

Free Trade as a Force of Political Stability: The Case of Malaysia

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Abstract

Free trade can influence political stability by fostering economic growth, reducing poverty, and increasing employment opportunities, leading to a more content and stable society, while also potentially reducing tensions by creating interdependencies with other countries. While free trade offers many benefits, free trade also brings monopolization and corporate Power. It can be seen in favor of large multinational corporations that have the resources to dominate markets. The objective of the article is to examine how Malaysia's free trade agreements work with Pakistan, New Zealand, India, and Australia that have influenced political stability. While free trade is often touted as a mechanism for economic growth and political cooperation, its impact on political stability remains complex. The methodology employs a mixed-method approach, including a qualitative, doctrinal and socio-legal approach. The results shows that Malaysia's free trade agreements with Pakistan, New Zealand, India, and Australia have impacted economic growth, more foreign investment, and stronger diplomatic relations, created a more stable political environment and making Malaysia more resilient to economic shocks.

Keywords: Free Trade Agreement (FTA); Political Stability; Foreign Investment; Economic Growth; International Relations.

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1. Introduction

Governments that practice free trade do not impose any restrictions on imports or exports. Goods and services can flow across borders with little to no interference from the government in the form of tariffs, quotas, or subsidies under a free trade policy. By enabling products and services to be produced in the most efficient regions and supplied to markets where they are in demand, free trade aims to stimulate economic growth, facilitate a more efficient allocation of resources, and improve consumer choice (Jackson,1969). Within the realm of international trade law, free trade pertains to the set of regulations and accords that oversee the unrestricted flow of commodities and services between nations. This framework reduces or removes regulatory barriers like tariffs and quotas in order to promote efficient and seamless commerce between countries. commerce agreements are legally binding contracts that specify the parameters of commerce between nations. As a result, these kinds of agreements aim to remove quotas, lower tariffs, and handle other trade obstacles (Abuseridze,2021;Tektona and Rachmawati,2020).

Significantly, free trade agreements are subjected to two World Trade Organization (WTO) regulations: they must remove tariffs and other barriers from "substantially all the trade" in goods amongst member nations, and they must also function to substantially remove any discrimination against member nation service providers. Thus, in accordance with these two WTO-mandated criteria, all WTO members that have signed free trade agreements (FTAs) are required to maintain legal trade disciplines with regard to those agreements in order to guarantee that the agreements they have signed are of the highest caliber and uphold the framework of global trade. Therefore, WTO members are not allowed to sign trade agreements that don't meet the standards established by the WTO.

The WTO nations have made a long-term commitment to political stability, including political effort as well as financial and human resources. The measures required to motivate these nations to enact substantive reforms in the direction of the short-term goals are the instruments of political stability. The stabilization mechanisms themselves will enable WTO member nations to set priorities for reforms, mold them in accordance with WTO standards, resolve issues, and oversee their execution. The agreement's completion, which symbolizes a comprehensive contractual connection between the politicians and society, is the focal point of the stabilization process (Van

den Bossche,2012). Such “agreement” can have high political value since it is based on the gradual implementation of reforms designed to achieve the aim of moving closer to high social standards (Van den Bossche,1996).

Political stability may be impacted by free trade in a complicated and multidimensional way. Political stability is frequently aided by economic growth and progress, but it can also result in social unrest and economic upheavals that could heighten tensions between the two. It can be seen among others through regional disparities and cultural and social disruptions. While some regions or sectors of an economy may benefit from free trade, others may suffer. For instance, urban areas or sectors like technology and finance may thrive, while rural or industrial regions may face economic decline. These uneven benefits can exacerbate regional disparities and create political divisions. Disaffected regions may feel neglected, leading to protests, populist movements, or demands for protectionist policies.

Through expanding export potential, opening up new markets, and drawing in foreign capital, free trade can promote economic growth. Increased wages, better living standards, and the development of jobs are all results of economic growth, and these factors typically support political stability. In addition, free trade agreements frequently result in closer political relations between the involved nations. By fostering collaboration and peace, these relationships can lessen the chance of violence. Furthermore, stronger institutions, legal frameworks, and governance structures are frequently needed for countries to engage in international trade. Through the development of more accountable and transparent systems, these advancements can strengthen political stability.

Two ideas that lessen or do away with trade obstacles to promote international trade are free trade zones (FTZs) and free trade areas (FTAs). They function differently and have different uses, though. A free trade zone (FTZ) is a region that has been set aside within a nation where products can be manufactured, imported, stored, handled, and exported again without incurring customs taxes. Usually, these zones are created in the vicinity of significant seaports, airports, and national borders. An agreement amongst a group of nations to lower or do away with trade restrictions, such as import quotas, tariffs, and preferences on products and services exchanged, is known as a free trade area (FTA). FTAs, as opposed to FTZs, are based on

international agreements as opposed to particular zones inside a single nation (Eaton, Kortum, & Kramarz, 2004). China started creating free trade zones in 2013 around important ports and coastal regions. Certain national restrictions have been loosened in order to facilitate matters pertaining to corporate development and foreign investment. Therefore, FTZ is a specific area within a country with relaxed customs rules to promote exports, while an FTA is a treaty between countries that reduces or removes tariffs and other barriers to international trade across borders.

