

## **Do exports act as "engine" of growth? Evidence from Malaysia**

### **Abstract**

For decades, the conventional wisdom for a developing nation striving to achieve an impressive economic growth has been to carve a niche in the global marketplace. However, empirical findings of various research studies on the "export-led growth" hypothesis do not provide a solid evidence to support this viewpoint. The current paper chooses one of the "East Asian Miracle" economies, Malaysia, to empirically examine whether exports act as the "engine" of growth. The results of the empirical analysis do not support the "export-led growth" hypothesis. Rather, they lead to a conclusion that there exists a "virtuous cycle" or mutually reinforcing relationship between Malaysia's exports and GDP in the long run. The findings also detected unidirectional short run causality from GDP to exports, but not vice versa. This means that the increase in Malaysia's export tends to be an effect, and not the cause, of the country's output expansion.