

Are We Just Sitting Ducks?

By Mohd Khairul Ramli

The world is bracing for a seismic shift in global trade, and it's coming from Washington. With whispers of a new tariff war brewing under a Trump administration, countries across Asia are scrambling to get ahead of the curve. Nations like Vietnam, Thailand, and Indonesia are already taking steps by diversifying supply chains, boosting domestic production, and locking in trade deals to cushion the blow.

Yet, here in Malaysia, there's an eerie silence. It feels like we're just sitting ducks, waiting for the tariffs to hit our backyard while others in the region hustle to protect their economies. The question is: why aren't we moving? A storm is coming, and we're still basking in the sun, hoping it'll pass us by. History tells us that's a risky bet.

This isn't just about tariffs on goods from Canada, Mexico, or China, which were singled out in early trade chatter. It's about how the ripples will hit everyone, including us. For a country like Malaysia, where exports drive so much of our economy, this could spell trouble. Our neighbours see the writing on the wall and are acting. We're still debating whether the walls even there.

Fragile Economic Backbone

Malaysia's economy has its strength, predominantly in palm oil, electronics, and a strategic spot in Southeast Asia. However, it's got cracks that tariffs could widen as our tax collection is a weakest link. Compared to other developing countries, we're pulling in less than 15% of our GDP in taxes, while other nations average at 35%.¹

That's a problem when you're facing a trade shock. Less money in the coffers means less room to manoeuvre when local businesses start hurting and consumers tighten their belts. And it's not like we're starting from a strong position, it just our government debt has been climbing, hitting over 60% of GDP in recent years.² That's higher than what countries with similar credit ratings manage, and it's tying our hands.

¹ <https://theedgemalaysia.com/node/722603>

² Federal govt debt still within 64% of GDP. Available at: <https://theedgemalaysia.com/node/730713>

Then there's the debt servicing burden. We're spending 16.4% of our revenue just to keep up with interest payments which way above the 6% that better-rated countries handle.³ If tariffs shrink our export earnings, that burden gets heavier. Businesses will feel it first as higher costs, slimmer margins, maybe even layoffs. Similarly, consumers won't escape either; imported goods will get pricier, and local firms might pass on their losses. Our economic structure isn't built to take a punch like this lying down and we're still figuring out where to put the sandbags.

The Unemployment Trap

It's not just about money flows; it's about people. Malaysia churns out graduates aplenty, but the jobs waiting for them? Not enough, and not the right kind. We're producing a highly educated workforce, but the high-skilled positions to match are lagging behind.

Youth unemployment is stubborn, especially for those aged 15 to 24, though it drops as they age. That's a sign the system's failing the young at the start. Worse, there's a mismatch where skills learned in school don't line up with what employers want. Companies complain they can't find the talent they need, while graduates settle for jobs beneath their qualifications. That's a waste of potential, and tariffs could make it uglier.

Underemployment is already a sore spot, especially for women. Female participation in the workforce is inching up to 56.2% in 2023, but only 30.5% are in skilled roles, down from 35.9% the year before.⁴ If trade slows and firms cut back, those numbers could slide further.

Our neighbours are tackling this head-on with Indonesia's investing in vocational training,⁵ and Vietnam's luring foreign firms to create jobs. Malaysia, though, seems stuck, banking on traditional sectors and an export boom that might not come. If tariffs

³ <https://www.ideas.org.my/budget-2025-shows-positive-steps-in-fiscal-responsibility-and-governance-but-the-narrow-revenue-base-still-needs-attention/>

⁴ <https://rmk13.ekonomi.gov.my/wp-content/uploads/2024/11/Rapporteur-Report-RMK13-KOC.pdf>

⁵ <https://en.antaranews.com/news/346605/indonesia-switzerland-cooperate-on-dual-system-vocational-education>

hit, businesses could freeze hiring or worse, and the gap between our educated youth and the jobs they deserve will yawn wider. Are we ready for that?

The Regional Race

Look around Southeast Asia, and the contrast is unmistakable. Vietnam's been a poster child for dodging trade bullets and shifting production away from China, cozying up to the U.S., and raking in foreign investment. Thailand's not far behind, tweaking its supply chains and leaning on regional trade pacts like the RCEP to soften any tariff blows.

Even Indonesia's getting in on the act, strengthening raw material production and exports and building up its manufacturing muscle. These countries aren't waiting for the axe to fall, instead they're forging shields. Malaysia, meanwhile, feels like it's still at the drawing board, hoping our usual playbook of commodities, oils and gas and electronics will carry us through.

That playbook's got holes. Our reliance on exports especially to big markets like the U.S., makes us vulnerable. If tariffs jack up costs for goods tied to Canada, Mexico, or China, our supply chains could snag. Logistics teams elsewhere are double-checking country-of-origin labels to avoid extra duties and we should be too. But there's little sign of urgency. While others adapt, we're at risk of being caught flat-footed, paying tariffs we could've dodged with smarter planning.

It's Time to Move

Malaysia can't afford to be the sitting duck in this tariff war. The storm's not a maybe, it's a when. Our economic gap on low tax revenue, rising debt, a jobs mismatch aren't secrets; they're warnings. Businesses will face higher costs and shrinking profits, consumers will see prices climb, and our workforce could be left stranded if we don't act.

We've got assets: a skilled population, a solid export base, and a spot in a buzzing region. But assets don't win fights, strategy does. Vietnam's not waiting; Thailand's not waiting. Why are we?

Start with the basics: fix the tax system to bring in more cash such as reintroducing the Goods and Services Tax (GST), cut the debt burden so we've got breathing room, and match our graduates to jobs that matter. Then play offense by diversifying our trade partners, beef up local production, and get sharp on supply chain rules before the tariffs lock in. The world's moving fast, and this isn't a drill. Sitting still isn't noble; it's naive. If we don't paddle now, we'll sink when the waves hit. Are we just sitting ducks? Not if we wake up and swim.