2. Methodology

The study uses a mixed-method approach that combines analytical and descriptive techniques (Koolae and et al,2023; Mohd Zin and et al,2015). As an illustration, the study uses a qualitative methodology that includes data analysis, factual application, and conceptual understanding (Azmi and et al,2023). This study uses free trade agreements like MPCEPA, MNZFTA, MNZFTA, and MAFTA as its primary source (Dazulhisham and et al, 2023). Analysis has been done on data from a variety of sources, including books, papers, and websites, for the secondary source (Althabhwawi and et al,2023). Additionally, a doctrinal strategy is used in order to gather information from library sources (Adil Kashef Al-Ghetaa and et al,2023). To investigate the impact of free trade agreements on political stability, researchers used library resources like UKM Institutional Repository (E-Rep) and HeinOnline. In addition, a socio-legal research methodology is employed to ascertain how free trade agreements affect political stability. This is because the impacts of free trade agreements (FTAs) on politics cannot be adequately explained by research using a doctrinal approach (Adamu Aliyu and et al,2021; Musni and et al,2023; Nasrul and et al,2019).

3. Free Trade Agreements in the Malaysian Context

By lowering tariffs and non-tariff trade barriers, the Uruguay Round discussions' conclusion in 1994 and the World Trade Organization's (WTO) founding on January 1, 1995, were important turning points in the advancement of trade liberalisation. However, as a result of the Doha round trade talks' slow and restricted progress, nations—including Malaysia—have turned their attention to free trade agreements (FTAs) in an effort to gain wider market access (Menon,2007). Even before the General Agreement on Tariffs and Trade (GATT) was created in 1947, free trade agreements (FTAs) were a component of the multilateral trading system.

Customs unions and free trade zones are explicitly recognised by Article XXIV of the GATT, which exempts them from the non-discriminatory concept of the most-favorable-nation stated in Article I of the GATT.

While some contend that the multilateral approach is still the "best" liberalisation strategy, there are more free trade agreements (FTAs) being signed in a variety of ways (Baldwin and Freund, 2011). From the 55 that were in place when the WTO was founded in 1995, there were over 360 FTAs in effect in 2024 (see Figure 1). The diagram displays the number of Regional Trade Agreements (RTAs) currently in force by year of entry into force, covering the period from 1948 to 2024. It illustrates how the number of RTAs has grown significantly over the last few decades, especially in the areas of goods and services trade. The cumulative growth in the number of RTAs indicates that trade agreements have become a crucial element of global economic policy. The spike in recent years suggests that many nations have actively pursued trade liberalization, but the recent decline might indicate a saturation or a shift in trade policy focus.

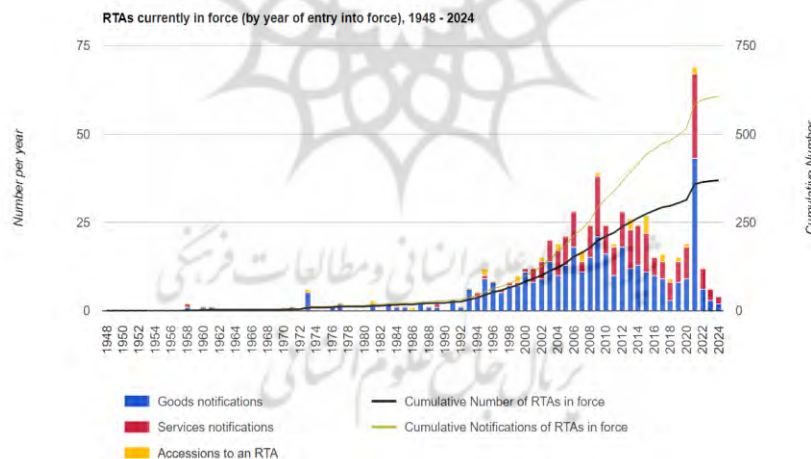


Figure (1): RTAs Currently in Force (by Year of Entry into Force) 1948-2024
(Source: <https://rtais.wto.org/UI/charts.aspx>)

Through the World Trade Organization's (WTO) rule-based multilateral framework, Malaysia's trade policy increasingly seeks to promote a more open and equitable global trading environment. Malaysia is seeking bilateral and regional trade agreements concurrently to support its multilateral trade liberalisation initiatives. By tackling tariff and non-tariff barriers,

encouraging investment, and extending economic cooperation in strategic areas, these free trade agreements aim to improve market access. The establishment of the ASEAN community as a unified market and industrial base, distinguished by the unrestricted movement of capital, skilled labour, and goods, is one strategic choice (ASEAN Economic Community Blueprint 2025 – ASEAN Data Science Explorer, 2015). In Malaysia, a number of FTAs have gained traction, particularly since 2006. In addition to the ASEAN economic community, Malaysia has seven bilateral free trade agreements (FTAs) in effect as of 2024 with China, Japan, Pakistan, New Zealand, India, and Turkey (Hasbullah, 2023). Furthermore, Malaysia has ratified and carried out nine regional free trade agreements. The Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are two significant free trade agreements that Malaysia notably implemented in 2022. Negotiations are currently underway to finalise the Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA). However, the purpose of the subsequent paragraphs is to look at various political effects of the bilateral FTA.

4. Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)

Following Malaysia's independence, Pakistan and Malaysia established diplomatic relations in 1957. These connections were briefly interrupted in 1965 due to Malaysia's stance on the Pakistan-India war, but they were swiftly restored in 1966 (Amir and Tariq, 2020). When it was decided to strengthen friendship and economic ties by signing a Free Trade Agreement (FTA) during the Malaysian Prime Minister's 2004 visit to Pakistan, the two countries' relationship took a dramatic turn. Deeper economic cooperation was initiated with the signing of the Early Harvest Program (EHP) in January 2006. The Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA) was signed in November 2007 and went into force in January 2008 as a result of the EHP's effective implementation (Amir and Tariq, 2020; Lee and et al, 2023). Being the first bilateral free trade agreement (FTA) between two Muslim nations that are OIC members, this accord was historic (Amir and Tariq, 2020). Adopted on November 8, 2007, and coming into effect on January 1, 2008, the Malaysia-Pakistan Closer Economic Partnership Agreement (2007) aims to create a free trade area that will, as stated in Article 1, foster socio-economic cooperation between

Malaysia and Pakistan by improving market opportunities, liberalising trade and investment, promoting economic cooperation, ensuring transparent regulations, and improving competitiveness.

The MPCEPA had a major effect on the dynamics of trade between Pakistan and Malaysia. Pakistan was rated 24th as Malaysia's main export destination in 2019 with exports of 1109 billion USD, and 44th among Malaysia's top import sources with commerce valued at 257 billion USD. On the other hand, according to Amir and Tariq (2020), Malaysia ranked 12th among Pakistan's main import sources with 956 billion USD in imports and 21st as an export destination with 232 billion USD in exports. Malaysia became one of Pakistan's top five import partners after the Free Trade Agreement was signed in 2008, demonstrating the agreement's early success. But when Pakistan signed a Preferential Trade Agreement (PTA) with Indonesia, another ASEAN member, in 2013, the trade environment between Malaysia and Pakistan changed, and this trend experienced a downturn (Amir and Anum,2015).

The Closer Economic Partnership Agreement (MPCEPA) between Malaysia and Pakistan has political roots that are based on both strategic and economic factors. With regard to trade in products, Pakistan agreed to remove tariffs on 43.2% of its imports from Malaysia by 2012, and Malaysia committed to do the same with regard to 78% of its imports from Pakistan (Amir and Anum,2015). The goal of this tariff decrease was to promote interdependence and reciprocal economic progress. In particular, Malaysia was granted preferential access to goods like palm oil, industrial machinery, chemicals, and raw materials for a variety of industries, while Pakistan was granted duty-free market access for important exports including cotton yarn, textiles, fruits, and jewellery (Amir and Anum,2015). Furthermore, Pakistan lowered rates by 15% Margin of Preference (MoP) on seven tariff lines related to palm oil (Amir and Anum,2015). In order to promote economic stability, which is a necessary element of political stabilisation, this strategic economic cooperation sought to fortify bilateral trade links.

The MPCEPA emphasizes the significance of political stabilization, which centers on respect for fundamental democratic values and the constituents of a stable political society, in addition to economic objectives (Abuseridze, 2020). The development of these relationships has been greatly aided by

Malaysia and Pakistan's strong diplomatic relationship. One notable area of convergence is defense cooperation, as seen by Malaysia's agreement to buy multi-role combat aircraft and anti-tank missiles from Pakistan (Hussain, 2020). Such military cooperation improves the region's political stability and strategic security. Furthermore, the strong political ties between Malaysia and Pakistan are highlighted by the visit of Pakistan's Prime Minister Imran Khan to Kuala Lumpur in February 2019, just after the Kuala Lumpur Summit (Hussain, 2020). The summit, which was organised by Khan, Turkish President Erdogan, and Malaysian Prime Minister Mahathir Mohamad, demonstrated a united front among nations with a majority of Muslims in confronting shared challenges. Pakistan and Malaysia's cooperation on regional and global issues is reflected in the strong diplomatic ties between the two countries. Therefore, the MPCEPA is a strategic political alliance with an economic component that aims to promote stability and uphold democratic values within the context of bilateral and regional cooperation.

Looking a little closer, the MPCEPA also improves political ties by promoting reciprocal economic gains, acting as a tool of economic diplomacy. The Malaysia-Pakistan Closer Economic Partnership Agreement contains a chapter on investment, Chapter 9, which outlines all the guidelines, protections, and prohibitions related investment for both sides. This chapter is one of the components of the agreement. As an illustration, Article 90 mandates that each party treats other party investors and their investments in a way that is as beneficial to that of investors from third countries. Put more simply, it means that, in the same way that they would treat investors from any other nation in a comparable situation, Malaysia and Pakistan must treat investors and their investments from each other's countries equally and fairly. Fairness and nondiscrimination in investing activity between the two parties are guaranteed by this principle.

