated products and remote items ought to be dealt with similarly. It forbids segregation between foreign items and proportional locally processed items, both in the duty of inner assessments and in the requisition of interior regulations. Burden of import obligations on outside items is not a violation of the NT guideline.

The principle of national treatment requires non-discrimination, between natives and foreigners, when they are comparable with each other. Members of the WTO must apply the same requirements apply to an imported product that comparable local manufacture.

***Transparency***

Warning prerequisites as accommodated in particular WTO understandings are intends to attain the destination of ensuring the fullest transparency conceivable in the exchange strategies of its parts in the range of merchandise, administrations and the security of IPR. Also, the Trade Policy Audit Mechanism (TPRM) of the WTO gives a chance to the examination and illumination of the exchange arrangements and practices of parts.

***Special and Differential Treatment (SDT)***

The WTO distinguishes that Members are at diverse levels of improvement. The WTO assertion gives adaptability as a feature of the extraordinary and differential medication to creating nations. This could be as more move periods or easier levels of business sector access duties.

### ***Tariff***

In standard the WTO permits Members to utilize taxes as a method of securing provincial businesses. Additionally it permits parts to focus their own particular levy rates for various sorts of items inside the purview of their national strategies. Parts can force taxes and make revisions to them as per their separate national approaches. In any case, the WTO requires each Member to have the duty rates distributed so different parts and intrigued standard ties are completely mindful of them. The WTO likewise endorses that once levy has been dead set for an item, it must be connected consistently to that specific item transported in from whatever possible Member nation as per the MFN rule.

WTO Members have concurred, through transactions to tie duties at specific levels. Parts can raise taxes at whatever time just up to the bound levels or on items that are not bound. Be that as it may, Members can raise the levy over the headed rate for items secured under the coupling duties, in the event that they can offer compensatory concession on some different things.

### ***The GATTs Agreement***

In the aftermath of WWII, has created the GATT which was signed on October 30, 1947 and the agreement was originally intended to be temporary (executive agreement) and the objective was to establish quickly an IO (International Organization) of trade. But the negotiations will fail because of opposition from the U.S. This agreement will continue and the U.S. will decide to conduct negotiations and it will be several cycles in which Uruguay Round which lasted from 1986 to 1994. This cycle ("round") began with the declaration of Punta offloading on 20 September 1986 and negotiations were long and a major decision is adopted on April 12, 1989 in Montreal concerning the improvement of rules and procedures for resolving

disputes. What is most important in an IO is its dispute settlement system. Depending on the competence of IO, they will have a system for resolving disputes. The WTO has a dispute resolution system that is quasi-judicial.

On April 15, 1994 in Marrakech, signed WTO agreements establishing the WTO (World Trade Organization). This agreement will institute an IO who enjoys the legal capacity under Article 8. The big news of the WTO lies in its judicial body that Member States may apply in case of controversy or claim to other States for breach of standards in force. The rules on dispute settlement system are listed in a memorandum of agreement that is part and parcel of the Marrakesh Agreement. This memorandum is the cornerstone of the building established at the signing of agreements. Article 3 & 2 provides that the dispute settlement body is essential to ensure the security and predictability to international trading system.

Settlement system of WTO is strictly inter-state and does not concern private persons, which has been criticized and it has been argued that the litigation of international trade is not by nature a contentious interstate. The GATT system has been criticized because the system was based mainly on the conservation interests negotiated so he rested on the reconciliation. The procedure under the GATT consisted of 2 phases:

- Article 22: bilateral phase in that the parties disagreed found themselves subject to a requirement for prior consultation. There was no delay and it was a problem.
- Article 23: and it was only in cases where a settlement did not intervene within a reasonable time that the second phase could be initiated and is multilateral. They may resort to mediation of the CEO and ask the parties to the GATT to meet to deal with the problem and they could they even decide to investigate and make recommendations to the States concerned or authorize the suspension of trade concessions.

In 1994 with the MOU states want to correct defects 3 of the GATT:

- Excessive fragmentation of rules on the coexistence of rules on GATT dispute settlement.
- Delay in the proceedings because no time limit.
- Failure of recommendation and panel decisions.

