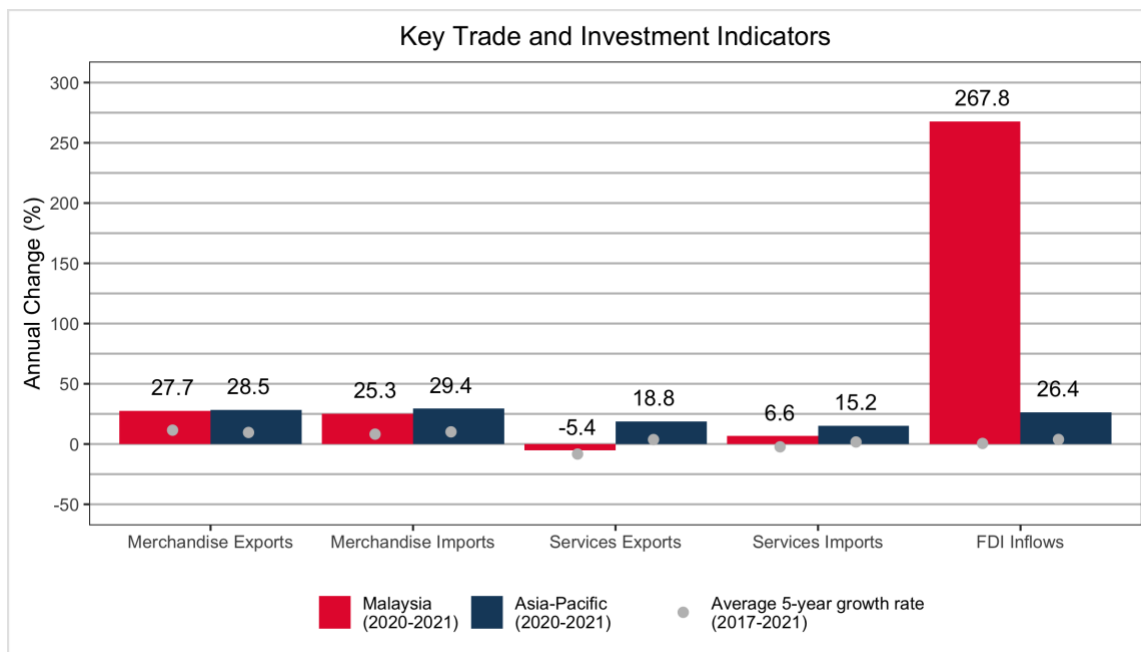




Malaysia Trade Brief



Merchandise Trade

In 2021, Malaysia registered a trade-to-GDP ratio of 159.1%, and merchandise trade accounted for 90.5% of Malaysia's total trade. From 2017-2021, Malaysia's merchandise exports grew by 11.5% and merchandise imports increased by 8.2% nominally each year on average. Merchandise exports in Malaysia experienced faster growth than the Asia-Pacific region's 9.6% annual growth during the same period. However, merchandise imports for Malaysia trailed behind the Asia-Pacific region's annual growth of 10.1%. In 2021, Malaysia's merchandise exports increased by 27.7% and merchandise imports grew by 25.3% nominally.

Looking ahead, Malaysia's merchandise exports are expected to grow by 12.2% in 2022 and then by 4.4% in 2023. Comparatively, exports in the Asia-Pacific region (excluding the Russian Federation) are anticipated to expand by 10.2% in 2022 and then by a more modest 1.9% in 2023. On the imports side, Malaysia is projected to grow by 18.4% in 2022 and then by 4.2% in 2023. Merchandise imports in the Asia-Pacific region (excluding the Russian Federation), for comparison, are forecasted to increase by 13% in 2022 and then by a more moderate 2.5% in 2023.

