

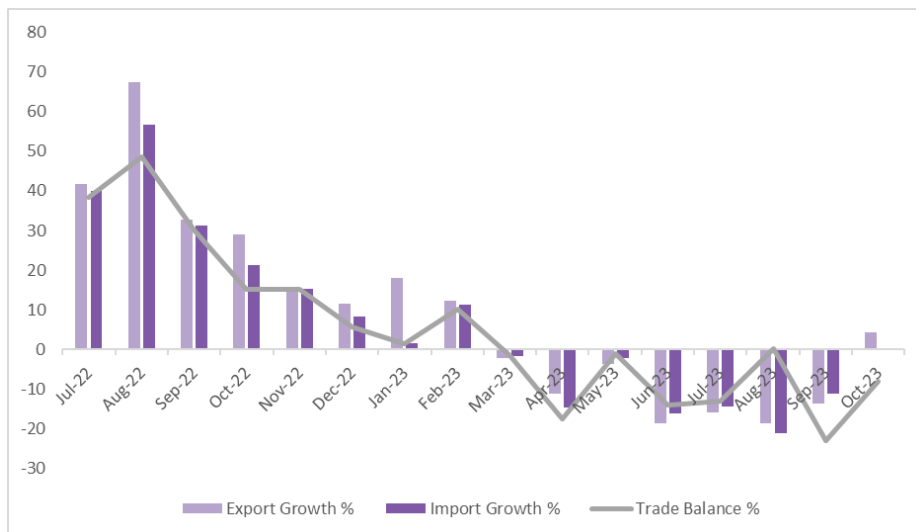
MALAYSIA: POOR EXECUTION STRATEGY, POOR FDI EXECUTION PUTTING MALAYSIA IN AN ECONOMIC CONUNDRUM IN 2024

By Tun Yin Li

Falling Exports since early 2023 With No Clear Forward Strategy

In November 2023, Malaysia's trade was reported to have slowed at a moderate rate of 2.4% year-on-year (y-o-y) to RM231.79 billion. Total exports were recorded at RM122.10 billion, a contraction of 5.9% y-o-y while imports grew by 1.7% to RM109.69 billion for the same period. Trade surplus was valued at RM12.41 billion, making it the 43rd consecutive month of surplus since May 2020. Malaysia's performance was in tandem with its key trading partners notably Taiwan, ROC and Indonesia which posted negative trade growth in November 2023 and a drop in global imports.

Chart 1 Growth of Domestic Exports, Imports, and Trade Balance (%), Jul 2021-Oct 2023



Source: Department of Statistics Malaysia

No Strategic Plan to Boost Exports to Time the Cheap Ringgit

The rate of contraction for Malaysian exports should raise a red flag at a point when we are facing challenges due to external factors and increasing geopolitical tensions in Middle East that could further disrupt global trade and distribution chain. In spite of the weakening Malaysian Ringgit (MYR), there has not been a significant growth in exports and there has not been much effort to promote it either.

Malaysia urgently needs an export promotion strategy to keep our trade figures in the positive region, but there have not been any major announcements by the Ministry of Investment, Trade and Industry (MITI) on how the ministry intends to bring “Made in Malaysia” to the world.

1,163 Trade Related Activities with No Concrete Results to Show

According to MATRADE’s website, the agency has organised about 1,163 activities between January and September 2023 including trade fairs, investment missions, promotion booths, international sourcing program, exporters’ training program, industry visits, courtesy calls and other engagements presumably both locally and internationally. MATRADE’S Client Charter Achievements also spelt out its had managed hundreds of trade enquiries, as well as process and approved 88 applications for Services Export Fund (SEF) for the first nine months of 2023. MATRADE’s programs were more focused on creating awareness and preparedness of companies which are keen to export.

There is no mention of how MITI or MATRADE intends to deal with the growing concern of trade disruption and the falling Malaysian exports falling. In spite of the visits by the Minister to almost every important trading nation, there has not been any positive news on the trade front with regards to pushing Malaysian products.

Malaysia has no plans to Mitigate the On-going Global Chip War

In fact, the Malaysian electrical and electronic products (E&E) industry which has been on a decline and makes up the highest proportion of drop in exports for Malaysia could be repositioned to take advantage on the ongoing technology rivalry between the US and China. Malaysia should position itself as a new hub for the industry to circumvent sanctions on related products from both US and China. Malaysia is in a position to capitalise on the chip war between US and China, a strategy our regional competitors such as Vietnam and Indonesia have already begun to employ.

Malaysia’s neighbours have upped their game with Indonesia aggressively seeking investments and trade deals globally, particularly soliciting investments into Nusantara; Thailand with its proposed Kra Landbridge that could potentially take away business for ports in Straits of Malacca and its new push for halal food exports; and Vietnam and Cambodia placing themselves as cost effective destinations for manufacturers seeking to have presence in South East Asia. Malaysia

on the other hand has the New Industrial Master Plan (NIMP 2023) which has yet to roll out any tangible economic programs.

RM170 billion FDI inked, but where forth the fruits?

On paper, Malaysia has recorded a remarkable record of billions of MOU on FDIs from various countries since January this year, including the RM170 billion worth of investment MOUs when Prime Minister Anwar visited China in March 2023. This have been postured to boost the creditability of the current administration in managing the economy and the confidence in Malaysia's Madani government.

However, according to a reply to Parliament question, MITI stated that between January to June 2023, Malaysia had approved FDI worth RM63.3 billion (various countries) of which by October 2023, only 27 projects or RM9.3 billion of the approved investments were realised. At this rate, and without much boost in revenue from exports, and a spectrum of other economic challenges, where is Malaysia heading in 2024?

In the midst of a global slowdown, Malaysia's exports are already showing signs of not being able to compete with our partners in the region. A weak currency should have been the best opportunity for us to push our exports to the world ahead of our competitors, yet we still fall short. What is more concerning is that Malaysia has no concrete and strategic plans to lift the game for our exporters on the world stage nor, have we seen results coming out of the numerous trade delegation led by our ministers and leaders.

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Reference:

MATRADE Client's Charter Achievements

<https://www.matrade.gov.my/en/about-matrade/client-s-charter-main/client-s-charter-achievements-for-2023>