The US-China Trade War: Is Malaysia benefiting from “diversions” in US import demand?

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KEY TAKEAWAYS

• Trade wars can have wide-ranging negative impacts on the global economy, weighing down on global growth and investment, while increasing uncertainty and market volatility. Malaysia is similarly vulnerable, being a small and highly open economy that is deeply integrated with global supply chains. Nonetheless, opportunities for trade and investment ‘diversion’ may be an upside to the US-China trade conflict.

• Using detailed US Census Bureau data, we attempt to gauge the extent and impacts of ‘diversions’ in US import demand into Malaysia. Overall, we find that so far, ‘diversions’ from US import demand have been minimal. Instead, the data up to July 2019 suggests that Malaysia’s regional peers, including Taiwan, Japan, Vietnam and South Korea appear to have reaped most of the benefits from shifts in US import demand.

• Similarly, evidence of investment ‘diversion’ into Malaysia so far has been mixed, with manufacturing FDI flows remaining soft well into 2019, even as approved manufacturing expansion/diversification investment increased.

• While this analysis focuses on shifts in US import demand, and does not closely examine other channels of trade ‘diversion’ from shifts in and/or third-party import demand, the results of this analysis suggests that Malaysian policymakers should play a much more proactive role in negating the risks of rising trade protectionism, through accelerating unilateral reforms and deepening regional integration with non-US regions.

1.0 Introduction

On 6 July 2018, the Trump administration imposed the first round of tariffs (List 1) on US$34 billion worth of Chinese imports amid allegations of China’s unfair trade practices related to intellectual property (IP). Subsequently, over the course of 2018, two more rounds of US tariffs were applied—on US$16 billion worth of Chinese goods (List 2) in August 2018 and on US$200 billion worth of Chinese goods (List 3) in September 2018. Despite initial optimism that a trade deal would be reached amid temporary truces in December 2018 and in June 2019, reaching a deal has proven to be difficult for both sides. Stumbling blocks include concerns surrounding IP enforcement and industrial subsidies, in addition to how quickly the bilateral tariffs can be removed if a deal was signed.

In September 2019, the US-China trade conflict escalated further with the US imposing new tariffs affecting US$112 billion of Chinese goods (List 4a). More US tariffs on US$160 billion of Chinese goods are set to come into effect in December 2019 (List 4b). In retaliation, China has imposed tariffs on a total of about US$188 billion worth of US goods. While trade talks are still ongoing and President Donald Trump has hinted at the possibility of an interim agreement, the prospects of both sides agreeing on a comprehensive US-China trade deal in the near-term remains somewhat cloudy.

Accordingly, this paper attempts to gauge the effect of these tariffs on the Malaysian economy, by focusing on shifts in US import demand after the imposition of US tariffs on Chinese imports. The first part of this paper will examine the existing research and international evidence on the macroeconomic impacts of trade wars. Then, the main part of this paper contains an analysis of monthly US Census Bureau imports data for each product affected by the first three rounds of US tariffs (trade data up to June 2019 are yet to be affected by List 4 tariffs). The next part will look at investment data in Malaysia, both investment approvals and FDI flows, to gauge the extent of investment ‘diversion’. Finally, this paper will discuss conclusions and potential policy implications for Malaysia and other regional economies.

In this analysis, we focus on trade ‘diversions’ resulting from US import demand shifts due to the similarity in export structures between regional economies in Asia and China, and the limitations in availability of granular China imports data. For data consistency purposes, this

1 Excluding section 232 tariffs imposed on steel and aluminium in June 2018, and global safeguard tariffs imposed on washing machines and solar panels early-2018
While this analysis focuses on shifts in US import demand, the results of this analysis suggest that Malaysia’s regional peers, including Taiwan, Japan, Vietnam and South Korea appear to have reaped most of the benefits from shifts in US import demand into Malaysia. Overall, we find that so far, ‘diversions’ from US import demand have been minimal. Instead, the data up to July 2019 suggests that Malaysian policymakers should play a much more proactive role in negating the risks of rising trade protectionism, through accelerating unilateral reforms and deepening regional integration with non-US and other economies.