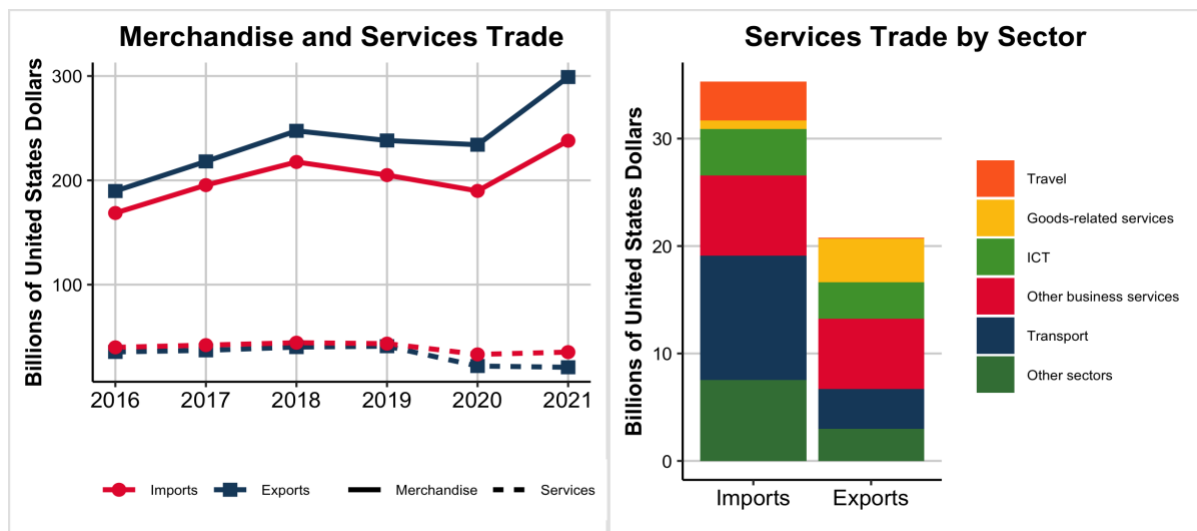
Services Trade

The services trade share of total trade by Malaysia amounted to 9.5% in 2021. Over the 2017-2021 period, commercial services exports for Malaysia contracted by 8.3% annually and commercial services imports decreased by an annual average of 2.3% in nominal terms, which was lower than the Asia-Pacific's 3.7% and 1.7% average growth, respectively. In 2021, Malaysia's services exports contracted by 5.4%, following a year of 46.4% decline in 2020. In comparison, exports in the Asia-Pacific region grew by 18.8% in 2021, after falling by 21.4% in 2020. Commercial services imports in Malaysia recovered by 6.6% in 2021, compared to 15.2% growth in the Asia-Pacific region.



Sector-wise, "Transport services" comprised 27.2% of Malaysia's total commercial services trade in 2021, followed by "Other business services" at 24.9% and "ICT services" at 13.7%. The main driver of growth in services exports for Malaysia over the 2017-2021 period was "Goods-related services", which saw an average 11% increase annually in nominal terms. On the imports side, "Transport services" was the greatest contributor to growth in commercial services, increasing 3.6% annually on average over the same period.

Looking ahead, Malaysia's services exports are expected to increase by 20.5% in 2022 and then by 6.6% in 2023. Comparatively, exports in the Asia-Pacific region (excluding the Russian Federation) are anticipated to grow by 8.9% in 2022 and then by 8% in 2023. Meanwhile, Malaysia's services imports are projected to expand by 9.8% in 2022 and then by 4.8% in 2023. Services imports in the Asia-Pacific region (excluding the Russian Federation), for comparison, are forecasted to increase by 10.5% in 2022 and then by 4.5% in 2023.

