



## Asia-Pacific Trade Briefs

### Malaysia

**Merchandise trade:** Trade is critical to the economy of Malaysia. It has the thirteenth busiest container port and seventh highest merchandise trade-to-GDP ratio in the world (133.7%). Malaysian exports are highly diversified across 4,339 products and 125 markets compared with the Asia-Pacific average of 2,107 products and 95 partners. Malaysia is a significant exporter of petroleum-related products and intermediate goods such as electronic circuits and semiconductors. China and Singapore are Malaysia’s largest trading partners, jointly accounting for 34.2% of exports and 49.0% of imports. Similar to other South-East Asia countries, the slowdown of China’s demand for commodities and intermediate goods in the midst of weak demand from advanced economies has contributed to the deceleration of trade growth. Merchandise exports and import growth of Malaysia decelerated to just 2.5% and 1.4%, respectively, in 2014, down from an average annual growth of 4.2% and 6.1% respectively, between 2010 and 2014. However, competitiveness in manufacturing exports has mitigated the negative impacts from the fall in fuel exports. Indeed, Malaysia still performed better than the Asia-Pacific region, which saw growth in exports and imports of 1.5% and -1.0% respectively in 2014.

**Services trade:** Malaysia’s services exports contracted by -0.8% in 2014, which was considerably below the Asia-Pacific regional growth of 4.8%. This was driven by a sharp fall in exports of business services. The growth of services imports decelerated to just 0.7%, down from an average annual growth of 8.5% during 2010-2014, led by higher transport services, and a sharp fall in imports of travel and business services. Transport and travel accounted for more than half of exports and imports.

**Global value chains (GVCs):** Malaysia is highly integrated into electronics GVCs, particularly as an assembly centre for electronics and machinery. Intermediate goods are among the country’s top export products (e.g. integrated circuits; semiconductors; and motor parts). The share of intermediate goods in trade – a proxy for participation in GVCs is marginally higher in Malaysia’s imports (23%) than the Asia-Pacific region (22%). However, intermediate exports accounted for only 14% of Malaysian exports, significantly lower those of the Asia-Pacific region (18%), mainly because final assembled products and commodities took greater shares of exports.

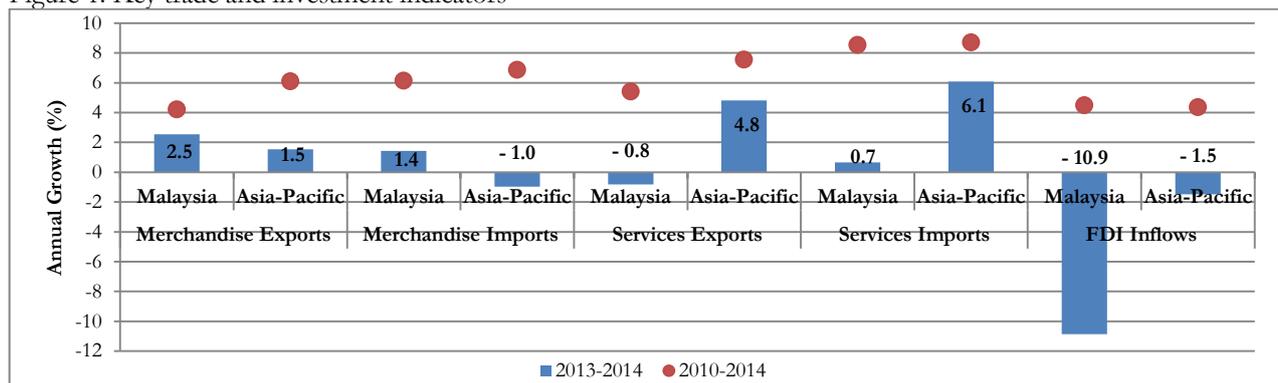
**Foreign direct investment (FDI):** Malaysia’s FDI inflows contracted sharply, by -10.9% in 2014. The investment climate was soured by a combination of factors, including: an uncertain outlook for the global economy; falling investment in the oil and gas sector – due to lower fuel prices; political scandals involving public funds; and increased volatility in currency markets. Malaysia’s investment risk profile also increased as a result of the nationalization of Malaysian Airlines. Although the Government offers tax incentives and “pioneer company” status to encourage investment, it retains discretionary powers for authorization of investment projects.

