

Pros and cons of Trump's policies

By [Azanis Shahila Aman](#) - November 23, 2024 @ 8:02am



U.S. President-elect Donald Trump gestures as he meets with House Republicans on Capitol Hill in Washington, U.S., November 13, 2024. REUTERS/Brian Snyder/File Photo

KUALA LUMPUR: Economists are cautiously optimistic about the potential impact of Donald Trump's economic policies on Malaysia's gross domestic product (GDP), highlighting opportunities for trade and investment while underscoring challenges tied to global trade dynamics and US-China relations.

Economist Dr. Geoffrey Williams described Trump's reelection as having the possibility of fostering a positive global economic environment, particularly for Asia and Malaysia.

However, Williams tempered expectations, noting that any economic boost for Malaysia might not exceed one percentage point in growth.

"Trump's market-driven domestic economic policy could support U.S. growth and open up trade and investment opportunities, especially in Asia.

"His past efforts to ease geopolitical tensions, such as the Abraham Accords and his engagements with North Korea and Russia, could stabilize trade and market confidence," he told the Business Times.

Williams also said that Malaysia stands to benefit from a renewed focus on Asia in global trade, especially as the country strengthens its ties with China and builds on its observer status in BRICS.

However, he cautioned against excessive optimism, warning that additional growth could strain Malaysia's economy with inflationary pressures.

"Malaysia is already growing strongly, and additional growth would be inflationary, so exuberant optimism is not advisable," he said.

Similarly, UCSI University Malaysia associate professor of finance and research fellow at the Centre for Market Education Dr. Liew Chee Yoong pointed to potential shifts in global supply chains as a key factor in Malaysia's economic outlook under a Trump administration.

Liew said Trump has historically emphasised a more protectionist stance, including renegotiating trade agreements and imposing tariffs on major trading partners like China, which could reach as high as 60 per cent.

"If he revives such policies, Southeast Asian countries, including Malaysia, could benefit by filling gaps in global supply chains disrupted by Trump's tariff policies as large multinationals operating in China are likely to shift their manufacturing bases to other ASEAN countries.

"Therefore, there could be potential higher foreign direct investments (FDIs) into Malaysia, particularly in the manufacturing sector, due to this supply chain shift," he said.

Despite the potential upsides, Liew warned of risks, including Malaysia's reliance on shifting global supply chains, which could make the country vulnerable to policy reversals under future US administrations.

"The race to attract FDIs could lead to downward pressure on wages or environmental standards, perpetuating Malaysia's middle-income trap.

"If one day, US-China trade relations improve, or if the US becomes less protectionist, or if it abolishes its tariff policies, will those multinationals relocate to Malaysia and other ASEAN countries due to this supply chain shift and return to China? This remains a question mark," he noted.

Liew also flagged concerns over the impact of Trump's deregulation of the US oil and gas sector, which could lead to lower global energy prices and reduced revenues for oil-exporting nations like Malaysia.

"This is not good for oil-exporting countries like Malaysia, as the revenue generated from oil exports will be less," he added.

The economists' insights align with a recent statement by Juwai IQI that estimated Trump's policies could potentially contribute RM197 billion to Malaysia's GDP, primarily through trade and investment shifts.

Its co-founder and group chief executive officer, Kashif Ansari, opined that Trump's direction and goals are clear, citing one key policy Trump is expected to enact is the extension and intensification of tariffs on Chinese goods.

Kashif said this would result in Chinese and international firms going even further than they have over the last eight years to shift manufacturing out of China and into Southeast Asia.

He said this policy alone could contribute an additional one percentage point to Malaysia's GDP over four years.