The contracting parties in 1994 and 1995 have decided to back the GATT acquis, i.e. all the decisions, procedures and customary practices of the Contracting Parties of 1947 as provided for in Article 16 § 1 of the GATT the WTO. The GATT is a formation of multi-horizontal tenets blanket worldwide for exchange administrations. These incorporate administration areas, for example, money related administrations, proficient service indecencies, transport, interchanges, development and dispersion. Not at all like exchange merchandise where outskirt measures, for example, levies are the principle instrument utilized, exchange administrations is principally administered by domesticated regulation on the conveyance and supply of administrations. Down home regulation permits shields for local commercial enterprises, with approach space to secure nearby society and custom, and purchaser engages<sup>17</sup>

### ***Trade related to Intellectual Property Rights***

Preceding the WTO, security of IPR was on voluntary premise by temperance of participation in IPR meetings, for example, Berne, Paris, Rome or World Intellectual Property Organization. The Trips based upon these Conventions to accommodate least measures of insurance and implementation dependent upon fundamental standards of non- segregation. Outings understanding guarantees that WTO Members offer assurance to IPR in their own particular regions and uphold them through national laws relating to copyright, trademark,

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<sup>17</sup> Rodriguez, F., & Rodrik, D. (2001). Trade policy and economic growth: a skeptic's guide to the cross-national evidence. In NBER Macroeconomics Annual 2000, Volume 15 (pp. 261-338). MIT PRe

topographical evidences, modern outlines, licenses and coordinated circuits layout plans. The point when the WTO assertions undertook January 1, 1995, created nations were provided for one year to guarantee that their laws and practices adjust to the Trips Agreement. Creating nations and move economies were given five years while minimum created nations have 11 years.

**CHAPTER 03: METHODOLOGY**

Every research study involved certain techniques and methods for carrying it out.

Research study is thought to be a scientific endeavor to investigate a fact and the effectiveness of some phenomenon or know the answers to some questions. Moreover, while documenting any study describing the details of the methods and the techniques taken upon is one of the most important things to do. Therefore, this chapter of the current study explained the methodology and the methodological techniques that were taken upon by the researcher in the current research to conduct an authentic and reliable research study. Methodology is said to be a significant part of any research study as it provided a road map for a research study to be carried out<sup>18</sup>. This chapter has provided in-detail of all the processes that were adopted during the research study. This chapter has provided the research design, description of research onion layers that are research philosophy, research strategy, research approach, and lastly it describes the data collection and analysis techniques and approaches adopted. The founding of the research thesis at hand were formulated in accordance with the details that this chapter has provided for the readers to acquire an idea about the validity of the study. The details of the methodology were adopted in order to best investigate the behavior and attitudes of the consumers influenced by the social media. Realizing the importance of this step the, researcher pulled upon his best efforts to incorporate the most suitable techniques of all in order to deliver a fine and valid product at the end of this research.

The methodology for data collection to carry out the research was primarily based on secondary information available in databases and trade journals. Some of the most significant resources in this regard were International Journal of Automotive Technology and Management;

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<sup>18</sup> Kumar, M (2007), Mixed methodology research design in educational technology. Alberta Journal of Educational Research, pp 34-44

Economic Intelligence Unit for gathering related statistics and industry briefing; and databases like ABS/INFORM, IMF e-library, and Pro-quest were accessed to gather the required information at country and Global level. Moreover, as mentioned earlier, Proton, Perodua, and Naza motors data were employed to represent Malaysian automotive market. In this regard, their historical performance, current policies, and experts' forecast were taken into account so that the impact of liberalization can be vividly evaluated. Other than the secondary research, primary research in order to gather expert opinions about various aspects pertaining to liberalization of the sector were carried out by contacting different economists and investment houses' consultants.

### ***Research Design***

First step was the determination of the research design that would define the pathway along which the research proceeded. While conducting any research, it is very important to determine the path through which the study will evolve. In the current research, the researcher initially decided upon the research design to be adopted in the current research. The research design was decided upon by the researcher keeping in view the topic of study. Primary and secondary both approaches of qualitative research designs were followed in the current research. Qualitative research design was identified as best one to seek the influence of liberalization of trade on the automobile manufacturing industry of Malaysia. Qualitative research design was preferred over quantitative due to a number of reasons. The researcher adopted qualitative research design as this would help in identifying the reasons of trade policies that affect the automobile industry of Malaysia and the potential manufacturers who want to invest in the Malaysian automotive industry.