**Tariffs:** Average MFN applied and effective tariffs at 5.1% and 5.3% are slightly lower than Asia-Pacific averages of 7.4% and 7.4%. Average WTO bound duty, at 14.6%, is lower than the Asia-Pacific average of 21.7%.

**Trade costs:** Intraregional trade costs in Malaysia have increased slightly since 2009. It is costlier for Asia-Pacific economies to trade with Malaysia than with East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – however cheaper than with EU-3 (France, Germany and United Kingdom) – the extraregional benchmark. Based on the UNRC Survey 2015\*, Malaysia’s trade facilitation and paperless trade implementation score is at 71.0%, compared to 46.5% for the Asia-Pacific.

**Trade agreements:** Malaysia has 14 trade agreements in force, much higher than the Asia-Pacific average of 7 agreements. Sixty seven per cent of exports are to PTA partners, compared to 35% for the Asia-Pacific. Seventy six per cent of imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



\*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTRSurvey2015.asp>

Figure 2. Top merchandise markets

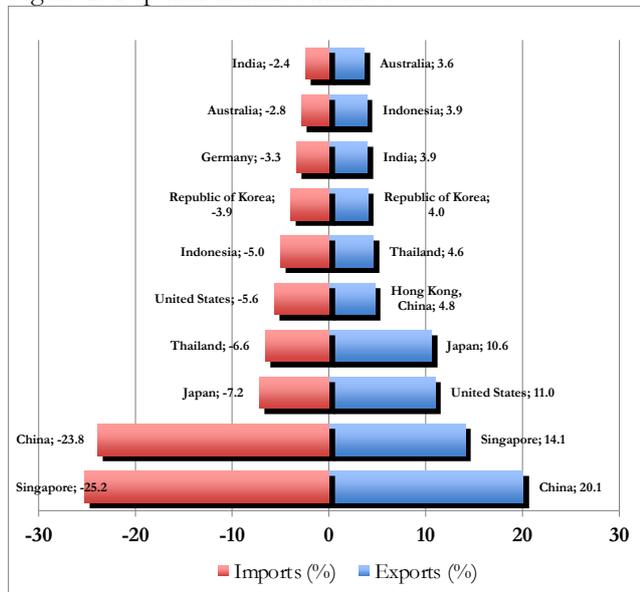


Figure 3. Top merchandise products

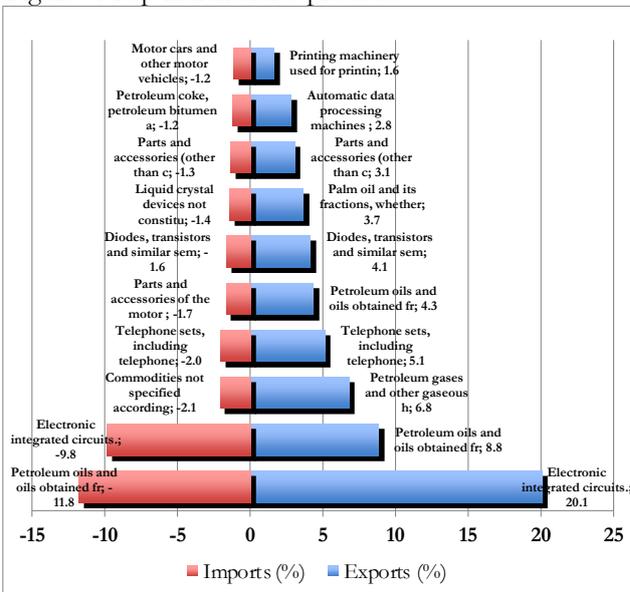


Figure 4. Trade in goods by their use

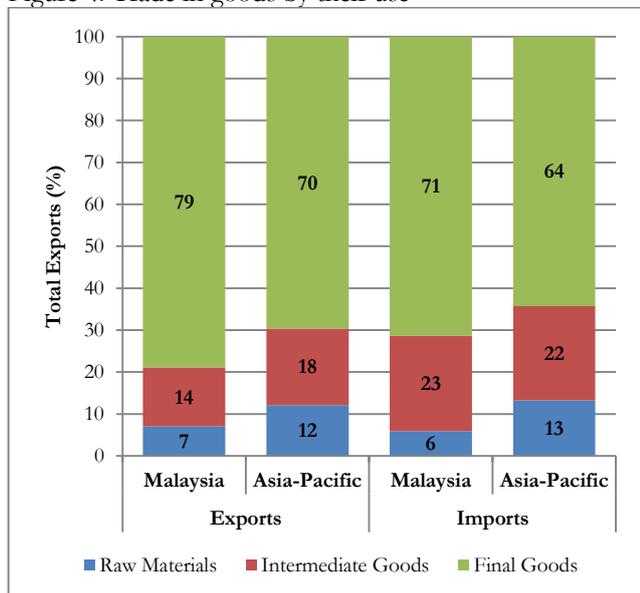


Figure 5. Foreign direct investment

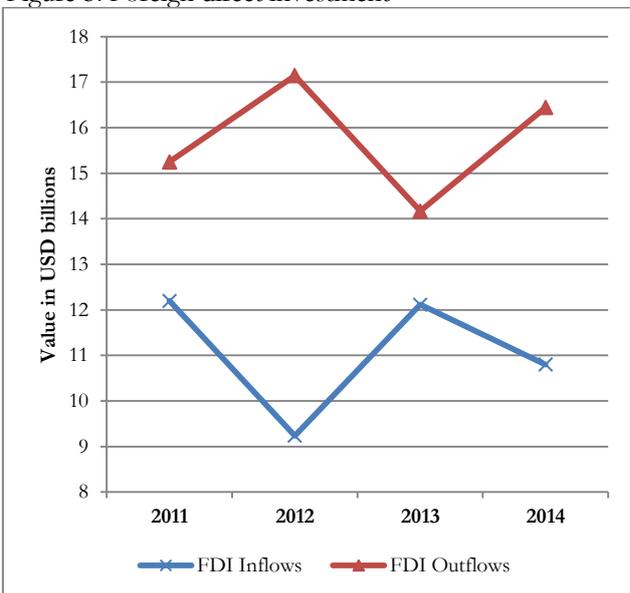


Figure 6. Tariffs

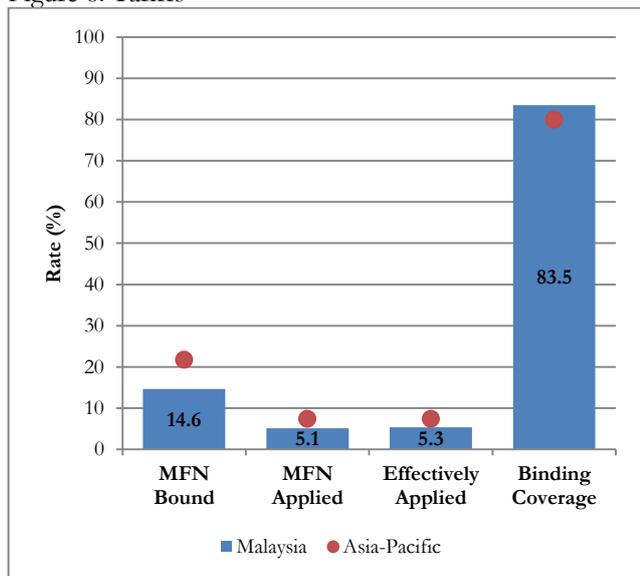
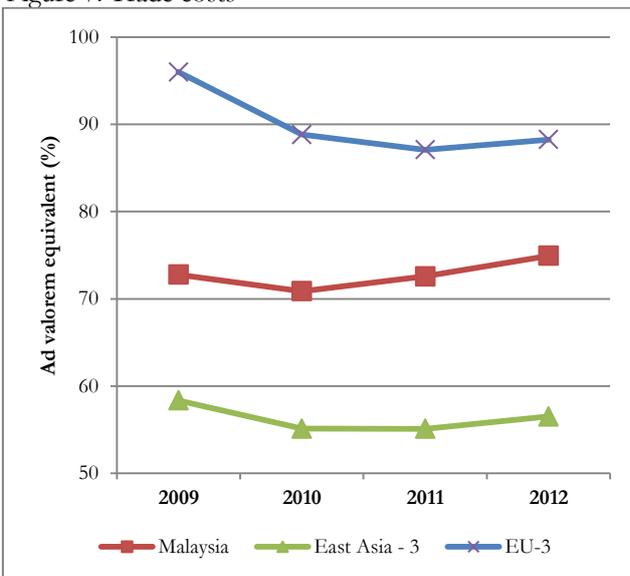


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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