

Malaysia must be vigilant on US-China trade war



More countries are taking a 'safeguarding measure' to protect their domestic markets as the dispute remains ongoing

By SHAHEERA AZNAM SHAH / Pic By BLOOMBERG

Malaysia has to be vigilant in laying down the strategies to avoid being caught in the crossfire between the US and China.

Institute of Strategic and International Studies director of economics, trade and regional integration Firdaos Rosli said decisions relating to this issue should be made in haste, as both countries are Malaysia's biggest trading partners.

"We should take into account on what we can do, without having to come up with an immediate policy response. I think the best strategy for us is to stay vigilant and place our move strategically in coming up with the possible options if things were to escalate," he said.

More countries are taking a "safeguarding measure" to protect their domestic markets as the dispute between the US and China remains ongoing.

American tariffs affecting US\$34 billion (RM138.04 billion) of Chinese goods came into effect on July 6, resulting in retaliatory tariffs imposed by China, which accounted for 0.1% of the global domestic product.

It has been reported that the European Union (EU) is preparing list of retaliatory tariffs on American goods as a response to the proposed raising levies on imported cars by the US.

India too has proposed to impose a 25% duty on foreign solar panels from Malaysia and China.

This move could hurt Malaysia's solar industry as it is already facing 30% tariffs imposed by the US.

On India's safeguarding measures, Firdaos said Malaysia is at a disadvantage to take the protectionist route in treading along the global trade tension.

Firdaos opined that Malaysia's next move should be in accordance with China's retaliatory actions due to the history of economic linkages with the country.

Although many analysts believe that the retaliation could result in a trade diversion, which sees the US or Chinese importers seeking substitutes in other countries, Firdaos said the externalities may be uncertain at present.

“The best thing we can do now is to monitor. It is not an easy projection as things are very fluid at the moment,” he said.

Sunway University Business School economics Prof Dr Yeah Kim Leng said the global trade tension between the two largest economies will result in an adverse effect against global trade.

“The proposed adoption of tariffs imposed by India is not encouraging in a sense of promoting free trade.

“Although they have cited in an industry argument that the measure is to protect their own domestic industry, they should also impose a timeline, given the fact that such tariffs normally are time-limited,” he said.

Commenting on the US- China trade relations, Yeah noted that the free trade agreement (FTA) is crucial in shielding a nation’s domestic industries.

“I think an FTA is the best route in terms of insulating Malaysia or other countries from any kinds of unilaterally tariffs action, as it meant to reduce threat by others.

“One action we can take for the longer term is strengthening our regional trade agreement with non-member countries,” he explained.

Yeah said the government may want to revisit the stalled FTA with the EU, or looking at ways to include India in a free trade discussion.