Trade wars can have wide-ranging negative impacts on the global economy, weighing down on global growth and investment, while increasing uncertainty and market volatility. Malaysia is similarly vulnerable, as being a small and highly open economy that is deeply integrated with global supply chains. Nonetheless, the paper uses US Census Bureau data on monthly US imports and those sourced from the respective national statistical agencies. Monthly trade data is also volatile and as such the results of the analysis are highly sensitive to time-period specifications.

![Fig. 1 US-China trade conflict: A timeline of major events](image)

**Fig. 2 Tariff wars: by the numbers**

- **US List 1 tariffs**
  - Coverage: 1,096 items (US$34 bil worth)
  - Aircraft parts, machine parts, electrical machinery, electronic parts, motor vehicles, turbines

- **US List 2 tariffs**
  - Coverage: 279 items (US$16 bil worth)
  - Oils & chemicals, machine parts, electronic circuits, railway parts, diodes, electronic parts

- **US List 3 tariffs**
  - Coverage: 5,964 items (US$160 bil worth)
  - Seafood & agricultural products, minerals & ores, chemicals, wooden furniture, textiles, electronics, motor vehicles & parts

- **US List 4A**
  - Coverage: 3,244 items (US$112 bil worth)

- **US List 4B**
  - Coverage: 557 items (US$160 bil worth)

- **China tariff 1**
  - Coverage: 545 items (US$34 bil worth)
  - Soybeans, wheat, electric vehicles, meats, seafood, alcohol & tobacco

- **China tariff 2**
  - Coverage: 333 items (US$16 bil worth)
  - Aircraft parts, machine parts, electrical machinery, electronic parts, motor vehicles, turbines

- **China tariff 3**
  - Coverage: 5,140 items (US$60 bil worth) updated 1 June 2019
  - Aircraft parts, machine parts, electrical machinery, electronic parts, motor vehicles, turbines

- **China tariff 4A**
  - Coverage: 1,717 items (US$75 bil worth)

- **China tariff 4B**
  - Coverage: 3,361 items (US$75 bil worth)

Source: PIIE, USTR, Authors’ calculations, Bloomberg
While this analysis focuses on shifts in US import demand, trade wars can have wide-ranging negative impacts and deepen regional integration with non-US protectionism, through accelerating unilateral reforms. Malaysian policymakers should play a much more active role in promoting investment and approved manufacturing expansion/diversification in order to offset the negative impacts of trade wars. Foreign direct investment (FDI) flows remaining soft well into 2019, even as Malaysia so far has been mixed, with manufacturing investment increased.

Malaysia’s relatively high dependence on trade and deep integration with global supply chains mean that a decline in global trade growth poses severe headwinds for the Malaysian economy. Indeed, it has been estimated that among the major exporting economies in the region, Malaysia and Taiwan appear to be the most vulnerable to disruptions in Chinese supply chain exports to the US, especially since intermediate goods exports make up almost 30% of Malaysia’s exports to China.

Furthermore, Malaysia is highly exposed to the Chinese economy. China is Malaysia’s largest trading partner (13.7% of Malaysia’s total trade in 2018), major source of foreign investment (RM19.7 billion worth of approved Chinese FDI in the manufacturing sector in 2018) and international tourism (the second highest tourist expenditure of RM12.3 billion in 2018). This means a slowdown in Chinese growth will have wide-ranging negative impacts on the Malaysian economy.

Nonetheless, there may be an upside to the US-China trade conflict. As importers seek substitutes outside of US and China to avoid tariff incidence, there may be opportunities for Asian exporters to benefit from ‘diversions’ in import demand. Indeed, one estimate of the total value of global trade that will be diverted to avoid tariff incidence is about US$165 billion per year. Subsequently, there has been some optimism by Malaysian policymakers on the potential for Malaysia to benefit from trade and investment ‘diversion’—particularly since the first two rounds of US tariffs contain large overlaps with Malaysia’s export strengths in electrical and electronic components.

2.0 The Macroeconomic Effects of Trade Wars

Recent research suggests that trade wars affect the global economy both directly and indirectly. Model simulations show that the direct short-run effect of higher tariffs in a global trade war is a reduction in global economic growth due to lower global trade flows, in addition to an increase in prices for both manufacturers and domestic households. Additionally, research indicates trade wars also impact the global economy through three indirect channels. The first is through lower productivity growth from the disruption of global supply chains and reductions in cost-efficiency. The second channel is through increases in firms’ financing costs due to market volatility and increases in risk premia. The third channel is through a decline in business investment amid increased policy uncertainty. New research suggests that this increase in trade policy uncertainty has large negative effects on economic activity by dampening business investment and increasing firms’ financing costs. As such, the longer the trade war persists, the larger its adverse effects on global growth, productivity and welfare.

