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Impact of Trade Policies from the Stakeholder Perspective: A Case Study of Car Manufacturing Industries in Malaysia

Abdul Murad Ahmad[*]

East West International College, A-3-1, Jalan Dataran Sentral 1
Dataran Sentral, 70200 Seremban, Negeri Sembilan, Malaysia

Abstract— **Through facilitative efforts by AFTA, the Malaysian government has entered into trade agreements with other ASEAN member states. The current body of literature provides a general understanding of the effects of trade policies on developing nations, but it does not provide specifics, such as how those trade policies affect a given industry or even a specific developing nation. The purpose of this study was to explore the effects of the AFTA trade liberalization policies on Malaysia's automotive industry. A case study was conducted using the triangulation of empirical statistical data collected from secondary sources, an analysis of policy documents, and from qualitative interviews conducted with consumers, automotive industry workers, and experts in the automotive industry or in the realm of policy analysis and trade politics. The Malaysian government entered into trade agreements out of a desire to protect domestic industry, with a focus on protecting the automotive industry. However, these trade agreements have not always worked in Malaysia's favour, and the country has experienced challenges as a result of the trade policies in the region. While economic growth has been high for the past several decades, the automotive industry is still developing, and the country is still classified as a developing nation. Results indicated that consumers had the lowest level of awareness of these policies even though they were some of those that were the highest effected because of the implementation of those policies. Synthesis of data from the analysed interviews indicated that the results of Malaysia's entry into AFTA on the automotive industry have been both deep and far reaching, but that no one group is aware of all of the effects of those trade agreements, or that the trade agreements have resulted in positive changes for the country as a whole.**

Keywords— *Malaysia, automotive sector, stakeholder perspectives*

1. Introduction

The current body of literature associated with understanding the effects of trade policies on developing nations primarily concerns itself with broad generalizations or with reviews of policy effects on a country as a whole, instead of looking to a specific industry within a given country [1-4]. While generalizations and background information are important, and while such information does provide a starting point for further research into this given area, it acts as foundational information only for the completion of research in this area. Such information acts less as standalone research, instead presenting more as introductory material for the collection and analysis of true, empirical data. The lack of this information allows for the creation of ambiguities within the current body of literature, and, if not addressed and reduced, the gap will only continue to grow, resulting in information that cannot be effectively explored to the benefit of a solution within an applicable situation.

However, with the collection of such background information, information that serves to discuss the purpose of trade organizations, or serves to indicate the effects of trade organizations on a particular region, or discusses trade organizations within the generalized context of developed or developing nations, it becomes possible to use this information as a starting point for further research [1-3]. A great deal of literature is present regarding the effects of trade policies on developed nations, there is minimal empirical information regarding the effects of those policies on developing nations or on specific industries within those nations and although there is a host of information on the automotive sector in Malaysia, there is a dearth of information on the

effects of trade organizations within this specific industry.

Through the application of an applied theoretical perspective, this case study sought to close the gap present between the documentation of the Malaysian automotive industry and the effects of trade organizations and trade liberalization policies within this sector of industry [3, 4, 5]. As previously indicated, preliminary research shows that, while trade policies have worked to ensure that the automotive industry has been able to grow beyond the levels it was at prior to the implementation of the same, the cost associated with those benefits has been quite high, leaving open the possibility that trade organizations and trade policies may not be worth the cost [2, 3].

2. Purpose of the Study

The purpose of this study is to identify and describe the influence of AFTA policies on car manufacturing in Malaysia.

3. Research Questions

RQ1: What are the current national strategies for the automotive industry of Malaysia within the context of AFTA?

- RQ2: What policies, some of which are referred to as interventions within governmental documents, have been adopted by the Malaysian government in order to take steps to promote the automotive sector within the facilitated agreements created under AFTA?

- RQ3: What are the measurable consequences of the policies, some of which are referred to as interventions within governmental documents, utilized in the development of the automotive industry in Malaysia, in light of AFTA?

- RQ4: Could certain negative effects experienced as a result of identified trade policies be modified to present a more positive result?

4. Conceptual Framework

The conceptual framework applied within this case study was that of stakeholder theory. Stakeholder theory provides a theory of business ethics and organizational management that has been used to

address values in organizational management [6]. In recent years, the analysis of trade organizations has allowed for an alternative application of this particular theory [7]. Stakeholder theory serves as an ideal conceptual framework for the analysis of the effects of trade organizations on a particular industry or within a particular country by providing a framework through which it is possible to explore the effects of the actions taken and agreements made on each of the different areas of affect [7]. The theory itself is not directly applied, as within a theoretical framework; instead, the concepts espoused within the theory itself are applied, allowing for the integration of the theory into the analysis of the collected data. By identifying and describing the effects of a trade organization and the agreements the trade organization has facilitated, using stakeholder theory, it is possible to explore how each of the different actions taken affects each of the different groups affected, allowing for a more holistic exploration of the various effects within a given region or as a result of a specific agreement [7].