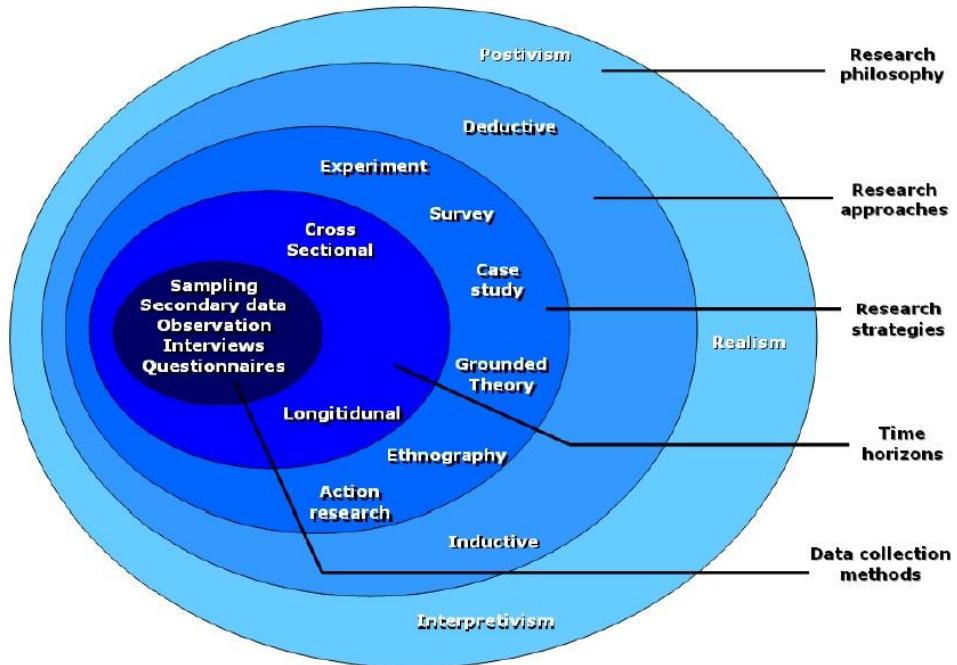
Primary research technique was used as this enabled the researcher to directly investigate the expert's opinions and seek their perceptions regarding the trade liberal policies in automobile industry of Malaysia. However, according to the general approach the researcher in the current study began with the broad and extensive discussion of the extant literature concerning the topic of study.

### ***Research Onion Layers***

The current research adopted the layer by layer approach of defining the research methodology put forward by Saunders et al (2009). The research methodology was decided upon research onion layers and divided into following layers of research philosophy, research approach, research strategy, and time horizon and data collection process<sup>19</sup>. This research onion layer was adopted as this made the task of the researcher easy. The figure below provides a clear description of the layer by layer division of the research study process.

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<sup>19</sup> Saunders, M.; Lewis, P. and Thornhill, A. (2009) 'Research Methods for Business Students Pearson Education,' pp. 24-62



**Figure 1- Research Onion, (Saunders et al, 2009)**

### **Research Philosophy**

The first and the most outer layer as shown in the above figure is the research philosophy layer. This layer describes to the readers the exact belief system as adopted by the researcher while conducting this study. There are three philosophies or belief systems used namely: interpretive, positivism and realism. The research philosophy helps the researcher to gain a better understanding of the design of the research to be followed<sup>20</sup>.

The basics of the philosophy of positivism are the logics, ideas supported with facts, and observation<sup>21</sup>. Whereas, interpretive philosophy which is also called as anti-positivism, the researcher analyzes the opinions of people through either survey, interview or focus group.

<sup>20</sup> Neuman, L. (2005), Social research methods: qualitative and quantitative approaches (6th ed.). Boston, PA: Allyn and Bacon.

<sup>21</sup> Tashakkori, A., & Teddlie, C. (2003). The past and future of mixed methods research: From data triangulation to mixed model designs. *Handbook of mixed methods in social & behavioral research*. Thousand Oaks, CA: Sage, pp 671-792.

However, realism philosophy takes the social environment into account the reality that exists and affects the perceptions of people about the reality.

Therefore, in the current research study, the research philosophy adopted was interpretivism as this helped the researcher to acquire knowledge about the factors that influence the automobile manufacturing industry of Malaysia. The researcher included the opinions of the targeted population using this research philosophy.

### ***Research Approach***

The next and the second layer are the approach of the research. From the above figure, it is clear that there are two research approaches namely: inductive and deductive. As names suggest; both approaches are poles apart<sup>22</sup>. In inductive approach, also known as bottom up approach, research starts from observations and general opinions and then the research is narrowed down to specific conclusions based on the general opinions and the theories<sup>23</sup>. Whereas, the deductive approach also called as top-down approach begins from specific opinions and perceptions and then the findings are related and supported from facts and generalized at the end.

However, in the light of these concepts the research study at hand adopted deductive approach and investigated the targeted using primary data collection techniques and then generalized the primary findings of the study using general opinions and perceptions.

