



International Journal of Emerging Markets

Defining Potentials and Barriers to Trade in the Malaysia-Chile Partnership
Evelyn S Devadason, VGR Chandran Govindaraju, Shujaat Mubarik,

Article information:

To cite this document:

Evelyn S Devadason, VGR Chandran Govindaraju, Shujaat Mubarik, "Defining Potentials and Barriers to Trade in the Malaysia-Chile Partnership", International Journal of Emerging Markets, <https://doi.org/10.1108/IJoEM-11-2016-0306>

Permanent link to this document:

<https://doi.org/10.1108/IJoEM-11-2016-0306>

Downloaded on: 20 October 2018, At: 22:15 (PT)

References: this document contains references to 0 other documents.

To copy this document: permissions@emeraldinsight.com



Access to this document was granted through an Emerald subscription provided by emerald-srm:200910 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Defining Potentials and Barriers to Trade in the Malaysia-Chile Partnership

Abstract

This paper investigates the potentials and barriers to trade in the Malaysia-Chile partnership. Specifically, it estimates two-way export potentials from an augmented three-dimensional panel gravity model of bilateral trade between Malaysia and the Latin America and Caribbean (LAC) region, spanning the 1990-2014 period. Utilizing interviews with government officials and industry experts in Malaysia and Chile, this paper provides insights into market access issues. The empirical findings of this study suggest that Malaysia has trade potential in Chile, but Chile is 'overtrading' with Malaysia. By major products traded, both countries are found to be 'overtrading', as the export basket remains concentrated in this partnership. Through the interviews, fewer restrictions are reported by the various stakeholders, as the extent of trade engagement remains somewhat low. The main challenge identified within specific sectors in both countries relates mainly to procedures established to secure compliance with labeling regulations for food products. This paper contributes to a better understanding of potential sectors for more intensive trade and identifies trade restrictions that are less transparent and difficult to quantify in the Malaysia-Chile trade relationship.

Keywords: export potentials; trade barriers; gravity model; Malaysia; Chile.

JEL Classification: F10, F13, F14

1. Introduction

Since 2003, with the rising number of cross-regional trade (CRT) agreements between Asia, Latin America and the Caribbean (LAC)¹, there has been an unprecedented rise in cooperation between both regions (Berisha-Krasniqi *et al.* 2011; Wignaraja *et al.* 2012). The deepening of trade relations between these regions has important implications for trade flows, given that they exhibit different characteristics, particularly in terms of protection structure, specialization and structure of trade (ADB 2012; Bellefleur 2017). Asian exports are highly concentrated in industrial goods, while LAC relies more on agriculture and mineral exports (SELA 2016). These specializations, consistent with their reciprocal comparative advantages, characterize CRT and therefore suggest vast potential for trade expansion.

However, to date, China (in addition to India, Japan and South Korea) has been the major focus on economic relations between Asia and LAC (Shi-Young *et al.*, 2017; Gouvea and

¹ The number of free trade agreements in effect between Asia and LAC as of the end of June 2013 is 22 (Wignaraja, 2015).