



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF SERVICE
EXPORT IN MALAYSIA**

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ABSTRACT

The insufficient knowledge on what the performance of services export in Malaysia is becoming more concern. Besides product and goods, a lot of strategies and improvement need to undertake in order to drive export growth of service in Malaysia. Recently the lag between imported services is bigger than exported services. The problem of deficit in services export cannot be simply solved by spending more money on development but also need to improve the management. There is an urgent need for innovation, for better understanding on how to achieve the target to increase revenue for exported services rather than imported services. This research aims to study the relationship of commercial service export with four determinants, namely foreign direct investment (FDI), gross domestic product (GDP), export of merchandise goods and value-added service. It specifically studies on services trade in Malaysia. Sample years are 1975 to 2014. Ordinary least square (OLS) is used. Results revealed that foreign direct investment, gross domestic product and export of merchandise goods has positive relationship with commercial service export. However, value added service shows a negative relationship with commercial service export.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

In recent years, the services sector becomes an important emerging trend in global trade. Due to technological progress, services are now traded globally and increased rapidly and become the largest sector around the world and classified as the third economic sector, accounting for 70% of global GDP, 60% of global employment and 46% of global exports measured in value-added terms. Recently, developing countries look at the international trade in services as an opportunity to overcome domestic supply shortage as well as stimulate economic growth. (Goswami, 2012)

According to (Dee, 2001), trade in services involve the value of intangible product, called service exchanged between residents and non-residents of an economy. Service traded involves different countries or economies called as international trade in services. Services include transport, travel, telecommunications services and other business services. The service exports had become new opportunity to those businesses to expand their business. Export of service not only contribute to the performance of service sector but also had contributed to one-fifth of global trade that stimulate world economic growth.

According to World Trade Organization (WTO, 2017), the commercial service is defined as being equal to services minus government services, not included elsewhere. Commercial services are further subdivided into transportation services, travel, and other commercial services. Transportation services covers sea, air and other including land, internal waterway, space and pipeline transport services that are performed by residents of one economy for those of another, and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services.

Travel includes goods and services acquired by personal travelers, for health, education or other purposes, and by business travelers. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by