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<sup>22</sup>Levy, P. S., & Lemeshow, S. (2008) 'sampling of populations: Methods and applications', New York: Wiley & Sons, n.d

<sup>23</sup> Ghauri, P.N. and Gronhaug, k. (2005) 'Research Methods in Business Studies: a Practical Guide', p.1

### ***Research Strategy***

Next layer is the research strategy. This defines the tactics that were incorporated in the research. The figure of the research onion layers suggests a number of several research strategies examples such as observation, experimental, meta-analysis or case study<sup>24</sup>. The strategy type depends on the nature of a topic that is being investigated. However, for the current study the researcher adopted observational strategy to investigate the topic and seek answers to the formulated research questions and aims and objectives of the research. This strategy assisted the researcher to observe the current situation and probe into the expert's opinions regarding the effectiveness of the trade liberalization policies in Malaysia.

#### **Inclusion Criteria**

This search strategy was based on evidence available within a range of past ten years and basically primary researches. The search of literature only found out the material published in English and for this reason it created no issues to reject any possible study for the reason of the translating complexities of the papers. This search of literature found out researches including the trade policies as well as the prospective studies fitting the remit of the search strategy.

#### **Exclusion Criteria**

Exclusion criteria included the articles not published as full manuscripts or not in the peer review literature. The studies including the information technology discussion and telecom barriers will not include in the research study. The studies such as conference papers or studies in progress, or government reports were excluded. The searches were restricted to retrieve the literature available in English.

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<sup>24</sup> Grbich, C. (2007) 'Qualitative data analysis: an introduction', London: SAGE Publication Inc,

### ***Time Horizon***

The researcher thought it convenient to divide the steps of the study into certain time durations. This helped the researcher to finish off the study on time and in a systematic and organized manner. The researcher kept up with the timeline and completed the study in one month.

The current research followed the following time segments to organize the research:

<b>TASKS</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>17</b>	<b>19</b>	<b>21</b>	<b>23</b>	<b>27</b>	<b>30</b>
Problem Identification, aim and objective														
Literature review														
Research Methodology														
Data collection (quantitative-method)														
Data processing														
Analysis, Presentation, discussion and findings														
Conclusion and recommendation														
Writing the dissertation														

### ***Data Collection***

After defining all the specifications of the research, the next step was the practical phase of the study that included the data collection, data organization and data analysis. Appropriate

data collection techniques were adopted for the current research by the researcher. The data collection for the current study was based on the type of the research design followed throughout the research.

Generally, secondary and primary data is collected through respective sources of data collection. For instance, secondary data is collected from secondary sources like internet and reference hard copy materials, whereas the primary data can be collected from primary sources like live participants through primary techniques that include surveys, interviews etc. However, the current research began with the collection the secondary data from secondary sources and then primary data was collected from primary sources.

### ***Secondary Data***

In the current research, the secondary data was collected to perform a detailed literature review of the past studies already conducted to obtain information regarding the current topic and topics related to it. The main source of secondary data collection was the internet. Internet was used as this was the most easily accessible data source for any research study.

The techniques of keywords searching, indexing, filtering were deployed to conduct secondary research. The researcher tried best to include related and authentic material in the current research, therefore following points were followed during the secondary data collection procedures:

- Relevant materials i.e. articles and journals were included, and irrelevant material was excluded.
- Articles and materials available in the medium of English were included, and research material found in any other language was excluded.

- Last five to ten years articles and materials were included, and the rest was not made a part of the research.
- Published national and international secondary material was included in order to conduct a research study from a global perspective.
- Unambiguous and impertinent material was not made a part of the research.
- Online libraries like EBSCOhost, ProQuest, and Jstor were referred for acquiring materials meeting the above mentioned criteria.
- Some of the most significant resources in this regard were International Journal of Automotive Technology and Management; Economic Intelligence Unit for gathering related statistics and industry briefing; and databases like ABS/INFORM, IMF e-library, and Pro-quest were accessed to gather the required information at country and Global level.
- Moreover, as mentioned earlier, Proton, Perodua, and Naza motors data were employed to represent Malaysian automotive market

### *Primary Data*

The research had obtained primary and online data in the current study as the research design was based on primary as well as secondary data collection. The primary data was collected through primary technique. Since, the research design was qualitative in nature; therefore the researcher collected primary data through interview technique.

### *Target Population and Sampling*

The target population identified for collecting primary data was experts, who are policy makers associated with the introduction of reforms, as they can provide opinions about various aspects pertaining to liberalization of the sector. Since the population of the study was unlimited therefore; the research deployed the technique of sampling in the current study. By rule, two sampling techniques are followed: random sampling and purposive sampling method. In random sampling method, each element of the population has the equal probability of getting selected for the study. However, in purposive sampling method, only certain elements of the population have the probability to get selected by the researcher to contribute in the study<sup>25</sup>. Since the current study was focusing on some specific people for the interviews; therefore, the sampling technique involved was purposive. Using this technique, the researcher has selected 10 participants for the interviews.