According to Hussain (2019), Chapter 9 additionally promotes and enables Malaysian enterprises seeking to pursue investment opportunities in Pakistan's Special Economic Zones (SEZs). The MPCEPA seeks to foster an environment that is favorable to business expansion and economic cooperation by encouraging cross-border investments. In addition to drawing foreign direct investment, these investment incentives boost regional economies, resulting in the creation of jobs and the advancement of both nations. Because it fosters interdependence and reciprocal economic

development, this kind of economic integration plays a crucial role in bolstering bilateral political ties and promoting political stability.

The accord also affects trade quantities, which is an example of how economic diplomacy may improve bilateral relations. Pakistan's total export volume to Malaysia increased significantly between 2018 and 2019, registering a noteworthy 126% growth (Hussain,2020). This significant expansion demonstrates how well the MPCEPA has worked to expand export opportunities and give Pakistani companies more access to the Malaysian market. The agreement contributes to the reduction of trade imbalances and the development of more balanced economic relationships by enabling increased trade flows. The political relationship between Malaysia and Pakistan is supported by this economic diplomacy, which is marked by increasing trade and investment. This shows how economic accords can result in greater diplomatic ties.

Moreover, via increased economic cooperation and strategic collaborations, the (MPCEPA) has been instrumental in advancing regional stability. Five memorandum of understanding covering important industries like communications, information technology, and power production have been signed between the two countries (Hussain,2019). It has also strengthened collaboration in the banking, energy, and agriculture sectors. These agreements have strategic purposes beyond just trade; they also strengthen political ties and promote stability in the region. The fact that Malaysia is once again interested in purchasing JF-17 Thunder jets from Pakistan is evidence of the growing defence cooperation between the two countries, which improves security and promotes regional peace. According to Khan's advisor on commerce, Razak Dawood, these agreements were worth an estimated \$900 million, demonstrating the political resolve and substantial financial commitment to fortify bilateral ties.

Significant industrial cooperation has also been made possible by the MPCEPA, as demonstrated by the Malaysian automaker Proton's intention to establish its first South Asian power plant close to Karachi (Hussain, 2019). This action is a step towards deeper regional economic integration as well as a significant investment in Pakistan's industrial sector. These kinds of investments are essential to regional stability because they address some of the underlying causes of instability by reducing poverty, increasing economic growth, and creating jobs. Furthermore, initiatives to increase

public knowledge of MPCEPA, such as workshops and town halls hosted by the Malaysia Pakistan Business Council (MalPak), demonstrate a dedication to using the agreement as a springboard for doable actions that will promote and expand bilateral commerce and investment (Aman,2020). MPCEPA serves to establish a more secure and peaceful regional environment by promoting mutual dependence and fortifying economic linkages, demonstrating the close relationship between political stability and economic cooperation.

The Closer Economic Partnership Agreement (MPCEPA) between Pakistan and Malaysia has had important political ramifications that have improved bilateral cooperation and supported regional stability. The MPCEPA has enhanced political relationships and facilitated greater collaboration, as seen by Anwar Ibrahim and Shehbaz Sharif's repeated vows to explore new areas of cooperation, including trade, investment, education, defence, culture, and people-to-people contacts (Bernama,2024). In terms of trade, the agreement has allowed Pakistan to export more to Malaysia than it has ever done before, with US\$460 million being exported to Malaysia in 2021—a significant achievement given that prior shipments had seldom exceeded US\$200 million (Lavendra,2023). Since increased commerce encourages reliance on one another and cooperation, this economic success has translated into political stability and goodwill. Furthermore, improved connectivity has resulted from the launch of direct flights by Malaysia's Batik Air and Pakistan's National Airlines, fostering trade, travel, and cross-cultural interactions (Lavendra,2023). Enhancing accessibility fosters interpersonal relationships and fortifies the socio-political ties between the two nations. All things considered, the MPCEPA has improved political stability, cooperation, and economic progress, demonstrating the revolutionary potential of free trade agreements to promote peace throughout the region.

5. Malaysia- New Zealand Free Trade Agreement (MNZFTA)

The major trade agreement known as the Malaysia-New Zealand Free Trade Agreement (MNZFTA) aims to improve the economic ties between Malaysia and New Zealand. On August 1, 2010, this agreement went into force with the goals of lowering trade barriers, expanding market access, and fostering economic cooperation between the two nations.

Under the terms of the MNZFTA, tariffs on a variety of commodities traded between Malaysia and New Zealand will be gradually reduced or eliminated. This lowers the cost of goods for both firms and consumers in both nations. For instance, the agreement states that, as of 2024, 99.8% of New Zealand exports enter Malaysia duty-free. Tariffs on 99.5% of New Zealand exports to Malaysia were removed on January 1, 2016. Under the CPTPP, the remaining tariffs must be eliminated by 2033. In addition, the agreement makes it easier for service providers in the two nations to enter each other's marketplaces. This covers industries including professional services, financial services, and education. In order to achieve greater economic and social benefits, both nations pledge to work together in a number of areas, including education, science and technology, and environmental protection (Ministry of International Trade and Industry Malaysia,2018).

