

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1. Research Summary

This study investigated the determinants of economic growth in the Indonesia, Malaysia, and Thailand as IMT-GT member countries. The overarching objective is to contribute to revitalizing Malacca Strait's historic role as a global trade hub. Utilizing a Dynamic Panel Data Analysis of FD-GMM, this research delved into examining the impact that capital, labor, education, intra-regional trade and Foreign Direct Investment (FDI), have on real GDP growth in IMT from 1993 until 2022.

The study shows that the IMT demonstrates a durable pattern of economic growth, suggesting an upward trend supported by previous investments and efforts towards regional integration. The accumulation of capital emerges as a crucial factor in stimulating economic expansion, underscoring the significance of investing in infrastructure, manufacturing, and technological advancements within the region. Though labor's influence on growth lacks statistical significance, it underscores the necessity for enhancing skill development to boost productivity among workers and tackle possible workforce issues.

The study suggests that investing in human capital development is crucial for long-term growth, as it finds a marginally significant positive effect of education on economic growth. However, further research is needed to understand the barriers hindering regional trade's full benefits within IMT because trade's impact on growth remains statistically insignificant. On the other hand, foreign direct investment (FDI) has a statistically significant and positive relationship with economic growth confirming how important attracting such investments can be for driving regional expansion.

It is important for member countries of IMT-GT to prioritize infrastructure improvements, education and skill development programs, FDI attraction efforts, and trade barrier resolutions. These actions are necessary in order to tap into the full potential of the Malacca Strait as a global trading center once again. By focusing on these critical areas, IMT can promote inclusive and sustainable economic growth while ushering in a new era of prosperity for this region's strait. Policymakers, researchers and businesses should pay close attention to this study as it provides invaluable information needed to make sound decisions regarding effective strategies that support sustainable economic development throughout the IMT-GT.

5.2. Research Implication

These findings offer valuable insights for policymakers, scholars, and businesses interested in understanding the drivers of economic growth in the IMT-GT members countries. The study highlights the importance of investing in capital intensive, promoting education and skills development, and attracting FDI to foster sustained regional economic growth.

5.3. Policy Recommendation

Based on the results of this research, the author hereby provides policy recommendations concerning the ASEAN Economic Community 2025 and IMT-GT Vision 2036:

1. Trade and Investment Facilitation:

- a. **Streamline Cross-Border Procedures:** To ease regulatory and administrative barriers to trade and investment, a project-specific and location-specific approach should be utilized. This will involve debottlenecking procedures that are specific to the region being tackled. It is also recommended that existing ASEAN agreements be leveraged as groundwork for implementation within the IMT-GT area.
- b. **Harmonize Standards:** To enhance competitiveness and streamline cross-border trade, it is important to give priority to harmonizing product

standards, certification procedures, and quality control measures in the IMT-GT.

- c. Promote Digital Trade and E-commerce: Promote the uptake of digital technologies and e-commerce platforms as means to heighten trade effectiveness while expanding its scope. Enforce adherence to the ASEAN E-commerce Crossborder Agreement, coupled with creating a framework for regional electronic commerce infrastructure.
- d. Invest in Transport and Logistics: The objective is to enhance physical connectivity throughout the IMT-GT area, with a special focus on priority economic corridors. This will involve improving existing transport infrastructure and logistics services in order to optimize supply chains.
- e. Facilitate Skilled Labor Mobility: To promote industry growth and reduce skills gaps, it is recommended to enhance the commitments within the ASEAN Agreement on Movement of Natural Persons (AAMNP), leading to greater mobility of skilled labor in the IMT-GT region.

2. Sustainable Development and Environment:

- a. Integrate Green Growth: Ensure sustainable development practices are incorporated across all IMT-GT activities, encompassing agriculture, tourism and industry. Facilitate the adoption of renewable energy sources, encourage greater energy efficiency and promote green technology utilization.
- b. Scale up the Green City Initiative: Utilize the expertise and achievements of successful pilot projects to extend the implementation of Green City Action Plan across additional IMT-GT cities.
- c. Promote Sustainable Agriculture: Encourage the advancement of eco-friendly and sustainable agricultural practices through investments in research and development. Promote climate resilience by advocating for the adoption of best environmental impact reduction techniques.
- d. Conserve Biodiversity: Strengthen cooperation in managing and conserving shared ecosystems, including forests, watersheds, and marine resources. This requires cross-border collaboration and joint management efforts.

3. Human Resource Development and Education:

- a. **Improve Skills Training:** Implement demand-driven skills training programs tailored to the needs of IMT-GT industries, focusing on areas like agriculture, tourism, and Halal products and services.
- b. **Promote Vocational Education:** Enhance vocational training programs to address skills gaps.
- c. **Strengthen the IMT-GT University Network (UNINET):** Leveraging its research capabilities and expertise to support innovation and technology transfer.
- d. **Foster Cultural Exchange:** Promote collaboration in education, sports, arts, music, and other cultural activities.

4. Private Sector and MSMEs:

- a. **Provide Access to Finance:** Enhance financial inclusion initiatives to increase access to finance for MSME.
- b. **Promote Value Chain Participation:** Implement programs to integrate MSMEs into regional and global value chains, facilitating their growth and access to new markets.
- c. **Encourage Private Sector Investment:** Create a more attractive investment climate within the IMT-GT by streamlining regulations, offering incentives, and promoting specific sectors.
- d. **Embrace Disruptive Technologies:** Encourage the adoption of disruptive technologies (like e-commerce, mobile internet, and big data) to enhance efficiency, innovation, and competitiveness.

5. Institutional Strengthening and Collaboration:

- a. **Enhance the Role of Local Governments:** Promote greater involvement of local governments in IMT-GT initiatives. Create subnational-level secretariats to facilitate communication, coordinate projects, and provide capacity building for local authorities.

- b. Promote Cross-Sectoral Collaboration: Encourage closer collaboration between IMT-GT Working Groups and other stakeholders (including the private sector, local governments, and universities) to ensure projects are integrated and effective.
- c. Strengthen Coordination with ASEAN: Maintain close collaboration with the ASEAN Secretariat and other regional institutions to ensure IMT-GT initiatives align with and support broader ASEAN goals.
- d. Focus on Results-Based Monitoring and Evaluation: Implement robust monitoring and evaluation systems for all IMT-GT projects to track progress, assess impacts, and ensure accountability.

5.4. Research Recommendation

To further enhance economic growth and revitalize the Malacca Strait's historical role in global trade, the following recommendations are proposed:

1. Explore the heterogeneity of the IMT-GT by investigating the impact of specific industries and sectors within each country on economic growth. This can help understand the varying experiences and challenges within the subregion.
2. Investigate the role of institutional quality by looking how institutional factors, such as governance, regulatory frameworks, and corruption, affect the effectiveness of policies.
3. Analyze the impact of regional trade agreements. To measure the effectiveness of existing regional trade agreements within the IMT-GT and explore potential areas for improvement in trade facilitation and regional integration.
4. Develop spatial models for analyzing intra-regional trade per province and state within the triangle of IMT-GT

5.4 Conclusion

The area around IMT-GT has great potential for economic growth and advancement. The right policy choices and investments can help the area exploit

its strategic position, rich resources, and a high quality labor force in order to realize sustainable growth which will revive the Malacca Strait's historical place as a global trading center. This study is fundamental to policymakers and others who are interested in making evidence based decisions on how to promote inclusive and sustainable economic development within the region.

