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Can Malaysia survive in the new global `disorder`?

The Edge, Malaysia

Can Malaysia survive in the new global 'disorder'?

BY **TENGKU DATUK SERI ZAFRUL ABDUL AZIZ**

SAM FONG/THE EDGE

The world is now facing a "new global disorder": an era of geopolitical and economic uncertainty that began with the imposition of sweeping tariffs during US President Donald Trump's so-called "Liberation Day", which in turn led to an intensified US-China trade war.

The ensuing fallout — geoeconomic fragmentation, rising protectionism and disrupted supply chains — has shaken, if not completely eroded, long-held certainties about globalisation and the rules-based international order. For Malaysia, the correct path should not be panic or despair but realism, resilience and resolve.

The Madani government has undertaken and continues to implement a multipronged strategy to safeguard Malaysia's economic health while positioning itself as a dynamic, open, future-ready trading economy.

This does not, in any way, diminish the difficult situation all countries in the world are currently facing. Decades of certainties and rules governing trade have now been upended. Vast swathes of the electorates of the world's wealthiest nations have turned against globalisation and free trade. The trust that used to exist between nations has been shaken.

The world is now more uncertain, unfairly competitive and largely transactional.

While the 90-day pause in higher tariffs between the US and China pending further negotiations is welcome, it cannot be assumed that they will yield a lasting, universally acceptable agreement, or that the eventual settlement will serve the interests of developing nations.

Somehow, "a new line has been crossed" in the world order, and Malaysia's policies must reflect these new realities.

WAS MALAYSIA CAUGHT OFF GUARD BY THE US TARIFFS?

Was Malaysia caught off guard by the global trade war? Even during President Joe Biden's administration, many of the Trump 1.0 measures against China remained intact, signalling a bipartisan shift in US trade policy towards greater protectionism.

Recognising the possibility of prolonged economic tensions from late 2022, the government proactively developed a series of national reindustrialisation and economic reform frameworks to prepare Malaysia for an era of disruption. These included the New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR) and National Semiconductor Strategy (NSS).

Malaysia also intensified its international engagement, including via trade missions as well as by cultivating closer ties with economic blocs such as BRICS, the European Union (EU) and Gulf Cooperation Council (GCC). Such efforts are pursued whether bilaterally or through our Association of Southeast Asian Nations (Asean) platform, leveraging Malaysia's Asean chairmanship in 2025.

In short, our initiatives began not two months but over two years ago. These efforts were calculated moves to secure Malaysia's position in the global supply chain, particularly in strategic sectors such as semiconductors, green technology and the digital economy, while preserving its long-held position of geopolitical neutrality.

ROBUST FRAMEWORKS AND STRONG PARTNERSHIPS NECESSARY

Indeed, sectors like semiconductors, green technology and the digital economy are valuable in and of themselves because these are essential pursuits towards keeping Malaysia relevant, resilient and prosperous even in an increasingly polarised world.

Frameworks such as the NIMP, NETR and NSS give Malaysia the tools to move up the value chain and strengthen its competitive edge. Their targeted initiatives and incentives help nurture innovation, boost research and development, and empower micro, small and medium enterprises (MSMEs) — efforts that help build long-term structural resilience even though their impact may not be visible in the short term. For instance, green technology is an essential hedge against the threat of climate change as well as in supporting energy efficiency, affordability and security.

The current global disorder means the frameworks are more critical than ever. This is the time to double down, not retreat.

Malaysia's transformation also depends on stronger digital infrastructure and cybersecurity. The true disruptors of the global trading order may very well be the rise of e-commerce and artificial intelligence (AI) rather than geopolitical rivalry.

Preparing for this future requires more than just "hard" infrastructure; it demands a robust governance framework. Even the recently concluded Apec Ministers Responsible for Trade Meeting in Jeju, South Korea, focused on AI as one of its key themes. It is a strategic imperative for building resilience, sustainability and competitiveness for both Malaysia and Southeast Asia.

Commensurately, Malaysia must strengthen its governance to ensure safe cross-border data flows, enhance cybersecurity and support interoperable AI standards towards regional business integration. Efforts must be made to ensure its benefits permeate all levels of society and businesses, including, for instance, the MSMEs.