A variety of high-value services are also exported by New Zealand to Malaysia, including computer and information technology, education (the country's sixth-largest market), and tourism (with travel expected to cost over NZ\$170 million in 2023). For Malaysia and the surrounding area, New Zealand provides a reliable and safe source of food of the highest calibre. Malaysia is also a dependable source of agricultural gear and inputs for New Zealand. Malaysia and New Zealand are dedicated to establishing a robust framework for bilateral and regional commerce. Together, these two nations' numerous bilateral and regional agreements offer both nations new commercial opportunities and tools (Ministry of Foreign Affairs and Trade of New Zealand,2023).

Trade between Malaysia and New Zealand has expanded since the MNZFTA was put into effect, which has benefited both economies by giving importers and exporters greater options. Through market expansion and more competition—which can result in better goods and services at lower costs—the agreement promotes economic progress. In addition to its economic advantages, the MNZFTA fosters deeper relationships between Malaysia and New Zealand by fortifying their diplomatic and cultural links. Because of the Malaysian Free Trade Agreement, exports from New Zealand can now benefit from cheaper duties than those imposed on rivals' goods from nations without comparable privileged access. In a similar vein, goods coming from Malaysia can enter New Zealand under more favorable

conditions than goods coming from nations with which New Zealand lacks a free trade agreement. To be eligible for these special rates, there are a few requirements that must be met. In order to limit the expenses of complying with the Malaysian Free Trade Agreement, New Zealand has also made sure that preferential treatment is sought. The agreement to "self-declaration of origin" (on the commercial invoice) for New Zealand exports to Malaysia has made this possible. This implies that exporters of goods from New Zealand will not be required to formally obtain a certificate of origin in order to benefit from the Malaysian FTA tariff preference. New Zealand traders will profit greatly from this in terms of trade facilitation (Choong and et al,2018).

The MNZFTA has brought about a lot of benefits, but it has also brought about certain difficulties, like the requirement for companies to adjust to new rules and competition. All things considered, though, the effects have been favourable, with both nations benefiting from increased commerce and economic cooperation. An essential framework that promotes trade and fortifies ties between Malaysia and New Zealand generally is the Malaysia-New Zealand Free Trade Agreement. The Mutual Benefits and Tariff Agreement (MNZFTA) has a positive impact on the economic growth and prosperity of both nations by lowering trade barriers, expanding market access, and fostering greater economic cooperation.

In keeping with New Zealand's larger sustainable development goals, the Environment and Labour Agreements reached in tandem with the Malaysian Free Trade Agreement offer established legal frameworks for more productive dialogue and collaboration on trade, labour, and environment-related issues. These accords will be added to the AANZTFA and bilateral free trade agreements that New Zealand already has with other ASEAN nations.

An agreed set of goals for enhancing workers' living and working conditions is outlined in the Labour Agreement. It further states that the ILO Declaration on Fundamental concepts and Rights at Work and its Follow-up (1998), which embodies these concepts, should be promoted and observed by Malaysia and New Zealand together. It also acknowledges that it is improper to weaken or reduce the protections provided by domestic labour laws, regulations, policies, and practices in order to promote trade or investment. These include the inappropriateness of setting or using labour laws, regulations, policies, and practices for trade protectionist purposes.

under order to resolve any potential issues that may arise that relate to these or any other obligations under the Agreement, consultation is welcome. A 90-day meeting period is set aside to “assist in the resolution of any such matters”. The Agreement also stipulates that Ministers will be involved in addressing any potential disputes.

In summary, there has been a notable surge in the investment relationship between Malaysia and New Zealand in recent times. From \$26 million in the year ending March 2003 to over half a billion dollars (\$451 million) in the year ending March 2008, New Zealand's total stock of investments in Malaysia has expanded. In only the month of March from 2007 to 2008, the rise exceeded 280%. The most recent year for which data is available, 2007 saw Malaysia's portfolio of investments in New Zealand rise to nearly half a billion dollars (\$537 million), from \$124 million in 2003. A reliable legal foundation for present and future investments is offered by the Malaysian Free Trade Agreement (New Zealand Ministry of Foreign Affairs and Trade, 2009).

6. Malaysia- India Comprehensive Economic Cooperation Agreement (MNZFTA)

India and Malaysia have had a long and illustrious history dating back thousands of years. This long-standing relationship provided a solid basis for the official diplomatic ties that were formally formed in 1957. Despite various regional obstacles, the alliance between these two countries has not only survived but flourished since that time. It has developed into an essential component of India's geopolitical interactions with the East. India and Malaysia have shown a remarkable ability to maintain consistent cooperation across many sectors over the past few decades. Their cooperation in the areas of defence, politics, business, and parliamentary discussions demonstrates this tenacity. Such persistent efforts demonstrate the shared commitment to enhancing bilateral relations and promoting harmony in the relationship.