Impact evaluations of the 2018 tariffs on the US economy has shown that so far, US consumers have borne the burden of the US tariffs imposed on Chinese goods. US manufacturers have tended to raise domestic prices in response to higher input costs instead of squeezing lower prices from Chinese exporters or decreasing their own profit margins—leading to higher prices for US consumers. Despite some gains accrued to certain protected domestic producers and to the US government in the form of higher tariff revenues, the net welfare loss to the US economy has been estimated at about US$7.8 billion per year.

In Malaysia, a sustained trade conflict is expected to have broadly negative impacts on the domestic economy. Malaysia’s relatively high dependence on trade and deep integration with global supply chains mean that a decline in global trade growth poses severe headwinds for the Malaysian economy. Indeed, it has been estimated that among the major exporting economies in the region, Malaysia and Taiwan appear to be the most vulnerable to disruptions in Chinese supply chain exports to the US, especially since intermediate goods exports make up almost 30% of Malaysia’s exports to China.

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3.0 Empirical Analysis of shifts in US import demand

There are three channels for trade ‘diversion’: the first is diversion from shifts in US import demand from the US tariffs on Chinese goods, the second is diversion from shifts in China import demand from China’s tariffs on the US, and the third is diversions in import demand from third-party countries as supply chains are rearranged.

In this analysis, we focus on the first channel of trade diversion. We attempt to gauge the extent and impacts of ‘diversions’ in US import demand into Malaysia using US Census Bureau imports data across a period of 26 months (up to July 2019) for 8 regional exporting economies to compare average post-tariff export performances versus a one-year pre-tariff average.

The data shows that total US imports from China fell drastically after the US tariffs were applied, with total US imports from China recording a total average decline by about US$3 billion per month post-tariff (see Fig. 4). As anticipated, lower US imports from China were

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Fig. 3 Macroeconomic impacts of global trade conflicts

<table>
<thead>
<tr>
<th>Trade Wars</th>
<th>Direct effects</th>
<th>Indirect effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Lower global trade flows</td>
<td>• Lower productivity as global supply chains are disrupted</td>
</tr>
<tr>
<td></td>
<td>• Lower global GDP growth</td>
<td>• Higher financing costs</td>
</tr>
<tr>
<td></td>
<td>• Higher consumer prices</td>
<td>• Drop in investment due to increased policy uncertainty</td>
</tr>
<tr>
<td></td>
<td>• Increased uncertainty</td>
<td></td>
</tr>
</tbody>
</table>

Compiled from Berthou et al. (2019), Faigelbaum et al. (2019), Handley & Limão (2017)

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Fig. 4 Change in total average monthly exports to the US

![Graph showing change in total average monthly exports to the US.](image)

Source: US Census Bureau, Authors' calculations

Fig. 5 Change in monthly average export to the US by tariff group

![Graph showing change in monthly average export to the US by tariff group.](image)

Fig. 6 Index of US Imports from Malaysia, by tariff list

![Graph showing index of US imports from Malaysia, by tariff list.](image)

Source: US Census Bureau, USTR, Authors' calculations

Note: US Census Bureau data as of July 2019 is unaffected by List 4A tariffs imposed in September 2019

Substituted by higher US imports from other regional exporters in the Asia. However, the data suggests that, so far, these shifts in US import demand did not contribute to gains to Malaysian exports (see Fig. 4). In fact, US total imports from Malaysia actually fell after the US tariffs on Chinese goods were applied. Meanwhile, other regional exporters like Vietnam, Japan, South Korea and Taiwan have seen large gains in total exports to the US after the tariffs were imposed. US imports from Vietnam were about US$970 million higher per month, compared to a pre-tariff average.

Next, we use detailed US Census Bureau data at the HS10-digit level, matching the US import data to each of the approximately 7,339 products on the US tariff lists (List 1, List 2, and List 3). This allows us to separate total US imports by tariff group to look at the difference in US imports for each tariff group for each country (Fig. 5).