### ***Instrument***

In a research study, the instruments are the tools that are used for collecting data. For the current study, the researcher used internet as a research for collecting secondary data. However, the primary data was collected using qualitative questionnaire as the research instrument. The questionnaire was designed keeping in view the topic of the study, aims and objectives of the study and the target population of the study.

The interview questionnaire included 5 questions designed by the researcher based on the current situation of trade in Malaysia and the impact of liberalization policies on export and import patterns of the Malaysia.

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<sup>25</sup> Neuman, L. (2005), Social research methods: qualitative and quantitative approaches (6th ed.). Boston, PA: Allyn and Bacon.

### ***Data Analysis***

For the data analysis of the current study, the researcher has adopted thematic approach for analyzing the information which has been conducted through interviews. Then these results were discussed and linked with literature review in order to provide supportive arguments.

### ***Ethical Considerations***

In order to provide authentic and reliable study, the researcher adhere himself to all the necessary ethical considerations of conducting a primary quantitative study that involve live participants. While collecting the primary data for the research the research took into account that none of the participants feel as if their privacy was being invaded; therefore the research questions were carefully designed. The participants of the research study were pre-informed regarding the terms and conditions they will be subjected to as being a participant of the survey. For this purpose, they were forwarded with a consent form that elaborated them on the topic, aims and objectives and convinced them regarding the importance of their participation. The consent form included the information that they will not incur any monetary benefits as a result of their participations. Moreover, they were informed that the participation was voluntary, and they hold the right to withdraw from the study at any point in time. Informed consent was sent to the participation to sustain the integrity of research and it further helped them in making an informed decision regarding their participation. Moreover, all the secondary material included in the study was properly in-texted by the specific author name and year of publication.

### ***Validity of the Data***

The validity and reliability of this study justified the data and purpose of the study. Internal validity reviews the relationship between the research design and the data to be collected from the study. Threats to the research study are those items that may affect the conclusions of

the study. Internal validity of the proposed study includes threats to history, maturation, testing, instrumentation, selection, statistical regression, and experimental mortality<sup>26</sup>. The content of the questions were validated by a probability sample of the target population. These participants were the appropriate population to determine the survey instrument's relevance to the areas of interest: customer satisfaction and customer manager leadership attributes. Selection of the participants was performed by probability sampling with a random sample selection process from the total population.

External validity concerns the ability of the research study's conclusion to be generalized to other populations. The threats to external validity included interaction of selection and treatment, interaction of setting and treatment, and interaction of history and treatment. The probability sampling method selected for the study ensured that a representative sample was selected to complete the survey instrument. The solution to the study's interaction of setting and treatment was to understand the setting of each respondent. The setting and treatment of the study focused on customer satisfaction and relationships with customer service managers. The solution to interaction of history and treatment was to design the research study to collect data that may be analyzed to explain a relationship among variables. The study did not prove causation or imply that past results determined future outcomes.

### ***Reliability of the Data***

The research's reliability was dependent on the validation of the survey instrument and the truthfulness in responses to the survey questions. The reliability of the study was addressed through the content validity of the questions on the survey instrument. Creswell & Creswell

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<sup>26</sup> Saunders, M.; Lewis, P. and Thornhill, A. (2009) 'Research Methods for Business Students Pearson Education,' pp. 24-62

(2009) described content validity as the extent to which the questions on the instrument and the scores from these questions are representative of all the possible questions that a researcher could ask about the content or skills<sup>27</sup>. The content of the questions was validated by a probability sample of the target population. These participants were the appropriate population to determine the relevance to the areas of interest: trade liberal policies and the manufacturing of automobiles in Malaysia.

### ***Possible Outcomes***

The possible outcome of the research highlighted that trade liberalization for Malaysia, would result in increased demand in the industry. Increase in demand was coupled by increase in production, employment, and most significantly the competition within the industry. Undoubtedly, the competing ability of companies like Proton and Perodua were much stronger than companies like Naza Motors. Therefore, if the government policies were designed in a manner that can help domestic producers to bridge the gap between the foreign companies and local companies, in terms of technological advancements, managing supply and value chain, and establishing brand image; the probability of market liberalization wiping out the market share of local manufacturers could be reduced to a large extent. Moreover, Malaysian automotive industry had to adopt globalization as a prominent strategy because companies like Proton and Perodua can have the potential to find their market in international regions, if they were equipped and experienced enough to compete with MNCs within the national boundaries.

