



WTO General Council: Malaysia

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1 Introduction and Executive Summary

As the trade tensions between the U.S. and China escalate, predictions for the Malaysian economy have been oscillating between profit and peril. Malaysia itself is well connected in the region as the third largest economy in South East Asia and a member of ASEAN. Malaysian delegates should consider

- the dependence on oil and commodity prices
- the effects of the escalating global trade disputes.

This brief dossier should provide an overview of the topic and is a good place to start with the research for the upcoming debates and negotiations in the WTO General Council.

2 Economic Structure [1]

The Malaysian economy is a newly industrialized market economy and it is the fourth largest in Southeast Asia ranking the 35th largest in the world. Malaysia is the third richest economy in Southeast Asia by the value of GDP per capita. The economy of the country is highly diversified and robust with the export value of products that were of high tech which accounted for \$63.3 bln in 2014 which was second highest behind Singapore. Malaysia is also the world's second largest exporting country of palm oil products after Indonesia.

The service sector of Malaysia is dominated by financial services, tourism, and medical technology. The primary products dominating the Malaysian agricultural industry are palm oil, rubber, paddy, and coconut. The major industries in the country are the electronics industry, construction, and automotive industries.

The Malaysian government has been coming up with policies with the aim of increasing the income per capita to the full development of a high-income country by the year 2020, but it has been faced with some challenges. Some of the challenges to the economy of Malaysia include slow growth in labor productivity and low wages which are considered to be lagging behind according to the OECD standards. The IMF and World Bank have frequently suggested the need for indigenous innovations and structural reforms to help move Malaysia up and grant the country an opportunity to break out from the middle-income trap. Heavy reliance on oil exports has also affected the growth of Malaysia's economy especially during the collapse of oil price in 2015.

3 Trade Partners

Malaysia has been China's top trading partner within ASEAN for five years in a row since 2008. The two-way trade volume between China and Malaysia in 2013 reached \$106 bln, making Malaysia China's third-largest trade partner in Asia, just next to Japan and South Korea. [2]

Malaysia currently holds nine Free Trade Agreements, as well as ten FTAs via ASEAN with several markets around the world. The

most important one's are with Australia, the EU, Japan, India, Pakistan and Turkey, as well as China and South Korea via ASEAN and of course the ASEAN Free Trade Area itself. [4]

4 Trade Balance [1]

Malaysia is ranked 26th largest export economy in the world. The leading export goods are electrical and electronic products, liquefied natural gas, palm oil, petroleum, chemicals, machinery, optical and scientific equipment, manufactures of metal, rubber, wood and wood products. The top export partners are Singapore taking 13.6%, China 12.6%, Japan 11.8%, United States 8.7%, Thailand 5.4%, Hong Kong 4.3% India 4.2%, and Australia taking 4.1% of the total exports of Malaysia in 2012.

Malaysia is the world's 26th largest importing economy. The country's top imports are electrical and electrical products, machinery, chemicals, petroleum, plastics, vehicles, metal, iron, and steel products. Malaysia's top import partners are China accounting for 15.1%, Singapore with 13.3%, Japan with 10.3%, the United States with 8.1%, Thailand with 6.0%, Indonesia with 5.1%, and South Korea accounting for 4.1% of the total imports of Malaysia in 2012.

5 Recent Developments

Malaysia should take "take advantage" of the opportunities arising from escalating trade tensions between the U.S. and China, Malaysian finance minister Lim Guan Eng said on 13 September.

The Malaysian economy has been "influenced" by the ongoing trade war between Washington and Beijing, he said, but that could actually be "positive" for the country in the short run despite the outlook appearing "a bit uncertain," Lim said. There have been many inquiries from those "who wish to be in the right position" if the trade war escalates, he said.

But he acknowledged that "in the long term, we hope the trade war would fizzle out because it's not good for the global economy and what's not good for the global economy is not good for Malaysia in the long term." [3]

6 References

- 1 World Atlas: 'The Economy Of Malaysia', <https://www.worldatlas.com/articles/the-economy-of-malaysia.html>
- 2 China Daily: 'Malaysia becomes China's 3rd largest trade partner in Asia', http://www.chinadaily.com.cn/business/2014-01/21/content_17247588.htm
- 3 CNBC: 'Malaysian official: We 'should try to take advantage' of the US-China trade war while it can', <https://www.cnbc.com/2018/09/13/malaysia-finance-minister-lim-guan-eng-on-us-china-trade-war.html>
- 4 Ministry of International Trade and Industry: 'Malaysia's Free Trade Agreements', <http://fta.miti.gov.my/>