



## Asia-Pacific Trade Briefs

### Malaysia

**Merchandise trade:** Merchandise trade accounted for 83.4% of Malaysia's total trade in 2015. Exports grew only by 0.2% on average during 2010-2015, which was considerably below the Asia-Pacific average exports growth of 7.6%. In 2015, the poor export performance was aggravated by a sharp contraction of 14.6%. The main export products were concentrated in machinery and electronic equipment, such as electronic integrated circuits and telephones, and petroleum gases and oil. As a net exporter of petroleum products, the declining export value of petroleum gases and oil from lower world crude oil prices contributed significantly to the contraction of exports, and was exacerbated by declining exports of electronics to its largest export partners, China (21.7%) and the United States (14.1%). Following a similar pattern, imports grew by only 1.7%, on average, during 2010-2015, followed by an import contraction of 15.7% in 2015. During recent years, imports have been negatively affected by considerable weakening of the Malaysian ringgit, and the export slowdown has reduced import demand for machinery and intermediates.

**Services trade:** Services exports from Malaysia grew slightly by 0.1% on average during 2010-2015, which was considerably less than the Asia-Pacific region's average export growth of 6.4% during the same period. In particular, services trade contracted sharply in 2015 by 17% for exports and 11.8% for imports. These trade contractions were more serious than those of the Asia-Pacific region where services exports and imports fell by 4.8% and 5.2%, respectively. Business services was the most adversely affected sector from the service trade decline.

**Intraregional trade:** In 2015, 65.3% of Malaysia's total exports were taken by ESCAP, while the remaining 34.7% went to the rest of the world. China (21.7%) was the largest intraregional export destination, followed by Singapore (13.5%) and Japan (8.8%). Meanwhile, 73.7% of total imports by Malaysia were sourced from the ESCAP region. China (27.7%), Singapore (23.7%) and Japan (7.5%) were the largest intraregional import sources.

**Foreign direct investment (FDI):** From 2010 to 2015, FDI inflows to Malaysia (4.2%) grew at about the same rate as the Asia-Pacific average (4.7%). The manufacturing, mining, oil and gas sectors were the main FDI recipients. However, in 2015 FDI inflows to Malaysia grew more modestly than in previous years at 2.2%. The investment climate in Malaysia has recently been affected by the global slowdown in investment in mining, fuel and commodities. In addition, investment uncertainties in Malaysia have been aggravated by exchange rate volatility and political tensions.

**Tariffs:** In 2013, all tariffs were lower than the Asia-Pacific average. Average MFN bound, MFN applied and effectively applied tariffs were 14.6%, 5.1% and 5.3%, respectively, compared with the Asia-Pacific averages of 20%, 6.9% and 5.9%, respectively. Malaysia has binding coverage of 83.5%, which is also lower than the Asia-Pacific average of 84.9%.

**Trade costs:** Intraregional trade costs in Malaysia remained higher compared with the most efficient major traders in Asia and the Pacific, but lower compared with European Union-3 during 2009-2013. Nonetheless, during that period, trade costs in Malaysia declined only slightly. In 2013, trade costs incurred by Malaysia were 26% higher than those for East Asia-3, but 19% lower than those for European Union-3 in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation).

**Trade agreements:** Malaysia has 15 trade agreements in force, which is higher than the Asia-Pacific average of 7.6 agreements. Of total exports, 65.7% was with PTA partners, compared with 33.3% for the Asia-Pacific. Of total imports, 76% was from PTA partners, compared with 44% for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

