

Trump 2.0: M'sia urged to prepare contingency plans in anticipation of policy shifts

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Malaysia would be wise to prepare contingency measures in anticipation of potential US policy shifts and targeted tariffs under a Trump 2.0 administration, said SPI Asset Management managing partner Stephen Innes.

He said Malaysia could better insulate itself from the risks of punitive trade measures by diversifying export markets and gradually reducing its dependency on the sizable US market.

“While reorienting trade flows is no small task, it could provide a crucial buffer, helping Malaysia maintain economic stability amid US policy volatility. Expanding into emerging markets like Brics and strengthening regional partnerships could be instrumental strategies to counterbalance any potential fallout,” he told Bernama.

Republican candidate Donald Trump has been elected as the 47th US president and is set to take office on Jan 20, 2025.

Potential for renewed US-China trade tensions

Innes does not discount the possibility that Trump's victory could reignite US-China trade tensions, as his administration would likely revive hardline policies to curb Chinese exports and investment flows.

He reckons the renewed pressure would likely ripple across Southeast Asia, where tightly interwoven trade links with both giants put the region at risk.

"Disrupted supply chains could stall growth in Southeast Asian economies, heightening uncertainty for businesses and markets heavily reliant on stable US-China relations. Also, a Trump administration would likely double down on economic nationalism, pushing to repatriate jobs and incentivise domestic manufacturing," Innes said.

He added that the shift could deter foreign direct investments in Southeast Asia, as US companies face increasing pressure to localise production within American borders and this could spell a significant setback for manufacturing hubs like Vietnam and Thailand, impacting sectors that have thrived on foreign investment and export-led growth.

Innes said the ripple effect of such policies may reshape the regional investment landscape, challenging economies that rely heavily on their role in global supply

chains.

Impact on Malaysia

With the solar PV sector already impacted, Innes expressed concerns that Malaysia's other key export industries, such as semiconductors and agriculture, may be next in line for tariffs under a Trump 2.0 administration.

“The semiconductor industry, critical to Malaysia's economy, could face substantial barriers as the United States pursues technological self-sufficiency and national security. Similarly, Malaysia's agricultural exports might be affected if Trump's policies target nations with trade surpluses, making it vital for the country to adopt proactive measures and safeguard these vital sectors from excessive exposure to US markets. Of course, that is easier said than done,” he acknowledged.

In June this year, Prime Minister Anwar Ibrahim stressed that Malaysia would not abide by US tech sanctions on China if it involved companies that do not come under Washington's jurisdiction with the country leveraging its reputation as a global semiconductor hub to draw fresh investments driven by the technology war between the two superpowers.

In late May, a Malaysian firm was slapped with US sanctions for allegedly

shipping electronic parts and components to Russia for use in its war on Ukraine.

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