For Malaysia, the data suggest that there have been modest gains for Malaysian exports of products affected by List 2 tariffs, with post-tariff US imports of Malaysian List 2 products about 5% higher per month, on average (see Fig. 5). However, this has been offset by declines in US imports of Malaysian List 3 products and non-tariff affected products, which were 11% and 4% lower per month respectively.

Generally, the US Census Bureau data so far suggests that Malaysia’s regional peers have reaped most of the benefits from ‘diversions’ in US import demand. Overall, in terms of US imports of tariff-affected products, Taiwan appears to have gained the most with increases in US imports of products from all three tariff lists (List 1, List 2, List 3). Vietnam has also seen large increase in US imports of both tariff-affected and non-tariff affected products—while other East Asian economies like Japan and South Korea have seen gains in products in select tariff lists (see Fig. 5). Notably, Singapore has seen large increases in US imports of non-tariff affected products, potentially due to its status as a major global transhipment hub.

13 As of July 2019 data, List 4a and 4b tariffs are not yet in effect.
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Fig 7. Top 10 tariff-affected products with highest US demand “diversion” in Malaysia

<table>
<thead>
<tr>
<th>No</th>
<th>Malaysia</th>
<th>Tariff Group</th>
<th>Monthly average gain (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Photosensitive semiconductor devices; photodiodes</td>
<td>List 2</td>
<td>36,287.8</td>
</tr>
<tr>
<td>2</td>
<td>Memory parts (RAM)</td>
<td>List 2</td>
<td>12,240.2</td>
</tr>
<tr>
<td>3</td>
<td>Printed circuit assemblies</td>
<td>List 3</td>
<td>11,555.7</td>
</tr>
<tr>
<td>4</td>
<td>Motor vehicle radio units</td>
<td>List 3</td>
<td>8,973.2</td>
</tr>
<tr>
<td>5</td>
<td>Medical rubber gloves</td>
<td>List 3</td>
<td>8,265.8</td>
</tr>
<tr>
<td>6</td>
<td>Non-medical rubber gloves</td>
<td>List 3</td>
<td>7,193.5</td>
</tr>
<tr>
<td>7</td>
<td>Electronic integrated circuits: processors and controllers</td>
<td>List 2</td>
<td>6,405.8</td>
</tr>
<tr>
<td>8</td>
<td>Telecommunications instruments and apparatus</td>
<td>List 1</td>
<td>3,505.8</td>
</tr>
<tr>
<td>9</td>
<td>Instruments and apparatus for for measuring or checking semiconductors</td>
<td>List 1</td>
<td>3,442.2</td>
</tr>
<tr>
<td>10</td>
<td>Tantalum fixed capacitors; electrolytic capacitors</td>
<td>List 1</td>
<td>3,311.4</td>
</tr>
</tbody>
</table>

Note: Only includes tariff lists 1,2 and 3

Fig 8. Top 10 tariff-affected products with highest US demand “diversion”, by regional economy