Despite, the positive aspects of globalization, many small companies in the automotive industry were able to sustain the competitive pressure, but because of being deficient in

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<sup>27</sup> Creswell, J.W. (2009) Research Design Qualitative, Quantitative, and Mixed Methods Approaches Third Edition, SAGE Publications, Inc , pp. 296

technology and branding, local companies could not have had a long term life. Therefore, half liberalization of Malaysian market by 2015 and full liberalization by 2020 can help her compete effectively at global level with car manufacturers in Europe and America.

Lastly, keeping in mind the economic benefits which liberal markets are expected to incur, it can be forecasted that automotive companies in other regions of the world followed the suit; however, the effect on smaller companies varied from country to country in accordance with their leadership and policies.

**CHAPTER 4: DATA ANALYSIS**

This chapter presents data analysis, which is deciphered as how the data was gathered and also how they were recorded that will include the research questions and the outcome. Moreover, Qualitative data is analyzed through a broad range of procedures and processes through which the researcher has moved the qualitative information, collected by secondary research and interviews, into some type of interpretation, explanation or understanding of situation or condition that is being observed or investigated. Usually, qualitative data is based on an interpretative philosophy. This philosophy is based on the view to examine and analyze the symbolic and meaningful content in the data collected. While analyzing the interviews, the researcher will identify the interpretation of the words from their perspective.

The aim of this chapter is to elucidate the theme of the study by interpreting the responses of the research participants by employing hyper research qualitative data analysis tool. The intention of the researcher is to extricate the correlation between the variable of choice and the qualities of collaboration. The researcher designed the interview questions in an open ended format in order to obtain more and more of the researchers' unbiased responses. Furthermore, the chapter highlights the impact of the trade liberal policies on the automotive manufacturing industry of Malaysia by extricating the factors that induce policy makers to develop such policies in trade affairs of the states.

***Interview Findings and Analysis***

Most researchers of developmental trading and lending feel that arrangement mediation in automotive industry is important to quicken industrialization because of needing business

instruments and constrained assets in advancing countries<sup>28</sup>. In any case, not all such mediations yield wanted outcomes; in spite of the fact that commercial enterprises in advancing nations have the necessity of state intercession. There is a need of such universal strategies which can reduce barriers and restrictions on the trade<sup>29</sup>. To secure the economic development of the country, policy makers may utilize nonfinancial assets to raise boundaries to the manufacturing sector, subsequently debilitating their business intensity, which can also accelerate poor outcomes in the long run<sup>30</sup>. The sum of these issues is imperative for investigations of budgetary approaches received in improving nations.

The study does not monitor the hypothetical investigation of particular issues identified with improving nations, yet examined how distinctive historical frameworks of trade policies bring out diverse vital and developmental decisions which are impacted by worldwide coordination and their effect on the political and monetary components. Despite the fact that modern improvement in advancing nations depends on government mediation, the investment and political foundation of every nation influences their determination of particular systems. To be specific, the vital decision between the “autonomous advancement” of Malaysia and the “dependent advancement”. At that point the politics of the auto business in Malaysia mediated with the “accompany the-business sector” arrangement.

### *Private Car Project*

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<sup>28</sup> Okamoto, Y. (1994). Impact of trade and FDI liberalization policies on the Malaysian economy. *The Developing Economies*, 32(4), pp 460-478.

<sup>29</sup> Natsuda, K., & Thoburn, J. (2014). How much policy space still exists under the WTO? A comparative study of the automotive industry in Thailand and Malaysia. *Review of International Political Economy*, (ahead-of-print), pp 1-32.

<sup>30</sup> Tai, Wan-Ping, and Samuel CY Ku. "State and Industrial Policy: Comparative Political Economic Analysis of Automotive Industrial Policies in Malaysia and Thailand." *Journal of ASEAN Studies* 1.1 (2013) pp. 55-82.

One of the significant mainstays of the APEC's (Asian Pacific Economic Co-operations) exercises is exchange and venture liberalization and assistance. Numerous improving nations see car industry as a monetarily key area in the light of its commitment to national creation, business and engineering, fortified through the size of upstream and downstream activities. These elements joined with a lot of venture at extensive scale and processing whenever needed in capital concentrated industry. Moreover, the worldwide move towards liberalization is continuously arranging for the stream of capital and items, even in this intensely secured division, where markets are rising gradually and being joined into the worldwide system of car industry.

In the meantime, be that as it may, numerous advancing nations are still worried about assurance of household commercial enterprises which are not prepared to rival worldwide players and they are pushing countervailing power against liberalization. Around the ASEAN countries, Malaysia and Thailand have the biggest and most improved automotive industry. While both nations emulated varieties of the import substitution system to improve the industry, they utilized wonderfully differentiating methodologies, especially concerning the part allocated to remote multinationals and the nature and degree of government insurance over the long run.

