

Knowledge Sharing Report: Trump and the World – Implications for Malaysia

Lineup of moderator and panelists



Moderator



Tuan Haji Nazri Kahar,
Editor Kanan Astro AWANI

Panelists



Prof. Dr. Kuik Cheng Chwee,
Institut Kajian Malaysia dan Antarabangsa (IKMAS)

Dr. Abdul Muein b. Abadi, Pusat Kajian Sejarah, Politik dan Hal-ehwal Antarabangsa, UKM

Puan Zalina Zainol, Timbalan Ketua Pegawai Eksekutif, Pembangunan Pelaburan, MIDA

This report summarizes key insights from the recent seminar “*Trump and the World: Implications for Malaysia.*” The discussions provided comprehensive insights into the challenges and opportunities presented by a shifting US policy landscape. By understanding the complexities of global uncertainties, adapting its foreign policy, and pursuing diversified trade strategies, Malaysia is well-positioned to navigate these turbulent times. Emphasizing proactive, inclusive, and adaptive measures, particularly in its approach to non-alignment and regional cooperation, will be crucial in securing a resilient economic future for the nation.

The Govt. drives export diversification to reduce trade dependency on traditional markets

Malaysia's Open Economy and Its Exposure to Global Uncertainties

Malaysia, as an open economy, is significantly exposed to global economic and political fluctuations, including those emanating from the US. Since 2015, the US has emerged as Malaysia's third-largest trading partner, underlining the importance of this relationship. Key export items include, machinery & transport equipment, manufactured goods, chemicals, and commodities. According to the panelist, the direct impact of US tariffs appears minimal at this juncture. However, if tariff measures expand, increased production costs could adversely affect the competitiveness of Malaysian products.

Government Initiatives and Trade Adaptation Strategies

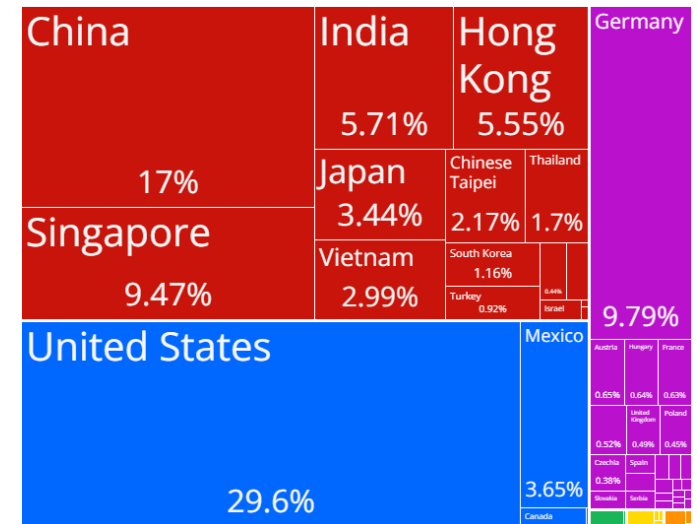
In response to the shifting global trade environment, the Malaysian government is actively pursuing productive measures to sustain and enhance its trade relationship with the US.

Key points include:

- **Proactive Trade Measures:** Despite tariffs being driven by factors beyond traditional trade imbalances, the government is exploring alternative strategies to maintain robust trade ties.
- **Diversification Efforts:** The government has been actively working to diversify Malaysia's export markets and reduce reliance on traditional trading partners. In 2024, Malaysia has expanded its trade with non-traditional export destinations such as Togo, Algeria, Oman, and Bangladesh, among others.

Malaysia's E&E Exports by Markets in 2023 (%)

Total: USD12.7 bn



Sources: Observatory of Economic Complexity (OEC)

Malaysia's trade openness 2023



130.5%
of Malaysia's
GDP

While maintaining a non-aligned stance, Malaysia’s foreign policy must evolve into one that is proactive, inclusive, and adaptive

Geopolitical Tensions: Balancing Realities and Strategic Responses

The seminar highlighted the nuanced interplay between geopolitical rhetoric and on-ground realities:

Trump’s Transnational Approach

- The US policy under Trump often transcends national boundaries, challenging conventional geopolitical alignments.

Regional Spotlight

- For Malaysia and ASEAN, it is only a matter of time before these shifts become more pronounced, necessitating strategic vigilance.

The discourse emphasized that Malaysia **cannot indefinitely remain neutral or overly accommodating**. Although the country has historically maintained a non-aligned stance, this policy must evolve into one that is **proactive, inclusive, and adaptive**.

Evolution of Malaysia’s Foreign Policy: From Non-Alignment to Proactive Adaptation

Malaysia’s foreign policy has undergone significant transformation:

- **Historical Alignment:** Between 1957 and 1971, Malaysia was closely aligned with Western powers.
- **Shift to Non-Alignment:** In subsequent decades, Malaysia adopted a non-aligned approach, maintaining friendly ties with all nations.
- **Modern Imperatives:** In today’s dynamic global environment, non-alignment must be redefined. It requires:

Proactivity: Actively engaging in global trade and diplomatic initiatives

Inclusivity: Participating in diverse international organizations and alliances

Adaptability: Employing new mechanisms and strategies, including deepening regional cooperation within ASEAN and extending ties with groups like the GCC

Incidents of note: Events such as the **West Capella incident in 2020** serve as reminders that Malaysia must remain cautious and not overly influenced by major powers.

Boosting ASEAN’s bargaining power in global trade to cushion impact of geopolitical instability

Impact of Tariffs on Malaysia

Tariff impositions, particularly those targeting China, have broader implications:

- **Direct and Indirect Effects:** Malaysia faces risks not only from direct tariffs but also from secondary effects—such as tariffs imposed on Chinese companies operating within the country.
- **Investment Opportunities:** Historically, tariff-induced shifts have led investors to seek alternative locations, an opportunity that Malaysia can leverage.
- **Balanced Trade Policy:** Malaysia continues to pursue a neutral, balanced trade approach by diversifying its trade portfolio, expanding export markets, and attracting quality foreign investments.

Strategic Opportunities for Malaysia

The seminar identified several key opportunities:

- **Strengthening ASEAN’s Negotiating Position:** Enhancing the collective bargaining power of ASEAN in global trade negotiations can help cushion the impacts of geopolitical instability.
- **Boosting Intra-ASEAN Trade:** Expanding trade beyond the traditional partnerships (e.g., Indonesia, Singapore, Vietnam) to include a broader array of ASEAN nations will promote regional economic integration.
- **Reducing Non-Trade Barriers:** Addressing and minimizing non-tariff barriers will further streamline trade and foster a more robust regional market.

Southeast Asia’s Preferred Ally Switches in Favor of China

“If ASEAN countries were forced to align themselves with one strategic rival, which should they choose?”*



* In percent of respondents

Source: [The State of Southeast Asia Survey Report 2024, published by ASEAN Studies Centre](#)