A pivotal moment in their diplomatic history was reached in 2011 when both countries enacted an all-encompassing framework intended to foster a multifarious collaboration. In order to improve and handle many aspects of their connection, this framework was created, opening the door to more planned and strategic collaboration. It displays a common outlook on a time when both nations will be able to capitalise on one another's advantages. A

major turning point in the political and economic ties between Malaysia and India is the signing of the Comprehensive Economic Cooperation Agreement (MICECA, 2011) on February 18, 2011, which went into effect on July 1 (MITI FTA, 2024). By strengthening two-way trade, investment, and economic ties between the two nations, this comprehensive agreement adds value to the current ASEAN-India Trade in products Agreement (AITIG) and encompasses trade in products, services, investments, and the mobility of natural persons (MITI FTA, 2024). Using Malaysia as a case study, the writing makes the point that these free trade agreements (FTAs) are a powerful driver for political stability by examining the many advantages and consequences of MICECA.

The goals of MICECA are centered on developing and promoting trade, investment, and economic cooperation, as stated in Article 1.1. Economic integration is greatly aided by the agreement's objectives of liberalising and boosting trade, creating a clear and predictable investment regime, and enhancing the productivity and competitiveness of the manufacturing and services sectors. There are various ways in which this economic integration promotes political stability (MICECA, 2011).

First, MICECA lowers risks and uncertainties for investors and businesses by fostering a stable and predictable economic environment. Because it guarantees a consistent flow of trade and investments, which in turn promotes economic growth and development, this stability is essential for political stability (The Star, 2024). For example, the 76 items of tariff discounts by India and 140 products by Malaysia given under the MICECA promote better market access, increasing trade volumes and fostering economic cooperation. Due to their mutual economic dependency, both nations have a stake in keeping their relations stable and amicable.

Second, potential obstacles to trade and investment are addressed by the comprehensive structure of MICECA, which contains measures on trade in goods, services, investments, and economic cooperation. In doing so, it reduces economic friction points that can otherwise escalate into political unrest. For instance, India's non-reciprocal market access for trucks and motorbikes and Malaysia's concessions on goods like cotton clothing, mangoes, and basmati rice produce benefits for both countries that improve bilateral relations.

Multifaceted gains from MICECA have important ramifications for political stability. Preferential access to the Indian market provided to Malaysian service providers and exporters is one of the main advantages (Briefing,2024). In addition to strengthening Malaysia's export-oriented businesses, this preferential treatment also deepens economic relations with India and promotes a solid political alliance.

Additionally, investors are given a safe haven by the agreement's investment protection clauses, which include the Investor-State Dispute Settlement Mechanism and Minimum Standard of Treatment. By promoting more international investments, this security strengthens economic links and interdependence. For example, a strong foundation for bilateral economic cooperation is created by Indian pledges to permit Malaysian foreign equity investment in more than 80 service subsectors and vice versa. Because both nations benefit from preserving a cordial relationship, such interdependence serves as a buffer against political instability (The Star, 2024).

MICECA also contains capacity-building programs to assist in complying with standards and conformity measures, in addition to addressing non-tariff barriers. These steps not only help to improve trade relations but also foster cooperation and mutual trust. Deeper economic integration is demonstrated by the lowering of tariffs ahead of the AITIG timetables, e.g., by September 2013 for products listed in Normal Track 1 (NT1) and June 2016 for those listed in Normal Track 2 (NT2). (FTA MITI,2024) This proactive approach to trade liberalisation promotes economic stability, which bolsters political stability.

Additionally, MICECA promotes joint ventures and strategic alliances between Indian and Malaysian businesses, especially in the travel, construction, franchising, and healthcare industries (MICECA,2011). These partnerships increase bilateral ties by fostering social and cultural exchanges in addition to economic growth. These alliances weave a web of economic ties between the two nations that lessens the chance of political confrontations because both want to see their relationship remain successful and secure.

Furthermore, the agreement's emphasis on creating a welcoming corporate climate promotes political stability even further (The Star,2024). MICECA promotes a spirit of reciprocal advantage and collaboration by giving the

business communities in both nations the chance to deepen their commercial connections. Underscoring the commitment to deeper economic and professional linkages is the facilitation of temporary entrance for professionals, including engineers, accountants, and IT specialists. A stable political relationship depends on mutual understanding and cooperation, both of which are fostered by these exchanges.

MICECA has many advantages, but it also has drawbacks, especially when it comes to greater competition for homegrown industries. It is anticipated that the rivalry will encourage Malaysian industries to improve their efficiency and production. Malaysia may strengthen its economic stability and resilience by redirecting resources to more profitable endeavors in which the nation excels. Furthermore, the agreement permits tariff reduction or elimination for sensitive products to take longer to phase in, providing Malaysian manufacturers with more time to adapt to heightened competition.

In conclusion, through boosting economic integration, bilateral trade and investment, and strategic relationships, the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) acts as a potent driver for political stability. A strong foundation for economic cooperation is created by the agreement's comprehensive nature and its measures for lowering trade barriers, safeguarding investments, and promoting professional interactions. In addition to fostering economic expansion and progress, this economic interdependence maintains the political equilibrium between Malaysia and India. Malaysia serves as an example of how free trade agreements can support political stability through MICECA, highlighting the significance of economic cooperation in preserving amicable and productive international ties.

