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TRADE TALKS AND TARIFFS

National interest and economic sovereignty must come first

WHEN the White House officially notified Malaysia that a 25 per cent tariff would be applied to all Malaysian goods coming to the United States starting Aug 1, many were quick to interpret this as a failure on the part of the government in its negotiations with the US.

But this is way off the mark and harsh, especially to investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz and his team.

It is difficult to conclude any trade deal within a three-month period, what is more with the unpredictable President Donald Trump, whose economic policies have sent the global economic order into a tailspin.

The obsession with the quantitative aspect of the negotiation outcome, as opposed to a more nuanced qualitative aspect, has to



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a greater extent clouded judgment, especially on the end game of the tariff talks with the US.

Reduction of the tariff is one thing but more importantly, our national interest and economic sovereignty must not be compromised at the expense of a lower tariff rate.

One should look beyond just higher tariff rates or lower duty charges.

One example is the issue of Non-Tariff Barriers, (in which

law, regulation, licensing, rights, privileges and intellectual properties are among considerations that need to be looked at.

As a World Trade Organisation member and a strong advocate of a rules-based multilateral trading system, Malaysia unquestionably upholds the Most-Favoured Nation principle when engaging in international trade.

Therefore, any decision made with the US has to be applied to other countries as well.

And let us not forget that the current trade negotiation with the US is not a normal one.

Malaysia and other countries are being punished with tariffs because they have managed to do "better" in trade activities and achieve a surplus in trade vis-à-vis the US.

This situation is akin to punishing students who have scored good grades in exams, but these

students now have to find ways to lower their grades.

So, since when is trade surplus wrong? Or for that matter, is trade deficit wrong?

For the US, a trade deficit basically characterises a strong and a mature economy.

American economic historian Walt W. Rostow argued that a country must go through five sequential stages to transition from underdevelopment to development. The final stage, in which a country turns into a self-sustaining economy, is what he called "the age of high mass consumption".

In the context of Malaysia, a trade deficit with the US is also due to the fact that many American firms have been operating in the country for a long time.

For now, besides continuing our engagement with the US, Malaysia should continue to

strengthen its domestic economy, expedite economic reforms and diversify its export markets further.

As chairman of Asean, what the government has been doing seems right — strengthening intra-Asean trade, collaborating with Gulf Cooperation Council countries and BRICS members, and prioritising existing free trade agreements such as the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

In the recent interview with Bloomberg, Zafrul reiterated his optimism of the tariff talks outcome with the US.

Let us hope for the best.

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