These two nations are following the policies of legislatures in their trade patterns and have brought improvement in the trade industry by setting example for the other developing countries and also brought transformation in the structure of the industry. The research respondent revealed that the strategies and the ensuing mechanical structure have greatly influenced their methodologies and proficiencies; therefore, they have to adapt to the new policies of liberalization and globalization of auto industry<sup>31</sup>. The present circumstances of the

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<sup>31</sup> Mai Fujita. "Industrial Policies and Trade Liberalization-The Automotive Industry in Thailand and Malaysia." APEC Study Center Institute of Developing Economies Chapter VI (2011).

auto business in the two nations are similar to each other and the two nations are adapting to the new methods of progressing liberalization plans and policies in their nations.

### ***Discussion***

This part of the chapter has presented the discussion based on the interviews and literature review. The researcher has chosen thematic analysis approach for the study. He has identified the following themes from the research study.

### ***Manufacturing and Changing Trade Structure of Malaysian Economy***

Malaysia advanced from its earlier position of exporter of basic goods to exporter of value added goods, on account of the structural change that occurred to its national economy.

#### **Changing Trade Structure**

<b>Merchandise Trade</b>	<b>Exports (% of total)</b>			<b>Imports (% of total)</b>		
	1980	1996	Change	1980	1996	Change
Food	15	9	- 6	12	5	- 7
Agricultural raw material	31	5	- 26	2	1	-1
Fuels	25	8	- 17	15	3	-12
Ores & Metals	10	1	-9	4	3	-1
Manufactures	19	76	+ 57	67	85	+ 18

*Source: World Bank: 1999b; and author's calculations*

The change that has occurred in the merchandise exports of Malaysia occurred due to these exports of manufacturers. An increase of 57% has been observed between 1980 and 1996, as the portion occupied by manufactured goods jumped from 19% to a wholesome 76%. A

significant alleviation in manufactured imports and decrease in the significance of exports of primary goods had also been observed during this period. However, the most essential change was witnessed during the 1980s when only within a time period of five years, the portion occupied by manufactured exports doubled. In contrast to the leading role played by manufacture-sector exports, the agricultural sector witnessed a significant decline during the same period (from 46% down to 14%). The Malaysian economy is destined to succeed on account of its industrialization strategy which is outward-oriented, is assisted by a tactical industrial policy, and liberalization of trade, which is further improved by growing manufacturing imports and healthy status of manufacturing goods in exports.

The changing trends in specialization of manufacturing exports are indicated by modifications in RCA (Revealed Comparative Advantage Index), the rankings of which keep changing dynamically. However, this analysis falls short of providing a specific industry category's revealed comparative advantage, in absolute terms. For example, the RCA ranking of an industry may decrease over time, along with an increase in its revealed comparative advantage which is stated in absolute terms. Therefore, an examination of variations in the RCAI absolute values over a certain time period may be the only manner of analyzing the variations in the degree of revealed competitive advantage. The following three tables elaborate on chief industries of Malaysia's manufacturing economy along with their RCAI indexes. The selection of these groups takes place on the basis of relative importance to employment, output, and exports.

#### *Export Competitiveness of the Malaysian Manufacturing: Changes in World Market Shares*

Even though a rapid demand has been experienced in exports of the manufacturing sector of Malaysian economy, this demand surge lacks consistency across industries. Some industries

have more extraordinary exports as compared to others. However, this should not be confused for good performance as there are certain industries with rapid export growth but low or inconsistent growth in global demand of these exports. An ideal situation would be featured by a high concentration of high growth industries in global markets in the overall export structure of the national economy. The successful contesting of dynamic segments of global trade would be indicated by such industrial restructuring. An assessment of the existence of high concentration of globally high growth industries would determine that dynamic markets are being contested by a country.

***CHAPTER 5: CONCLUSION***

The Malaysian economy has achieved tremendous and rapid growth since the last three decades which has brought transformation and structural change in the manufacturing sector of the country. The agriculture sector has increased the exports of the country which has also made contribution towards the employment, automotive sector and export-oriented manufacturing in the value added. The Malaysian economy is facing a huge competition from other countries in terms of its exports and trade but the country has also developed some policies through which they are competing with other nations. At the macro level, the competitiveness in the Malaysian economy has been created by investment in physical and human infrastructure, political stability, strategic industry policy, sound macroeconomic management, a visionary leadership, relatively competent bureaucracy and deregulation and privatization of the domestic economy. Competitiveness at macro level in the Malaysian economy provided a favorable environment to all MNC and local firms, where they can achieve competitiveness at the enterprise level as well. Moreover, at the external level, the unprecedented world and regional economic growth, globalization of industries, trade liberalization and changing nature of world demand provided equal opportunities to Malaysia through which it can capitalize on the changing structure of the global demand.

