

## **Trump, Tariffs, and Trade: What It Means for Malaysia's Economy**

By Mohd Khairul Ramli

A second term of Donald Trump presidency could have significant implications for in global trade, influencing trade dynamics, economic policy, and regional geopolitics. For Malaysia, a Trump victory would signal both opportunities and challenges, primarily in the arenas of trade, economic sustainability, and geopolitical alignment could potentially reinvigorate his nationalist economic policies. This might cause disruptive ripple effects in Malaysia's economic corridors, impacting its trade flows, and redefining Malaysia's role on the world stage. While some aspects of his presidency may present strategic openings, others could spell increased volatility in an already delicate global landscape.

### ***Economic Nationalism and What It Means for Malaysia's Future***

A hallmark of Trump's economic approach, economic nationalism under the "America First" doctrine, often sees foreign partners bearing the costs of U.S. domestic priorities. Should tariffs return in force, as many anticipate, Malaysia's export-driven economy could be adversely affected. As a manufacturing hub, Malaysia has deep trade ties with the U.S. that encompass key industries like electronics, machinery, and palm oil. During Trump's first term, his tariff policies primarily targeted China, creating indirect opportunities for Malaysia to fill trade gaps in the U.S. supply chain. However, with Trump's focus on repatriating manufacturing and reducing dependency on foreign imports, Malaysian industries may face scrutiny or tariffs, making exports less competitive in a high-demand American market.

Moreover, a "tariff arms race" could again strain Malaysia's regional supply chains. If Trump pursues bilateral over multilateral agreements, Malaysia may face the dual task of negotiating individual terms while navigating the fallout of strained U.S.-China relations. The U.S. stance under Trump on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) remains critical; though he exited the original TPP, a return to an aggressively protective stance could diminish the CPTPP's value and complicate Malaysia's trade advantages under it. However, if Trump aligns with other Southeast Asian nations on countering China's influence, Malaysia might see some strategic alignments, though likely accompanied by heightened expectations from the U.S. side.

### ***Malaysia's Balancing Game in Inflation, Growth, and Global Pressures***

Economic resilience is a core concern for Malaysia, particularly in a Trump-led U.S. environment marked by volatile fiscal policy. Trump's proposed fiscal strategies, which lean

toward tax cuts and high infrastructure spending, tend to drive up inflation. Rising U.S. interest rates could result from these policies, which would amplify the cost of borrowing globally. This spells concern for Malaysia, whose currency and debt structure could face significant stress under such conditions. Higher interest rates in the U.S. could lead to capital flight from emerging economies, including Malaysia, toward safer assets, making it more costly for Malaysia to finance development and growth initiatives.

Additionally, Trump's policy shifts could amplify dollar strength, increasing Malaysia's import costs, particularly in critical sectors such as energy and food commodities, which are often dollar-denominated. This situation presents a double bind: as the cost of imports rises, domestic inflation becomes harder to control, thus complicating Malaysia's economic sustainability goals. While Malaysia has made strides in diversifying its energy sources and improving its food security, a second Trump term could test these advancements, making the path toward sustainable economic growth more challenging. The positive side, however, could emerge if Malaysia adapts quickly, turning inward and accelerating its domestic industries as a buffer against external shocks.

### ***Neutrality to Necessity the Need for Malaysia's Geopolitical Shift***

In the geopolitical arena, Trump's foreign policy is typically transactional and may lack a cohesive multilateral framework. For Malaysia, this approach may present both flexibility and difficulty. Trump's foreign policy during his first term often overlooked Southeast Asia in favour of a U.S.-China-centric agenda. However, if he continues to push back against China's assertiveness in the South China Sea, Malaysia may feel pressured to take a more visible stand in support of the U.S. This could jeopardize Malaysia's longstanding stance of neutrality, a cornerstone of its foreign policy that allows for constructive engagement with both China and the U.S.

Yet, there are potential benefits. Trump's strategic recalibrations could open up avenues for Malaysia to forge stronger security ties with the U.S. and expand its defence cooperation framework. This alignment may bolster Malaysia's defence capabilities and allow it to leverage American support in safeguarding its maritime boundaries. However, such cooperation would require a delicate balancing act, as any overt alignment could strain Malaysia's vital economic and diplomatic relationships with China. A Trump presidency would thus require Malaysia to reevaluate its neutrality principle, as the shifting U.S.-China dynamic could demand a more defined position.

### ***ASEAN Leadership Matters***

As Malaysia prepares to chair ASEAN in 2025, a Trump victory could pose both challenges and responsibilities for Malaysian leadership in steering the bloc through potential U.S.-China frictions. A renewed America First policy would likely mean reduced U.S. commitment to multilateral institutions, requiring Malaysia to spearhead ASEAN cohesion in addressing regional security and economic integration independently. Given Trump's historical approach to alliances, Malaysia could encounter heightened expectations to advocate for stronger regional security frameworks, possibly against China's expansive claims in the South China Sea. Such a situation could place ASEAN at an existential crossroads, questioning whether its principle of neutrality remains viable amid escalating global rivalries.

Furthermore, Malaysia's ASEAN leadership will need to address the economic impact of any renewed U.S.-China decoupling policies. As Malaysia stands at the helm of ASEAN, it may be pressured to act as a mediator, balancing ASEAN's collective stance with each member state's diverse economic ties with China and the U.S. Should Trump's policies lead to tighter export controls or an intensified regional arms race, Malaysia will find itself at the centre of these discussions, tasked with fostering dialogue that emphasizes ASEAN's role as a stabilizing force in Southeast Asia. Malaysia's chairmanship thus presents both a formidable challenge and a critical opportunity to reaffirm ASEAN's resilience and diplomatic agility in an increasingly polarized world.

### ***Conclusion***

In conclusion, while a second Trump term holds potential for select strategic gains, Malaysia and ASEAN must tread carefully, balancing economic prudence, political foresight, and regional solidarity. As a leader in the ASEAN bloc, Malaysia's challenge will be not only to protect its own economic and strategic interests but also to guide ASEAN in navigating a new global order fraught with uncertainty and competition.