7. Malaysia –Australia Free Trade Agreement (MAFTA)

The excellent and comprehensive Malaysia-Australia Free Trade Agreement (MAFTA) further links the Australian economy with the constantly expanding Asian area. This deal came into effect on January 1, 2013, strengthening the advantages already offered by the ASEAN-Australia-New Zealand Free Trade deal (AANZFTA) ("Malaysia-Australia Free Trade Agreement,"2021). As a result, this enables commerce between Australian businesses and Malaysia through four free trade agreements: MAFTA, AANZFTA, the Regional Comprehensive Economic Partnership Agreement (RCEP), and the Comprehensive and Progressive Agreement for Trans-

Pacific Partnership (CPTPP). According to the MAFTA National Interest Analysis (NIA), producers, exporters, consumers, and investors in Australia will benefit more from the agreement once it enters into force. Furthermore, it will improve the two nations' overall economic relationship by laying the foundation for future trade and investment liberalisation ("National Interest Analysis [2012] ATNIA 17,"2013).

The claim appears to be accurate after looking at trade patterns between the two nations. The Malaysian Development Authority (MIDA) states that as of 2023, Australia is ranked seventh among Malaysia's trading partners in products, while in goods and services, Malaysia is ranked eighth, up from tenth in 2011 ("National Interest Analysis [2012] ATNIA 17,"2013). According to the Ministry of Investment, Trade and Industry (2015), the value of two-way goods and services trade between Malaysia and Australia increased from A\$15.6 billion in 2010 before to MAFTA to A\$17.9 billion in 2013.

The aforementioned information might imply that the MAFTA was signed for economic reasons, but it also has some political ramifications. Among other political ramifications would be a closer diplomatic relationship between the two nations. Actually, the advantages of MAFTA were emphasised by the Department of Foreign Affairs and Trade Australia (DFAT) as a crucial aspect of a larger plan to interact with the ASEAN area. The signing of this agreement is regarded as a significant step towards promoting closer relations and more integration with ASEAN nations ("National Interest Analysis [2012] ATNIA 17,"2013). This is further reflected in MAFTA's Chapter 2, which seeks to promote increased economic integration among the Parties by lowering or eliminating customs taxes on commodities exchanged between them and, generally, streamlining and streamlining the process of trading goods between the Parties (MAFTA, 2013). For instance, certain MAFTA provisions pertaining to non-tariff measures include the lifting of Malaysian prohibitions on Australian motor vehicle exports and the easing of licensing requirements for exporters of liquid milk, allowing Australian exporters to penetrate the market with higher-value retail goods ("National Interest Analysis [2012] ATNIA 17," 2013).

Upon closer examination, MAFTA permits Australian corporations to obtain majority ownership in Malaysian firms that supply these services.

One of the pledges is to allow Australians to control 70% of private higher education services; by 2015, that ownership will rise to 100%. Furthermore, Australia can own at least 70% of all telecommunications services, 70% of investment banking and direct insurance services, and 70% of other education services. Consequently, this would facilitate a rise in foreign direct investment (FDI), a factor that impacts political stability.

Stronger economic linkages between states, according to proponents of globalisation, often known as the "liberal position," lower the likelihood of international conflicts. It is thought that countries that trade and invest with each other will avoid war in order to maintain these beneficial economic relationships (Okara,2022). Economically linked countries favour peaceful resolution of disputes since commerce, investments, and services link their economies. Most research support this liberal perspective by showing that economic integration lowers conflict. Several studies, such as those conducted by Olzak (2010), Sorens & Ruger (2014), and Maggee and Massoud (2010), found either no effect at all or the opposite result. Few studies explicitly examine the effects of FDI, even if many concentrate on the trade component of globalisation or use a mixed measure of it. FDI is often found to contribute to a decrease in international hostilities. For instance, (Bussmann,2010) found that the likelihood of militarised confrontations between nations declines as FDI increases.

Conversely, tighter political links between regional nations can result from bilateral economic agreements like MAFTA. There is a worry that the perceived advantages and incentive for a comprehensive WTO-wide agreement may decline if major trading nations liberalise additional sectors through bilateral or plurilateral agreements among themselves. Smaller, developing nations can profit from global trade liberalisation through these accords without having to engage in protracted discussions. These smaller nations might not be able to benefit from liberalised markets, though, unless there is a pact that covers the entire WTO and there is minimal multilateralization of bilateral accords. This could result in a disjointed international trading system from which major countries gain disproportionately, escalating inequality and reducing the prospects for participation and development for emerging countries. Moreover, the spread of these exclusive agreements may reduce the general motivation for a single international trade framework, eroding the WTO's inclusive and egalitarian tenets.