5. Methodology

The case study design provided the researcher with the ability to employ data triangulation, allowing the researcher to compare the qualitative data collected from participants with the data from the policies, procedures, and trade agreements stemming from Malaysia's participation in AFTA, and explore that data within the context of the metric outputs of the industry itself [8, 9]. The sample size was determined through a combination of practical and epistemological considerations, and refers to the total number of participants within the context of the study [10]. In light of the fact that data was to be collected from customers, individuals working within the automotive industry in Malaysia, and experts on the field of study, the sample size was set at five interviews for each of the different groups of individuals to be interviews in the completion of the study, for a total of fifteen participants across each of the three categorical groups.

Inclusion criteria consisted of a working knowledge of policies affecting the automotive sector in Malaysia and meeting the criteria of one of the three sample sets, either a customer, a worker within the automotive industry, or an expert in the field of

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study. Further, in order to be included in the sample, all participants had to be over the age of 18 and residing within the country of Malaysia. In order to ensure that there are no issues with translation, all participants are likewise required to be able to speak and understand English. Exclusion criteria included those who are under the age of 18, those who did not fit into one of the identified sample groups, or those who did not have a working knowledge of policies affecting the automotive industry. No participants are excluded on the basis of race, creed, religion, or sexuality.

In the collection of quantitative data, no specific instrumentation was used; as the empirical data collected is obtained from current published secondary data, there is no need for the creation of a data collection instrument. The researcher opted to create semi-structured interview guides that would be tailored to the needs of the study, allowing for the requisite data to be collected. A total of three interview guides were created by the researcher. The first interview guide was for the consumer population. The second interview guide was for the automotive industry workers. The third interview guide provided questions for the experts on the subject. While the first part of the interview guides is similar, allowing for the collection of basic demographic data, the second half of each interview guide included questions tailored to the participant group itself. A total of 18 questions were generated for each of the three different interview guides.

In order to have a point of origin for the start of the data analysis process, as with the data collection process, the researcher started with the policy data first. Content analysis was used as a means of extrapolating the different themes located in the policy documents collected from the first source of data collection discussed in the previous section. The secondary empirical data consisted of numerical data, already analysed by the source providing that data. In the case of the GDP and the GNP, this included not only the specific values for the GDP and GNP preceding, during, and following the years in which the policies are implemented, but also the amount of change that occurred from year to year and over the course of specified time periods, i.e. over time in 5 year intervals. The interview data transcribed by the researcher was likewise subjected to a content analysis, allowing for the identification of emergent themes within each of the different participant groups [11, 12]. Level two coding was used in the completion of this analysis. The results collected in the form of transcribed interviews only had primary and secondary themes present therein.

6. Ethical Considerations

The researcher obtained signed informed consent forms from the participants, indicating that the participants are aware of the purpose of the study, what the data collected will be used for, their rights as a participant, and the voluntary nature of the study [13]. The informed consent form likewise included information on the recording process used in the data collection. The informed consent form served as a means of providing information to the participant, while offering them information in writing on their ability to extricate themselves from the study and offering them a medium through which it is possible to get any and all questions answered prior to the start of the interview process and before agreeing to participate in the study and addressing any questions that the participant might have had following the completion of the interview process itself.

7. Discussion

The theoretical framework employed within the completion of this study allowed for the exploration of the topic within a specified construct. The application of stakeholder theory as a framework for the collection and analysis of data as a means to explore the identified value of participation in an agreement or organization by a country beyond simple profit and loss statements has become quite popular within the current body of literature as a means of exploring the effects of trade organizations and agreements, and it was for this reason, and the associated effectiveness of the application as displayed through the literature, that this framework was selected [10, 11]. The first step was to explore the alliance capabilities and operational capabilities that had occurred as a result of the country's participation in the trade agreement that is AFTA [8, 14]. Within this context, the different potentials for alliance within the automotive industry in Malaysia were identified through the collection of data via semi-structured interview with consumers,

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automotive industry workers, and experts in the field. Participants indicated that the alliance potential had increased in the automotive industry following Malaysia's entry into AFTA. Operational capabilities were likewise shown to have increased, with parts decreasing in cost, parts becoming more easily accessible, collaborative efforts increasing, and technological offerings increasing as well. With increases and advancements in these areas, the effects of the trade agreement in general, the effects on the customers, political groups, and trade unions were also explored [3, 5, 15]. Analysed data indicated that automotive consumers received additional benefits as a result of Malaysia's entry into AFTA, as did those working in the industry, though all of the effects could not always be seen by the specific stakeholder group. Political groups indicated positive forward movement through the creation and modification of national policies, and trade agreements did not display any negative effects either. Trade unions were not present.