<table>
<thead>
<tr>
<th>No</th>
<th>Japan</th>
<th>Singapore</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Motor vehicles (1500–3000cc)</td>
<td>Machines for semiconductor manufacturing</td>
<td>ADP disk storage</td>
</tr>
<tr>
<td>2</td>
<td>Semiconductor manufacturing machines</td>
<td>Machine parts for glassware manufacturing</td>
<td>Truck/bus tires</td>
</tr>
<tr>
<td>3</td>
<td>Motor vehicles (1000–1500cc)</td>
<td>Liquid filtering apparatus</td>
<td>Motor vehicles (1000–1500cc)</td>
</tr>
<tr>
<td>4</td>
<td>Phosphides, inorganic compounds</td>
<td>Jet parts</td>
<td>Rice</td>
</tr>
<tr>
<td>5</td>
<td>Parts of aircraft</td>
<td>Electrical instruments using optical radiation</td>
<td>Circuit assemblies</td>
</tr>
<tr>
<td>6</td>
<td>Track-laying excavators</td>
<td>Manganese batteries</td>
<td>Synthetic staple fibres</td>
</tr>
<tr>
<td>7</td>
<td>Marine-propulsion motors</td>
<td>Lubricating oils</td>
<td>Tuna</td>
</tr>
<tr>
<td>8</td>
<td>Transport vehicles</td>
<td>Insulated electric conductors</td>
<td>Non-medical rubber gloves</td>
</tr>
<tr>
<td>9</td>
<td>Jet parts</td>
<td>Platinum</td>
<td>Pet food</td>
</tr>
<tr>
<td>10</td>
<td>Compression piston engines</td>
<td>Electrical parts</td>
<td>Natural rubber</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Vietnam</th>
<th>Taiwan</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Audio/image processing machines</td>
<td>Circuit assemblies</td>
<td>Circuit assemblies</td>
</tr>
<tr>
<td>2</td>
<td>Wooden furniture</td>
<td>Processing units</td>
<td>Motor vehicles (1500–3000cc)</td>
</tr>
<tr>
<td>3</td>
<td>Chairs w/ wooden frames</td>
<td>Machines for audio/image processing</td>
<td>Jet fuel</td>
</tr>
<tr>
<td>4</td>
<td>Electric control panels</td>
<td>Electronic integrated circuits</td>
<td>Motor vehicles (1000–1500cc)</td>
</tr>
<tr>
<td>5</td>
<td>Bedroom furniture</td>
<td>ADP control/adapter units</td>
<td>Vehicle parts</td>
</tr>
<tr>
<td>6</td>
<td>Frozen catfish</td>
<td>ADP machine parts</td>
<td>Semiconductor devices</td>
</tr>
<tr>
<td>7</td>
<td>Polyethylene terephthalate</td>
<td>Metal tanks, reservoirs</td>
<td>Parts of aircraft</td>
</tr>
<tr>
<td>8</td>
<td>LED panels</td>
<td>Metal screws</td>
<td>Plastic sheets, foil</td>
</tr>
<tr>
<td>9</td>
<td>Batteries used for electric vehicles</td>
<td>Radio/navigational apparatus</td>
<td>Electric motor vehicles</td>
</tr>
<tr>
<td>10</td>
<td>Seats w/ metal frame</td>
<td>Office furniture</td>
<td>Aircraft turbojets</td>
</tr>
</tbody>
</table>

Source: US Census Bureau, USTR, Authors’ calculations
Note: Only includes tariff lists 1,2 and 3
While this analysis focuses on shifts in US import demand, it is important to note that the potential for investment ‘diversion’ into Malaysia and other countries cannot be fully ignored. Using detailed US Census Bureau data, we attempt to gauge the extent and impacts of ‘diversions’ in US import demand into Malaysia. Overall, we find that so far, ‘diversions’ from US import demand have been minimal. Instead, the data up to July 2019 suggests that Malaysia’s regional peers, including Taiwan, have reaped most of the benefits from shifts in US import demand into Malaysia. Overall, we find that so far, ‘diversions’ from US import demand have been minimal. Instead, the data up to July 2019 suggests that Malaysia’s regional peers, including Taiwan, have reaped most of the benefits from shifts in US import demand into Malaysia.

Separating the products in each tariff group even further into individual product lines at the HS10-digit level, we can see that the shifts in US import demand post-tariff has benefited different product lines in different countries (see Fig. 7).

In Malaysia, top tariff-affected products that have benefited from the trade conflict include electronic and electrical components that are components in the global supply chain—such as diodes for semiconductor devices, memory parts for electronic integrated circuits and circuit assemblies. Some other non-electronic products that have seen higher US imports are rubber-related products.

Similarly, Taiwan and Singapore have also seen gains in US imports of electrical and electronic parts and machinery (see Fig. 8). In Japan and South Korea, there have been outsize gains in US imports of motor vehicles and aircraft-related parts and products. The developing economies in the region, Vietnam and Thailand, have seen gains on US imports of food-related products, furniture and vehicle parts.

Finally, we also looked at foreign investment data to see if foreign investment has been affected in the period after the tariffs were imposed. If investment “diversion” has indeed occurred, we would expect foreign investment to increase in the post-tariff period. Here, we utilise both approved investment data from the Malaysia Investment Development Authority (MIDA) as well as official FDI statistics from the Department of Statistics, Malaysia (DOSM).

The MIDA approved investment data shows that for the E&E and M&E manufacturing sectors—the two manufacturing sectors most affected by the US’ first two rounds of tariffs—the amount of approved expansion or diversification investment has increased in 2018 compared to the preceding years, even while approved new projects have declined (see Fig. 9). This is consistent with the anecdotal evidence from stakeholder engagement that foreign manufacturers are expanding and/or diversifying their existing production bases in Malaysia in response to the tariffs.