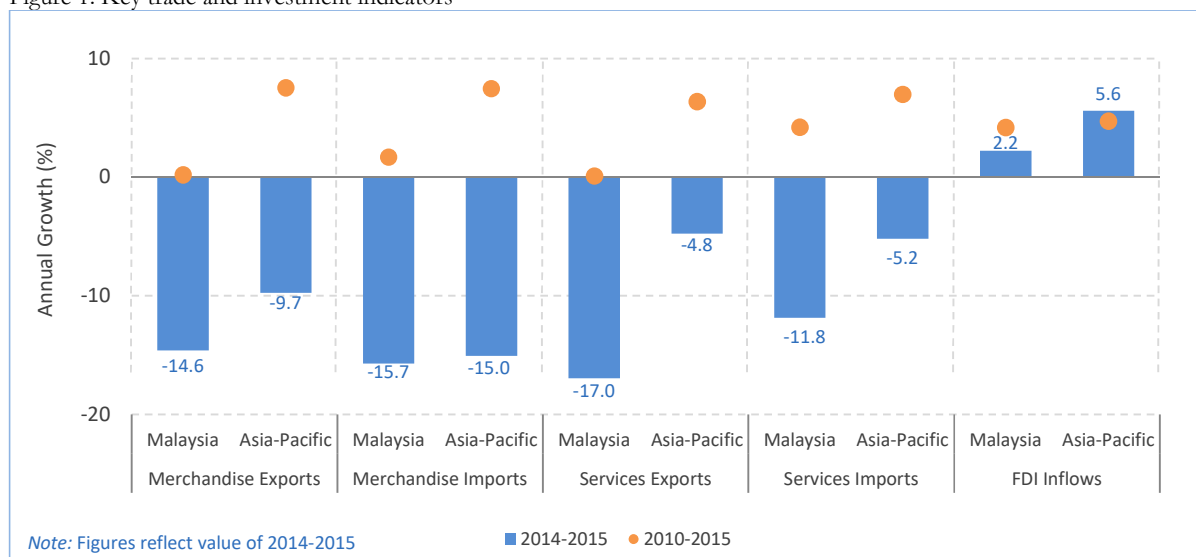


Figure 2. Top merchandise markets

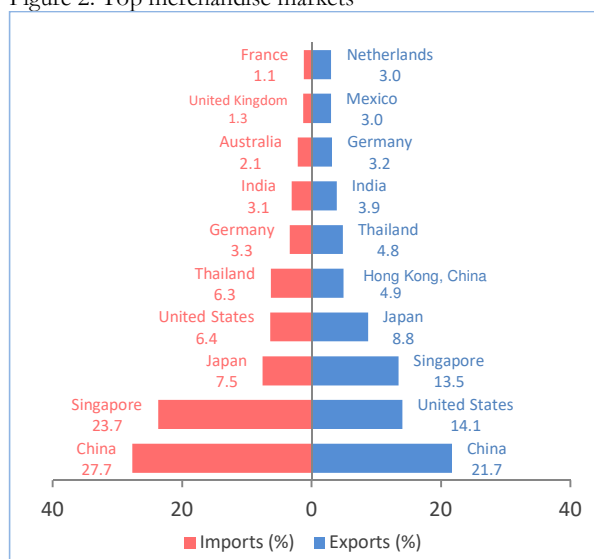


Figure 3. Top merchandise products

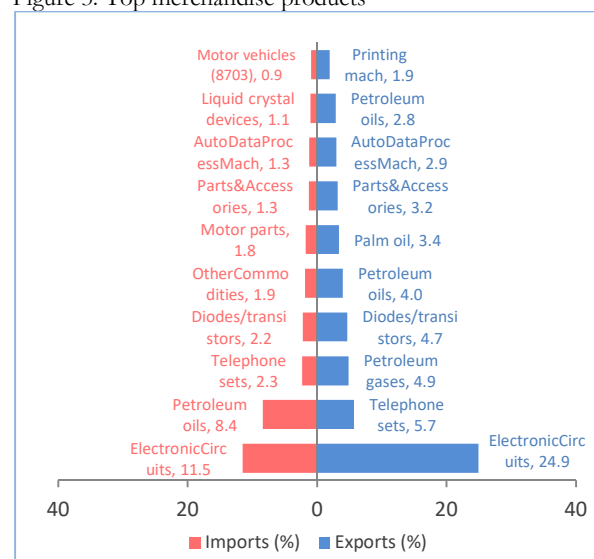


Figure 4. Trade within the region and rest of the world

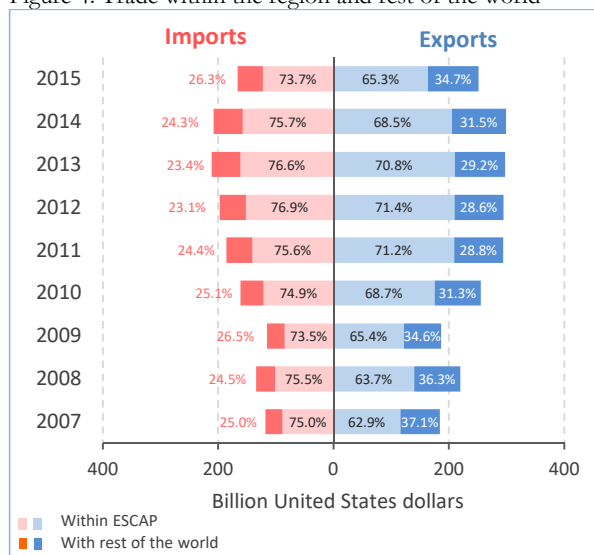