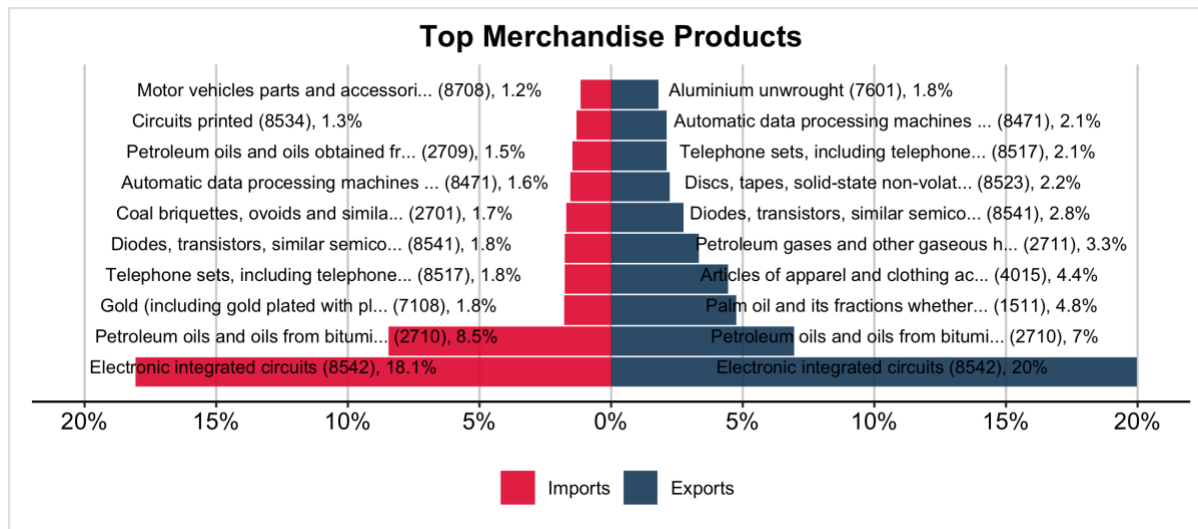
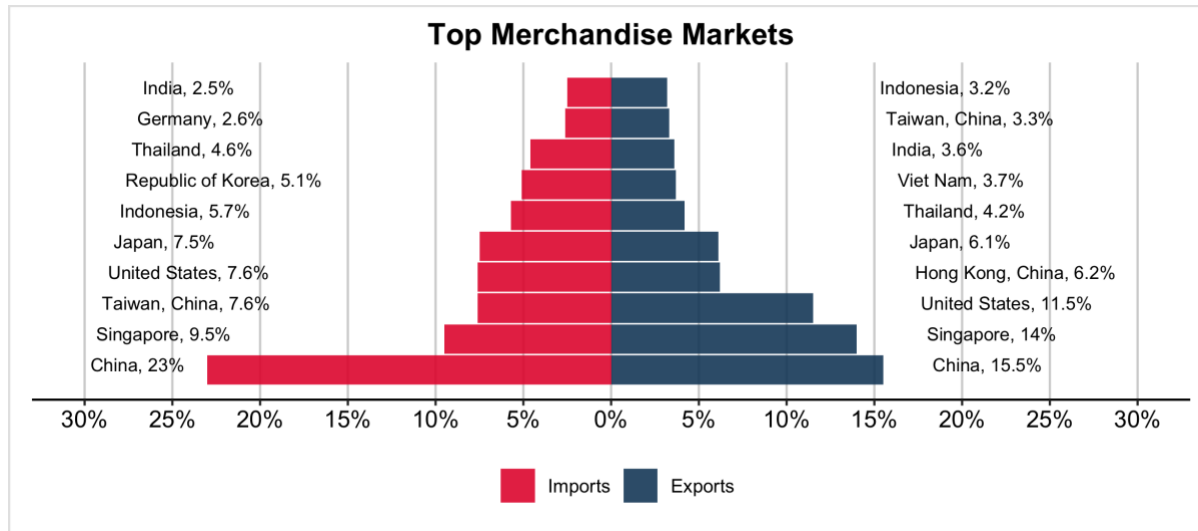


Top Trade Partners

In 2021, the largest merchandise trade partner of Malaysia was China, representing 15.5% of its exports and 23% of its imports. 14% of Malaysia's exports and 9.5% of Malaysia's imports by value were traded with Singapore, its second largest trade partner. Other significant trade partners were the United States; Japan; Taiwan, China; Thailand; Indonesia; Hong Kong, China; the Republic of Korea; and India.

Top Traded Products

The largest merchandise product category exported by Malaysia in 2021 was "Electronic integrated circuits" (8542), with an export share of 20% of total exports, followed by the second most exported product category, "Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils" (2710), which accounted for 7% of Malaysia's total exports. In terms of imports, "Electronic integrated circuits" (8542) represented 18.1% of total imports, standing out the top imported product category. Meanwhile, "Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils" (2710) had a share of 8.5%, the second largest imported product category in Malaysia in 2021.