Yet, this increase in approved investments in the second half of 2018 has yet to materialise into actual FDI flows. The DOSM FDI data shows that, after a brief front-loading period in the first three quarters of 2018, manufacturing FDI growth has decelerated in the post-tariff period and into the first half of 2019 even as overall FDI has risen\(^*\) (see Fig. 10). Taken together, the investment data so far suggests that there is mixed evidence for investment ‘diversion’ into Malaysia in the post-tariff period. It may take some time before the increase in approved manufacturing sector expansion/diversification investment filters through into FDI flows due to the lumpiness of MIDA approved investment data.

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\(^*\) The increase in overall FDI was driven mainly by increases in FDI into financial and other services sectors, and the mining & quarrying sectors.

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**Fig. 9 Approved E&E Manufacturing Projects**

![Fig. 9 Approved E&E Manufacturing Projects](image_url)

Source: MIDA, DOSM, Authors’ calculations

**Fig. 10 Manufacturing FDI Stock**

![Fig. 10 Manufacturing FDI Stock](image_url)

Source: MIDA, DOSM, Authors’ calculations
4.0 Concluding Remarks and Policy Implications

Recent research has suggested that trade wars can have wide-ranging impacts on the global economy, and that the policy uncertainty generated by the US-China tariff conflict will weigh heavily on investment, firms’ financing costs, and financial market volatility. Malaysia is similarly vulnerable, being a small and highly open economy that is highly exposed to the Chinese economy, with an export structure that is deeply integrated with global supply chains.

Overall, despite the potential for trade “diversion” from shifts in US import demand, the dataset we analysed (US Census Bureau data up to July 2019), indicates that the reality so far has been more mixed. While Malaysia’s exports to the US has indeed increased in very specific product lines, in particular Malaysian exports of specific electrical and electronic components, machinery parts, and rubber products—this analysis suggests that, on balance, ‘diversions’ from US import demand have been minimal. Instead, the data suggests that Malaysia’s regional peers—including Taiwan, Japan, South Korea, and Vietnam—have potentially benefited more from ‘diversions’ in US import demand after the tariffs were imposed. Similarly, evidence of investment ‘diversion’ into Malaysia at this time has been unclear, with manufacturing FDI flows remaining soft well into 2019, even as approved manufacturing expansion/diversification investment increased.

This analysis focuses on shifts in US import demand, and does not closely examine other channels of trade ‘diversion’ from shifts in and/or third-party import demand. Nonetheless, the results of this analysis suggests potential implications for Malaysian trade policy. These results indicate that Malaysian policymakers should play a much more proactive role in mitigating the risks of rising trade protectionism beyond just current monitoring efforts by MITI. As such, we highlight two related policy areas to focus on: 1) unilateral reforms to the regulatory environment; and 2) deepening regional trade and investment integration with non-US regions.15,16

While this article does not causally isolate the effects of the increase in tariffs on Malaysia’s exports, this analysis has potentially broad implications for Malaysian trade policy. The results of this analysis suggests that the Malaysian policymakers should play a much more proactive role in mitigating the risks of rising trade protectionism beyond just current monitoring efforts by MITI. As such, we highlight two related policy areas to focus on: 1) unilateral reforms to the regulatory environment in order to further reduce trade costs; and 2) deepening regional trade and investment integration with non-US regions.

15 Devarajan et al. 2018.
16 Pangestu, Mari. “Special Speech at the REITI-ANU-ERIA Symposium on Asia’s response to the trade war”. 6 December 2018.

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While this analysis focuses on shifts in US import demand, the results of this analysis suggest that Malaysian policymakers should play a much more proactive role in negating the risks of rising trade protectionism, through accelerating unilateral reforms and deepening regional integration with non-US regions.

Trade wars can have wide-ranging negative impacts and market volatility. Malaysia is similarly vulnerable, reaped most of the benefits from shifts in US import demand into Malaysia. Overall, we find that so opportunities for trade and investment ‘diversion’ may be an upside to the US-China trade conflict. Nonetheless, and market volatility. Malaysia is similarly vulnerable, reaped most of the benefits from shifts in US import demand into Malaysia. Overall, we find that so opportunities for trade and investment ‘diversion’ may be an upside to the US-China trade conflict.


18. USA Trade Online database, US Census Bureau https://usatrade.census.gov/