Central to this mission are Malaysia's National AI Roadmap and efforts to ensure the conclusion of negotiations for the Asean Digital Economy Framework Agreement, which could even act as templates for Asia and beyond.

Additionally, while previously we had approached geopolitical and economic risks separately, the recent developments have shown that these concerns are now inextricably intertwined. Hence, we must approach our trade policies through the wider lens of geoeconomic considerations. Understanding this, Malaysia through the National Geoeconomic Command Centre — chaired by the prime minister and anchored by the Ministry of Investment, Trade and Industry — will continue monitoring global developments in navigating the rapidly evolving geoeconomics landscape.

MULTILATERALISM MUST REMAIN CORE

The current trade war is also a salutary lesson on the importance of diversification. No country should ever rely, indefinitely, on a narrow set of trade or investment partners no matter how long or close the association.

While Malaysia has benefited and continues to benefit from its strong existing bilateral and multilateral relationships, the current scenario demands that we work towards a broader outreach. New and emerging partners like those in Latin America and the GCC represent rich and relatively untapped opportunities. The former's 670 million-strong market is comparable in size to Asean, while the GCC's efforts to diversify away from oil and gas create opportunities for collaboration and investment in Malaysia's well-established shariah-compliant finance, halal and tourism industries.

It is also no accident that Trump's first foreign visit in his second term in office is to GCC countries like Saudi Arabia, Qatar and the UAE. The strategic value of these engagements should hence not be doubted.

Therefore, Malaysia's diversification efforts are both appropriate and necessary. This strategic pivot is being reinforced through the hosting of an Asean-GCC Summit later this month on the sidelines of the main card Asean Summit and the pursuit of new free trade agreements with the EU and other blocs or countries.

Meanwhile, as chair of Asean this year, Malaysia must also continue to drive the economic integration of Asean. There is immense intra-regional potential — not only in trade — of a Southeast Asia that is on track to have a population that is expected to be 65% middle class by 2030.

While the global trade war has continued to test Asean's unity, despite its imperfections, the bloc has undoubtedly provided decades of peace, stability and interconnectedness for large swathes of the region. Its absence, both then and moving forward, would be deleterious, to say the least. Now, more than ever, regional cooperation must be deepened, not diminished.

Meanwhile, the suggestion that Malaysia and other Asean countries will be "forced to choose" a side in the current global trade war or wider geopolitical rivalry, sooner or later, is premature and misleading. The very fact that major powers continue to participate in forums like the Asia-Pacific Economic Cooperation (Apec) and East Asia Summit indicates the enduring value of the non-aligned, multilateral platforms of which Malaysia is a part or leading member.

Indeed, in my humble opinion, it is in the interest of these powers to have Asean's centrality and neutrality preserved, while leveraging it as a widely acceptable platform for dialogue and cooperation. In short, Malaysia's and Asean's neutrality is not an encumbrance or a weakness, but a strategic asset and valuable "middle power" factor that could immensely benefit its populace and economic partners.

MALAYSIANS MUST CLOSE RANKS

Finally, Malaysia's own national unity and cohesion must be maintained. Almost all the strategies outlined above are long-term propositions. The success of Malaysia's economic and diplomatic agendas depends on political stability, institutional strength and, crucially, public confidence.

The current age of populism and disinformation has made trust in governance harder to sustain. But unchecked cynicism can become paralysing. Malaysia cannot afford to be internally divisive in the face of global headwinds. Domestic unity may, inadvertently and ironically, be the first strategic step in navigating the uncertainties stemming from any international or geopolitical situation.

The current moment calls for cohesion and confidence rather than recrimination or division. The risks are real in the uncharted territory the world has now entered, but so are the opportunities. Whether the country can reap them or otherwise lies in the hands of its own people.

Malaysia has the potential, with the right policies and unity, to emerge from the "new global disorder" not only unscathed but also stronger, as well as more progressive and forward-looking with a high-value economy that is an integral part of a reconfigured world order.

Malaysia can survive. Malaysia can thrive. With unity and purpose, it will. ■

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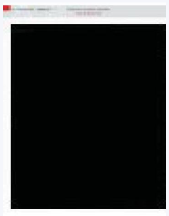

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SUMMARIES

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