

Reduce reliance on single markets, say economists

PETALING JAYA: The United States' imposition of a 25% tariff on all imports from Malaysia from Aug 1 should serve as a wake-up call for the nation to reform its trade strategy, reduce reliance on single markets and move up the value chain, say economists.

"This 25% tariff will undoubtedly impact Malaysia's exports in the short term, but it could also serve as a trigger for much-needed economic reform," said Taylor's University innovative management practices research cluster lead Prof Dr Poon Wai Ching.

She said key exports such as electronics, palm oil, rubber gloves and machinery would likely face sharp declines in US demand, resulting in revenue losses and broader ripple effects on the ringgit and investment sentiment.

"In the long run, Malaysia could undergo structural adjustments, expand its export markets to reduce reliance on the US, and move up the value chain through innovation and higher-value manufacturing."

Poon said while Malaysia is already part of several trade agreements, more must be done to promote high-value manufacturing and long-term resilience across key industries.

Universiti Putra Malaysia Putra Business School Assoc Prof Dr Ida Md Yasin said the move reflects a broader shift in US trade policy, from free trade to protectionism, making future trade with the US less predictable.

"With this 25% tariff, our products instantly become more expensive. If something costs RM100, it becomes RM125 in the US. So consumers may not buy our products."

She said the immediate impact would be felt in electrical and electronics exports, a cornerstone of Malaysia's trade with the US.

"In the short term, of course Malaysia will be affected. But in the long term, we need to find new partners and enhance our supply chain to be more resilient. This is a reminder to reduce dependency and diversify wisely."

Universiti Teknologi Mara Economics and Financial Studies Department senior lecturer Dr Mohamad Idham Md Razak said the government needs a clear and immediate multi-pronged strategy to respond.

"In the short term, exporters will face higher costs, making it more difficult to compete in the US market. Export volumes may also decline."

He urged the government to negotiate for exemptions on critical goods such as medical supplies and semiconductors.

"If the tariffs breach international trade rules, we should also consider dispute resolution via the World Trade Organisation."

Idham called for export support, financial aid and supply chain upgrades, especially for industries looking to pivot to new markets.

"We must open up new export avenues quickly while improving productivity through automation and innovation."

"We should avoid retaliatory tariffs unless absolutely necessary. The focus must be on long-term economic resilience."

Nusantara Academy of Strategic Research senior fellow Prof Dr Azmi Hassan believes Malaysia still has room to manoeuvre but must act strategically.

"If you look carefully at Trump's letter and the language used, it shows we still have room to negotiate."

He said Vietnam, which saw its tariff rate reduced to 20%, did so by offering full market access to US goods.

"Malaysia hasn't done that, and that gives us some leverage."

Azmi said Malaysia had avoided harsher penalties related to trans-shipment violations, an issue that has plagued Vietnam.

"Trump sees Vietnam as a bigger threat. Malaysia isn't seen the same way, and that gives us an advantage, if we negotiate smartly."