The dissertation argues that introduction of specialization patterns in the exports of Malaysia, which are reflected by some changes in the RCAI (Revealed Comparative Advantage Index), has provided evidence that Malaysia has the ability to restructure its manufacturing sector so that it can actively participate in those markets in which world demand is rising. The Malaysia can enhance or sustain its share in the manufacturing sector of the world through adjusting its operations with respect to changes in the composition of the world trade. The total extent to which country can make progress in the trade industry depends on the level at which Malaysia is competing to other countries on the basis of both non-price as well as price factors. These factors

are playing a major role in achieving sustainable competitiveness in the exports specifically in those product categories which are generating more revenues and have high growth ratio in the world markets.

However, it is a fact that trade liberalization policies, which are external or internal to ASEAN, have significant impacts on the Malaysian economy but still the country is playing a major and significant role in the world trade. It is also successful in promoting trade policies which is totally depend on the competitiveness of its manufacturing sector among the country. On the other hand, the Malaysian manufacturing sector is successfully moving towards the technology and knowledge intensive industries. The Malaysian manufacturing is also experiencing a huge competitive pressure by the convergence of manufacturing export specialization patterns between other ASEAN countries and Malaysian economy. A scheme was introduced with the name of Common Effective Preferential Tariff scheme (CEPT), which states that the pressure to enhance or achieve export competitiveness will be enforced in the region under this scheme. This scheme also holds that the non-tariff and tariff barriers will be removed from the region by the 2013 and it has been predicted that the CEPT also accelerate the level of intra-ASEAN trade between the countries. However, the automotive manufacturing sector of Malaysia has to face a lot of challenges and opportunities by the liberalization of the ASEAN trade.

It is very important to analyses the impact if trade liberalization policies on the automobile manufacturing sector of Malaysia. The automobile industry is rapidly growing in the ASEAN and they are regarded as the development centers for the automobile industry. Malaysia and Thailand are regarded as the biggest and best automobile manufacturing nations across the globe. The study had successfully outlined those strategies and approaches which have been used by Malaysia for the development of automobile industry. These two nations export their

automobiles to other countries so that they can bring economic development for their country.

The research is also significant for other developing nations who want to develop automobile manufacturing industry. The study has successfully explained challenges and barriers which come across due to globalization and liberalization of automotive industry. Moreover, the study is also significant for developing nations so that they can learn that trade liberalization policies can impact the overall development of the nations.

The research contends that it is necessary to compete at a macro level but it is not a sufficient strategy, in the presence of the trade liberalization, to challenge the high growth world markets. The Malaysian government has played an active role for the progress and promotion of the automotive industry in the state and industrial policies are also effective for the betterment of the automobile manufacturing in Malaysia. The government provide protection to the national car project and different industrial policies, which are adopted by the government, also favor the private car project.

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The research had explained the globalization process such as trade liberalization in the Malaysian economy and the environmental policies of Malaysia which are influencing the trade affairs of the country. The Malaysian economy is facing various issues in this regard such as trade liberalization due to enhancement in the trade liberalization policies, transition of Malaysian economy of pre and postindustrial stage, air emission, environmental policies with respect to sustainability for 2020 and energy demand. There is also high instability in Malaysian export earnings during that time due to high degree of trade dependence. Later on, government has decided to diversify the economy in 1970's and announced an active policy of "Import Substitution" which has not only emerged the economic development of the country but entirely eliminated this crisis from the country.

The study has presented an argument that it is essential to provide more value to the customers as compared to competitors and to actively respond towards the changing nature of the global markets through which the manufacturing sector can reduce competition at the macro level. The progress of the manufacturing sector totally depends upon its ability to exploit the competitive advantage at the enterprise as well as industrial level by adopting different strategies. Besides that, some other important factor such as firm-specific advantages also play a vital role in gaining a large share of the export industry which has an impact on the abilities of the firm through which it can acquire competitive advantage at the international level as well.

### ***Future research***

The future research can be done by changing the research design of the study. The researchers are suggested to carry out a quantitative research to identify more factors affecting the customer responses related to the customer satisfaction. Moreover, the area of research can also be expanded from some particular regions to some more areas and it can also expand by adding some other policies of trade. In addition, the sample size of the research was 7 research participants however; the manufacturers of the automobile industry can be tested on huge scale

for the accurate findings. This may include more regions and areas so that the researcher can expand the population of the research for increasing the reliability and validity of the research.

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