When looking beyond these groups to the AFTA agreement itself, analysis of policy indicated benefits for the automotive industry in Malaysia, allowing for improvements beyond that which may have otherwise been predicted. While analysis of the statistical data publically available for the country was somewhat inconclusive due to the outside variables that would likewise affect the published statistical data, the results indicated positive forward movement for the country following its entry into AFTA, providing benefits to the automotive industry, to all stakeholders, and to other industries as well.

The histogram for the GDP showed a traditional bell curve, suggesting that the data range is of normal distribution. The same was true for GNP despite the smaller bell curve. The ANOVA analyses showed that the p-value was 7.1, which is over the traditional significance level of 0.05. Therefore, it is suggested that there is no correlation between GDP and GNP. As a result, it can be suggested that GDP does not result in causation of GNP due to the independence of variables. It is possible for improvements to be made regarding Malaysia, which may establish improvements, not only in GDP and GNP, but also in social issues as well, such as employment rates.

8. Conclusions

Within the context of this study, four research questions were identified for resolution. For clarification, the questions have been reiterated followed by the conclusions made based on the data collected herein. The first research question asked, "What are the current national strategies of Malaysia, as discussed within the context of AFTA, in terms of the automotive industry?" The current national strategies were identified as the promotion of the national automotive industry over imported vehicles from other countries, the fostering of alliances in order to improve the abilities of vehicular provision within the Malaysian automotive industry, and the creation of policies and interventions designed to ensure that the national automotive industry was able to remain on top within the nation. The second research question asked, "What policies and interventions have been adopted by the Malaysian government in order to ensure the success of its automotive sector within the facilitated agreements created under AFTA?" The policies that have been adopted by the Malaysian government in order to ensure the success of its automotive sector within the facilitated agreements created under AFTA were identified as both CEPT and the NAP, allowing for the promotion of the automotive industry within the nation while providing tax breaks for those who would work in collaboration with the country to allow for improvements to the automotive industry as a whole. The third research question asked, "What are the measurable consequences of the interventions and policies utilized in the development of the automotive industry in Malaysia, in light of AFTA?" Results indicated that the measurable consequences have been positive in each of the identified stakeholder groups as well as in the dynamic capabilities of the organization. Overall, no negative consequences were identified as a result of the country's entry into AFTA or the subsequent policies created as a result of the country's entry into AFTA.

The final research question asked, "From a theoretical perspective, could certain negative effects experienced as a result of identified trade liberalization policies be modified to present a more positive result?" While the other research questions explored within the context of this study had easily identifiable answers following the completion of the

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analysis of collected data, this particular research question is not answered so easily. Very few participants had negative comments regarding the effects on the automotive industry, and those negative effects could easily be classified as personal perspectives based on results that had a personal effect on the individuals that they did not like, as in the case of the individual who complained that the trade in value of his older vehicle had decreased in price as a result of the roll out of vehicles with newer technologies. While this could be argued as a legitimate complaint, this also falls under the property of obsolescence, wherein older technologies do not have as great a value as newer technologies and wherein they ultimately die out after being replaced by those newer technologies.

Still, it could likewise be argued that this is an adverse effect occurring within a specific stakeholder group. With that being stated, yes, from a theoretical perspective this negative effect could indeed be modified to present a more positive result by selling the vehicle to a used car dealership instead, allowing an individual to get more for his or her trade in than he or she may receive at a new car dealership, but by the same token, the individual could, instead of selling their old vehicle to a dealership, sell the vehicle by owner, allowing for a greater return on that investment. These options are, however, already available to the individual who registered the complaint and who opted not to take either of the two available options. As the decision making process of the participant regarding their vehicle trade in practices was not the subject of the investigation, however, no additional information on the thought processes of the individual regarding this decision were gathered or explored. From the general consensus, however, the results of AFTA entry were positive. From a theoretical perspective, yes, if any adverse conditions were identified, it would be possible to take steps to mitigate those areas of concern; however, this still leaves open the situation to a choice of whether or not to take those actions or to adopt a different path.

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