Tariffs

In 2021, the average MFN applied and effectively applied tariff rates faced by Malaysia amounted to 3.1% and 2.4%, respectively, which were lower than the Asia-Pacific's average rates faced of 4% and 3%. As for tariffs imposed by Malaysia, the MFN applied and effectively applied tariff rates averaged 3.9% and 3% in 2021, and the average MFN bound tariff rate amounted to 8.2%. Malaysia's imposed tariff rates were all lower than the Asia-Pacific's average MFN applied, effectively applied and MFN bound rates of 4.2%, 3.4% and 11.5%, respectively. Malaysia is a founding member of the WTO. Currently, 74.1% of Malaysia's tariff lines are bound.

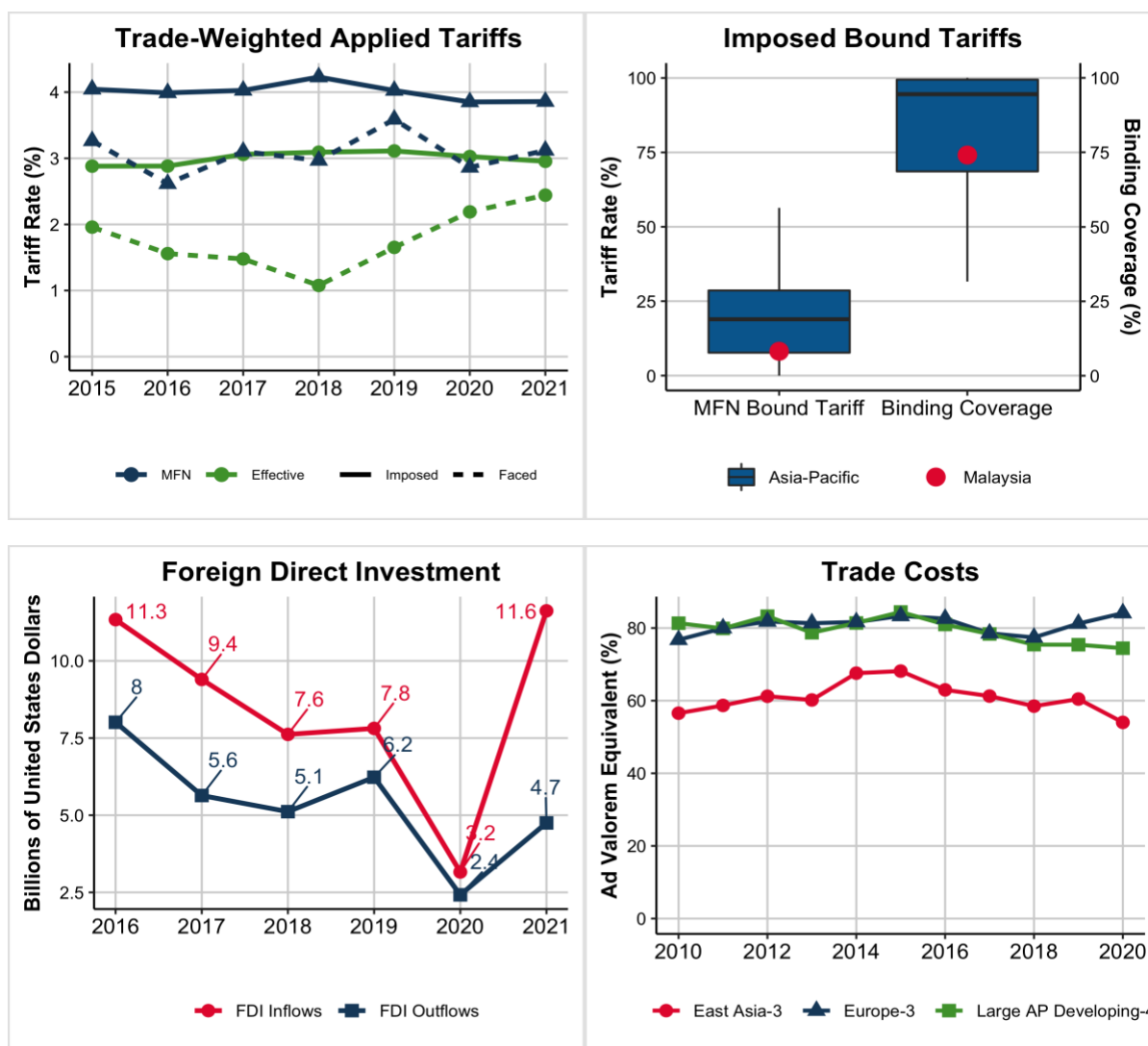
Foreign Direct Investment (FDI)

