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MAKING OUR STAND CLEAR TO AVERT TRADE ROW ESCALATION

We should work with other countries to openly oppose US' unilateralism and prevent the simmering trade war from worsening

THE ongoing trade war between the United States and China may cool down temporarily post-G20 Summit, yet its long-term impact remains to be seen — particularly the tariff implementation towards goods and services on both sides.

This is not just a matter of tit-for-tat between the US and China. The US has also increased tariffs on imported goods from European countries, Canada, Japan, South Korea and other countries. Given the position of Malaysia — from a geopolitical standpoint and economic perspective — we have to carefully analyse the implications of the Sino-American standoff in the long run.

Malaysia's exports will, no doubt, bear the brunt. For that matter, every country that is involved in regional and global supply chains will feel the impact. Some might even sustain greater damage than the direct players in this trade war.

For instance, Malaysia exports electronic spare parts to China for the production of cellphones, computers and others. In the end, a portion of these finished products is exported to the US. If additional US tariffs lead to a decline in the output of Chinese products, then China's import of parts from Malaysia will also decrease.

Likewise, some goods exported by Malaysia to the US are used by the latter to produce finished products for export to China and Europe. If China and Europe retaliate against the US, Malaysia's exports to the US will drop too.

A study by Pictet Asset Management in 45 countries shows that Malaysia ranks sixth in the



A man watches a monitor at a stock exchange in Taipei. Asian shares dropped due to worries about a US-China trade war. In March last year, when the US announced tariffs on billions of Chinese imports, Japan's Nikkei plunged 4.51 per cent, China's Shanghai Composite lost 3.39 per cent, South Korea's Kospi shed 3.18 per cent and Taiwan's TAIEX dropped 1.66 per cent. EPA-EFE PIC

list of countries most vulnerable to trade wars. About 60 per cent of exports are dependent on global supply chains, compared with 48 per cent and 40 per cent in China and the US respectively.

Taiwan, South Korea, Singapore and Hungary are among the few countries that rely more on the global supply chains than Malaysia.

Because there are considerable repercussions involved, Malaysia should not be "an onlooker" in this Sino-US trade war, but instead implement proactive or countermeasures as protection.

If the US continues to take drastic actions which are going to trigger countermeasures, the future export situation of every country will become unpredictable. The European Union has said the trading system is currently facing grave "pressure and uncertainty".

This uncertainty, plus reduction in trade volume, will affect the whole world and countries like Malaysia, that rely heavily on exports, will be affected the most.

Among the impacts — foreign funds withdrawn from developing economies such as Malaysia. The currencies of developing economies are weakening, inflationary pressure is mounting, and more money is needed to repay foreign loans.

Malaysia, therefore, should work with other countries to

openly oppose US' unilateralism and adopt or join other countermeasures to prevent the trade war from escalating.

Yao Jinlong, an economics professor at Sunway University's business school, mentioned that "Malaysia's economic trend will be dragged down by the Sino-US trade war, and if the trade war goes full force, global economic growth may slow down by one per cent to two per cent".

He added: "The global economy will be adversely affected, leading to a slowdown in Malaysia's growth and a negative impact on Malaysia's exports."

Since January, the US has imposed a 30 per cent tariff on solar panels and components and a 20 per cent tariff on washing machines. Malaysia has been affected because it is one of three countries that export solar panels to the US.

Subsequently, the US also imposed 25 per cent and 10 per cent tariffs respectively on steel and aluminium exports to the US on all countries, exempting only a few. The US invoked Article 232 of its Domestic Trade Law, claiming that it was for the sake of "national security".

In short, the world is on the brink of a global trade crisis triggered by US President Donald Trump, one that would exert an "overflow response" which would dampen the exports of developing countries and their

gross domestic product.

Although trade tensions are expected to ease with Trump promising that the US would not impose new tariffs on Chinese imports, Malaysia and Asean must remain cautious. Trump and Chinese President Xi Jinping also agreed (on the sidelines of the G20 Summit in Osaka last month) to promote China-US relations based on coordination, cooperation and stability, and to resume trade talks on the basis of equality and mutual respect.

Nevertheless, Asean member states are worried that the products that cannot enter the Chinese and American markets due to the trade dispute will inevitably flood third party countries (Asean countries), creating a negative impact on third party markets. Products that China and the US are unable to export will be channelled into the Asean market and exert a negative impact on Southeast Asian manufacturers producing the same goods.

Analysts also opine that even if some countries may gain short-term benefits from the trade war, in the long-term, it would not only affect China and the US' economies, it would also jeopardise the economies of other countries.

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