Furthermore, the formation of MAFTA has the effect of a "spaghetti bowl" or "noodle bowl," which could jeopardise regional trade accords. The growth of Regional Trade Agreements (RTAs) has prompted serious concerns about the trade-distorting implications of overlapping and occasionally contradictory international trade laws, especially in light of the trends of the last thirty years. In 1995, (Bhagwati,1995) invented the term "Spaghetti Bowl," which was later also called "Noodle Bowl," to criticise the U.S. trade policy's transition from multilateral trade negotiations to bilateral Free Trade Agreements (FTAs). Similar to this, Australia and Malaysia will be parties to three trade agreements: the Trans-Pacific Partnership (TPP) accord, the ASEAN-Australia-New Zealand Free Trade accord (AANZFTA), and the Malaysia-Australia Free Trade Agreement (MAFTA). This creates questions concerning the possible interactions between these three treaties, especially with regard to which treaty's provisions will apply first in any economic agreements between the two nations. Concerns regarding the overlap of agreements were raised by the Australian Council of Trade Unions (ACTU) in their contribution, pointing out that it is unclear how these treaties would interact and what effect they will have on Australian civil society (Parliament of Australia,2012).

The advantages and complexity of contemporary trade agreements are exemplified by the Malaysia-Australia Free Trade Agreement (MAFTA). MAFTA promotes growth and closer integration with the Asian region by enhancing trade and investment between Australia and Malaysia. In terms of politics, it supports Australia's strategic objectives in ASEAN and fortifies diplomatic connections. But the spread of bilateral agreements, such as MAFTA, may weaken the case for comprehensive WTO-wide agreements, possibly depriving smaller, developing nations of trade advantages and fracturing the world trading system. The Australian Council of Trade Unions (ACTU) has brought attention to the "Spaghetti Bowl" impact of overlapping agreements, which emphasises the need for cautious management to prevent confusion and inefficiencies. In conclusion, even if MAFTA has many benefits, there are drawbacks as well. In order to ensure fair global growth and stability, it is necessary to strike a balance between the advantages of bilateral trade agreements and the requirements of inclusive multilateral trade frameworks.

8. Conclusion

Malaysia's proactive participation in many free trade agreements (FTAs) highlights its tactical strategy to augmenting political stability and economic prosperity via liberalised commerce. These free trade agreements (FTAs), which include the Malaysia-Australia Free Trade Agreement (MAFTA), the Malaysia-New Zealand Free Trade Agreement (MNZFTA), the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA), and the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA), show how regional and bilateral trade agreements can have a significant impact on political and economic environments.

By establishing reciprocal economic ties that promote stability and collaboration, the MPCEPA serves as an example of how economic diplomacy can strengthen political ties. Significant tariff reductions and cross-border investment have been made possible by the deal, which has improved trade volumes and bolstered political relations between Pakistan and Malaysia. The agreement's comprehensive nature is further highlighted by the strategic inclusion of defence cooperation, which also improves political stability and regional security.

Comparably, the MNZFTA has lowered trade barriers and improved market access between Malaysia and New Zealand, fostering economic integration and collaboration in important areas including financial services and education. This accord underscores the capacity of free trade agreements (FTAs) to reduce expenses for both enterprises and consumers, consequently promoting economic expansion and bolstering political stability by elevating economic interconnectedness.

MICECA plays a significant role in promoting political stability and economic integration between Malaysia and India by encompassing trade in commodities, services, investments, and natural persons. MICECA promotes investments and strategic alliances that deepen bilateral ties and advance regional stability by lowering uncertainty and creating a stable economic environment. The agreement's clauses protecting investments and removing non-tariff barriers add to the predictability and security of the economic relationship—another essential component of political stability.

MAFTA serves as an example of how free trade agreements (FTAs) can improve diplomatic and economic connections while promoting greater integration with the ASEAN area. The agreement emphasises the financial advantages of trade liberalisation through its provisions for lowering

customs tariffs and promoting foreign direct investment (FDI). MAFTA does, however, also highlight the difficulties associated with overlapping trade agreements and how they might lead to a disjointed international economic framework. Multiple bilateral agreements have a "Spaghetti Bowl" effect that must be carefully managed to maintain the efficiency and clarity of international trade regulations.

Even with the clear economic benefits, the growth of bilateral free trade agreements brings up significant issues for international trade policy. These accords provide difficulties for the larger multilateral trading system even though they are very beneficial to the participating nations. The goal of broad World Trade Organisation (WTO) accords may be undermined by the selective liberalisation attained through bilateral agreements, which may also exclude smaller, developing nations from the advantages of trade liberalisation. Because of this fragmentation, there is a chance that global inequality may worsen and that less developed countries would have fewer prospects for involvement and development.

As a result, Malaysia's free trade policy must strike a balance between the short-term gains from bilateral accords and the long-term objective of promoting a more just and inclusive international trading system. The nation should strengthen its commitment to multilateral trade liberalisation through the WTO by actively engaging in free trade agreements (FTAs). By doing this, Malaysia can guarantee that trade's advantages are evenly distributed and support the stability and growth of the world economy.

In conclusion, Malaysia's free trade agreements (FTAs) with nations like Australia, New Zealand, India, Pakistan, and New Zealand show the importance of trade liberalisation for both political stability and economic prosperity, but they also emphasise the necessity for a well-rounded strategy for global trade governance. Fostering an equitable and stable global economy requires making sure that bilateral and regional trade agreements strengthen rather than undermine the multilateral trading system. For Malaysia to achieve sustainable economic growth and political stability, trade policy must thus continue to foster bilateral and international collaboration.

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