Malaysia recorded an average annual FDI inflows growth of 0.5% from 2017 to 2021, which was lower than the Asia-Pacific's 3.8% average annual FDI inflows growth. In 2021, Malaysia experienced an increase in FDI inflows by 267.8%. In terms of FDI outflows, Malaysia had an average annual FDI outflows decline of 8.1% in the last five years, which was also lower than the Asia-Pacific's 3.2% average annual FDI outflows growth. In 2021, Malaysia experienced an increase in FDI outflows by 96.3%.



Trade Costs

Malaysia's trade costs were lowest with the East Asia-3 economies of China, Japan and the Republic of Korea. In 2020, trade costs with the East Asia-3 economies, on average, amounted to 54% of the value of goods, as compared to when the countries trade these goods within their borders. Trade costs were higher with the Large Asia-Pacific Developing-4 economies (China, India, Indonesia and the Russian Federation) and Europe-3 economies (Germany, France and the United Kingdom), amounting to 74.5% and 84.1%, respectively. As of 2018, Malaysia ranked in the 76th percentile for logistics performance among other countries in the Asia-Pacific region.



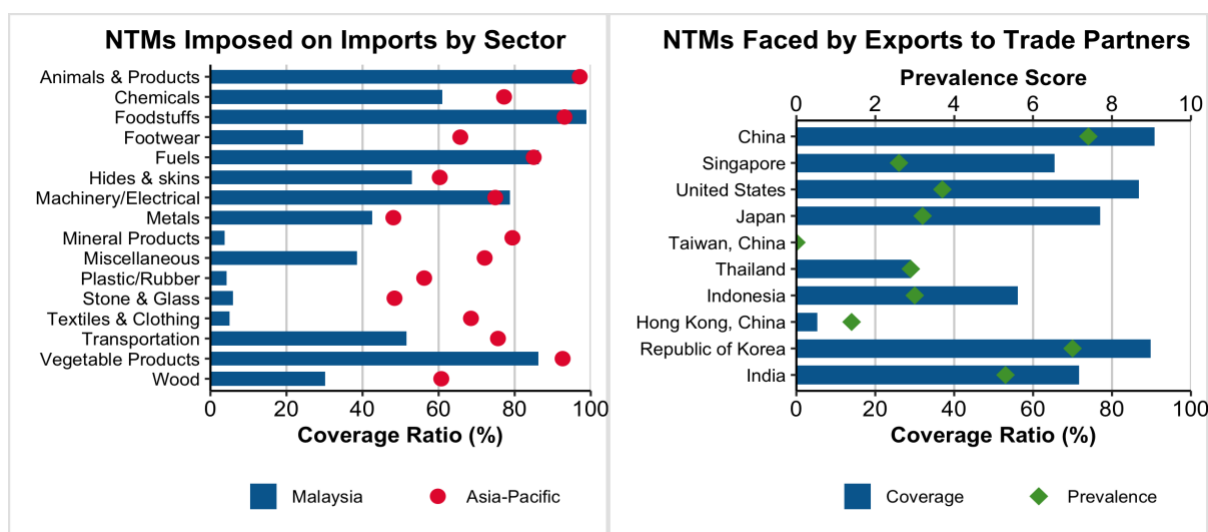
Non-Tariff Measures (NTMs)

Non-tariff measure (NTM) incidence varies across sectors. For Malaysia, Foodstuffs, Animal & Animal Products and Fuels had the highest percentages of imports regulated, where 98.8%, 98% and 86.3% of trade volume was subject to at least one NTM, respectively. The average coverage ratio for all other products was 57.5%. In Malaysia, Animal & Animal Products were subject to 11.5 distinct NTMs, which was the highest,



followed by Vegetable Products and Foodstuffs, in which the average product was subject to 10.1 and 9.3 different NTMs. All other products in other sectors were subject to 1.2 NTMs on average.

