FACTORS THAT LEAD TO TRADE OPENNESS IN MALAYSIA

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ABSTRACT

Trade openness promotes the efficient allocations of resources through specialization and comparative advantage. A lot of countries nowadays apply trade openness because of the increase in total productivity and the exchange rate. Traditional trade employs a static framework while trade openness employs a dynamic framework. Static income effect from trade liberalization is low as compared to dynamic. Standard static trade theory generally predicts that trade policy has no effects on steady-state growth rate output. Larger trade implies greater openness that facilitates the economy adoptions of more efficient techniques of production, leading to faster growth of total factor productivity. The purpose of this study is to determine the effect of exchange rate, gross domestic product and export towards the trade openness in Malaysia which is the foreign direct investment by using quarterly time series data from year 2005 until 2014. The finding from this research shows that there is a relationship between export and trade openness.

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