Figure 5. Foreign direct investment

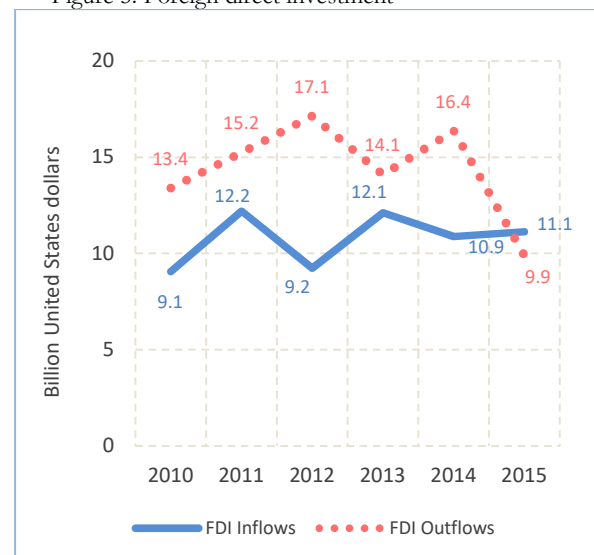


Figure 6. Tariffs (2013)

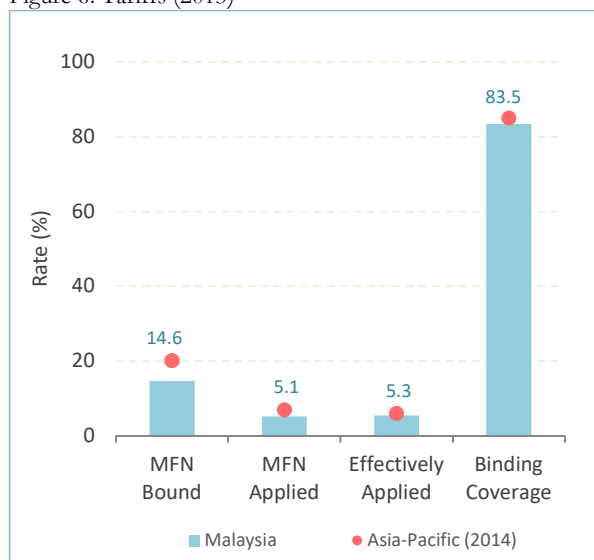
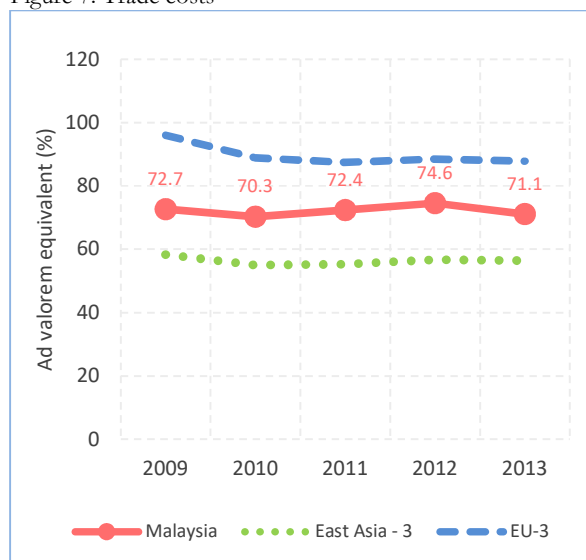


Figure 7. Trade costs



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