On the exports side, 90.8% of export volume to China and 65.4% of export volume to Singapore, Malaysia's top two trade partners, faced at least one NTM. For all other trade partners, the average coverage ratio was around 64.2%. Exports to China and Singapore faced 7.4 and 2.6 NTMs on average, respectively. The prevalence score for all other trade partners was 3 NTMs on average.



Trade Agreements

Malaysia had 18 trade agreements in force, 0 signed agreements pending ratification and 5 trade agreements under negotiation as of 2021. Of the economy's total exports for the year, 73.3% were directed to its trade agreement partners, while 73.6% of its total imports came from trade agreement partners.

Title	Status	Year in Force	Share of Total Exports (%)	Share of Total Imports (%)
Global System of Trade Preferences (GSTP)	in force	1989	38.42	34.67
ASEAN Economic Community	in force	1992	27.71	23.67
Trade Preferential System among the Organisation of the Islamic Conference (TPS/OIC)	in force	2002	4.23	3.81
ASEAN-China (Upgrade)	in force	2005	43.22	46.69
Japan-Malaysia	in force	2006	6.06	7.47
ASEAN-Japan	in force	2008	33.77	31.15
Malaysia-Pakistan	in force	2008	0.48	0.19
ASEAN-Australia-New Zealand (Upgrade)	in force	2010	30.91	26.28
ASEAN-India	in force	2010	31.36	26.17
ASEAN-Republic of Korea	in force	2010	30.75	28.76



Title	Status	Year in Force	Share of Total Exports (%)	Share of Total Imports (%)
Malaysia-New Zealand	in force	2010	0.36	0.32
Group of 8 Preferential Trade Agreement (D-8 PTA)	in force	2011	6.26	6.58
India-Malaysia	in force	2011	3.65	2.49
Malaysia-Chile	in force	2012	0.08	0.09
Australia-Malaysia	in force	2013	2.84	2.29
Malaysia-Turkey	in force	2015	1.14	0.29
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	in force	2018	28.96	22.98
ASEAN-Hong Kong, China	in force	2019	33.90	25.46
ASEAN-European Union (EU)	under neg.	N/A	36.12	31.43
Iran-Malaysia	under neg.	N/A	0.19	0.03
Malaysia-European Free Trade Association (EFTA)	under neg.	N/A	0.24	0.86
Malaysia-European Union (EU)	under neg.	N/A	8.41	7.76
Malaysia-Republic of Korea	under neg.	N/A	3.04	5.09

Sources: Historic merchandise trade and commercial services data were accessed from the WTO statistics website. Merchandise and services projections were obtained from the Economist Intelligence Unit. Product-level and partner-level trade data were accessed through the UN Comtrade database. Tariff data were accessed through WITS and WTO tariff database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database. Logistics performance data were retrieved from the World Bank LPI dataset for the latest year available. Trade-to-GDP ratio was calculated by summing commercial and merchandise exports and imports and dividing the sum by the latest GDP (current United States dollars), retrieved from the World Bank World Development indicators database. NTM data were accessed through UNCTAD TRAINS. Preferential trade agreement data were retrieved from the GPTAD database through WITS.

Note: Data are based on economies for which data available only. Merchandise trade data follow the latest HS classification. Products are defined at the 4-digit level. Tariffs are trade-weighted averages. Trade costs are simple average across country groups and exclude the cost of tariffs. NTM data may not be reported for top 10 trade partners.

Definitions: MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the lowest available tariff (between any preferential tariffs and MFN tariffs at the HS 6-digit level). Binding coverage refers to the share of bound tariff lines in the total number of tariff lines. For more details contact escap-tiid@un.org. For country reports on regional integration, please visit the [RIA website](#).