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**PRESS STATEMENT**

**INSTITUTE OF STRATEGIC ANALYSIS AND POLICY RESEARCH (INSAP)**

***Malaysia's Resilience Amidst Weaponisation of Global Economic Systems***

Kuala Lumpur, 20 June 2024 – The Institute of Strategic Analysis and Policy Research (INSAP) had the honour of participating in a thought-provoking forum entitled “Weaponisation of Economics and Restoring the Global Economic Order” on 13 June 2024 at Universiti Kebangsaan Malaysia (UKM). This stimulating event was co-hosted by the Institute of Malaysian and International (IKMAS) and East Asian International Relations (EAIR) with support from the Australian High Commission Malaysia. Several public officials and renowned academicians were in presence, paving the way for a closed intellectual exchange.

“The process of economic engagement and open trade among economics has always involved risks. However, these risks have been mitigated relatively well under the US-led, rules-based multilateral order that has governed them since World War II” expressed Professor Shiro Armstrong, Editor of East Asia Forum at the Crawford School of Public Policy, Australian National University.

“East Asia has been one of the biggest beneficiaries of the multilateral trading system” added Professor Shiro. However, he expressed concerns about this very system - the one that has mitigated risks over the past few decades is now under threat given the rise of Great Power rivalry. This resonating with INSAP’s concerns on the global economic outlook – specifically the ASEAN bloc.

As for Malaysia – the risk is real. INSAP notes a general positive sentiment among the attendees in regards to how Malaysia has significantly benefited economically in recent times due to heightened US-China tensions, particularly in the semiconductor industry. The nation’s relatively neutral position has made it an attractive alternative for firms looking to diversify amidst the trade war, where sanctions have become a common “economic weapon” – as seen in the case of US-China. However, these successes must be approached with caution given the high-level risk. If this trade war leads to a coercion of the traditional economic and trade systems, Malaysia and the entire ASEAN region could suffer greatly due to their high interdependence and reliance on multilateralism.

Can Malaysia and ASEAN survive a collapse of the multilateral trade system? Professor Shiro begs to differ and foresees an adverse economic impact of large magnitudes. INSAP echoes this concern and urges both businesses and ministries in Malaysia and ASEAN to not become overly optimistic or complacent. The power play and trade war could potentially tip things over and send shockwaves, hitting Malaysia hard. Thus, there is an urgent need to build a robust economic system and protect it

from a collapse. INSAP calls for the Malaysian administration and neighbouring ASEAN countries to take proactive steps that will strengthen regional economic resilience while also ensuring effective contribution to maintaining the functionality of the multilateral trading system which has been vital to the region over the past century.

Fundamentally, a strong domestic economy is the foundation for regional economic resilience. The Madani government must prioritize improving Malaysia's own economic conditions to achieve this goal. Thus, in light of these conditions - INSAP reiterates our position that more must be done to improve trade balances, realization of the many foreign direct investment projects announced and most importantly improve livelihood of Malaysians who are currently facing the rising cost of living while carrying the country's heavy debt burden.

*Representing INSAP at the event were Kat W. Wong, Director and Edwin Oh Chun Kit, Researcher.*

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