

Projected Impacts of United States Trade Policies Under a Potential Second Trump Administration on Malaysia

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Article	Abstract
<p>Keywords: Import Tariffs; United States Trade Policy; Malaysia Exports; Trade Relations</p> <p>Article History Received: Oct 13, 2025; Reviewed: Mar 05, 2026; Accepted: Apr 26, 2026; Published: Apr 28, 2026.</p>	<p>The international trade policies of United States President Donald Trump, particularly the imposition of high import tariffs on Malaysian products, have significantly affected Malaysia's economy and trade relations. Tariffs of up to 24–25% starting in August 2025 have increased trade tensions and pressured key export sectors, especially maritime and manufacturing industries. This study aims to analyze the impact of these tariff policies on Malaysia's export performance to the United States. It also examines Malaysia's response strategies, including diplomacy and negotiations through bilateral and ASEAN forums, to reduce negative effects and maintain economic stability. In addition, the policies have raised risks of inflation and supply chain disruptions due to Malaysia's reliance on raw materials and export markets. These challenges highlight the need for domestic policy adjustments and stronger regional cooperation. The study also discusses legal implications, including challenges to WTO free trade principles. Overall, the findings emphasize the importance of flexible national policies and regional solidarity to sustain Malaysia's competitiveness in a changing global trade environment.</p>



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Introduction

United States President Donald Trump's international trade policy is strongly influenced by the objective of strengthening the United States economy, which is perceived to be weakened by a growing trade deficit, particularly with China. Trump argues that excessive dependence on imports has negatively affected domestic industries and employment. Therefore, his administration promotes protectionist measures, including the imposition of high import tariffs, to limit foreign goods and encourage the return of manufacturing activities to the domestic market. This approach is closely aligned with the "America First" strategy, which seeks to restore economic sovereignty and reduce reliance on what is considered an imbalanced global trading system.¹

More broadly, Trump's trade policy is characterized by a protectionist orientation aimed at safeguarding domestic industries and reducing the trade deficit. One of its key instruments is the imposition of high tariffs on imports from various countries, intended to rebalance trade and revitalize the national manufacturing sector.² In this study, the analysis focuses on a projected policy scenario in 2025, assuming the potential reimplementation of similar trade policies under a second Trump administration. This prospective approach is necessary to provide a forward-looking assessment of how such policies may affect global trade dynamics, particularly for export-dependent economies like Malaysia. By establishing this temporal context, the study avoids chronological inconsistencies and positions itself as a scenario-based analysis rather than a retrospective evaluation.²

Against this backdrop, Malaysia faces significant challenges. As an open economy highly dependent on international trade, Malaysia is particularly vulnerable to shifts in global trade policies. The potential reintroduction of high US tariffs poses risks to the stability of

¹ Virdzhiniya Petrova Georgieva, "Trump's Foreign Policy and International Trade Law," *Anuario Mexicano de Derecho Internacional* 20 (2020): 687–721, <https://doi.org/10.22201/ijj.24487872e.2020.20.14494>.

² Azza Bimantara, "Donald Trump's Protectionist Trade Policy from the Perspective of Economic Nationalism," *Jurnal Hubungan Internasional* 7, no. 2 (2019): 189–204, <https://doi.org/10.18196/hi.72132>.

Malaysia's export sector, especially in maritime and manufacturing industries. Although Prime Minister Anwar Ibrahim has expressed confidence that Malaysia will avoid recession and has refrained from retaliatory tariff measures, the government acknowledges the need to reassess economic projections if such policies materialize. Malaysia has also utilized frameworks such as the Trade and Investment Framework Agreement (TIFA) to maintain dialogue and economic stability amid rising trade tensions.³

The projected imposition of tariffs beginning in 2025 is expected to reverse Malaysia's previously positive export growth trend to the United States. In response, Malaysia is likely to intensify diplomatic engagement and strengthen coordination within ASEAN to address external economic pressures. As ASEAN Chair, Malaysia holds a strategic position in promoting regional solidarity against protectionist policies. However, its continued dependence on the US market increases vulnerability to trade disruptions, supply chain instability, and investment uncertainty.

To mitigate these risks, Malaysia must pursue market diversification and enhance cooperation with other major trading partners, including China and the European Union. From the perspective of international trade law, these developments raise important concerns regarding core principles such as non-discrimination, fairness, and dispute resolution under the World Trade Organization framework. Ideally, trade policies should be implemented transparently and through multilateral consultation to maintain global economic stability. At the national level, Malaysia remains committed to upholding WTO and ASEAN principles, emphasizing transparency, fairness, and openness in trade. The country also provides legal mechanisms to protect domestic industries while ensuring that policy adjustments remain consistent with international norms.³

Previous research by Kuik & Ahmad (2021) highlights the evolving nature of US-Malaysia relations, particularly under the administration of Joe Biden. Their study suggests a pragmatic shift toward smaller, sector-specific agreements, especially in technology,

³ Jaideep Singh and Calvin Cheng, "Trump, Trade and Tariffs: Impact on Malaysia," Institute of Strategic & International Studies (ISIS) Malaysia, May 2025, <https://www.isis.org.my/2025/06/06/trump-trade-and-tariffs-impact-on-malaysia/>.

reflecting cautious but constructive bilateral engagement.⁴ This finding provides an important contrast to the more protectionist approach associated with Trump's policies. Based on this background, this study aims to analyze the projected impact of import tariff policies under a potential Trump administration on Malaysia's export performance to the United States. Specifically, this research addresses the following questions: What is the impact of US import tariff policies on Malaysia's export performance to the United States? What strategies and policy responses can Malaysia adopt to maintain economic and trade stability? What are the implications of these tariff policies for Malaysian national law and international trade law.

Method

This study adopts an interdisciplinary legal research approach by combining normative legal analysis with a qualitative descriptive examination of economic data. While the research primarily focuses on legal norms and frameworks, it also incorporates supporting economic indicators to provide a more comprehensive understanding of the impact of trade policies. The legal analysis emphasizes statutory, conceptual, and analytical approaches. Primary legal materials include international agreements under the World Trade Organization framework, official United States policy documents, and Malaysian laws and regulations related to international trade. These materials are examined to understand the legal principles governing tariff policies, particularly those derived from the General Agreement on Tariffs and Trade (GATT). In addition, secondary legal materials are utilized, such as academic books, scientific journals, and other scholarly publications relevant to international trade law and economic relations. Economic data, including export-import trends and trade statistics, are used as supporting evidence to illustrate the practical impact of the policies being analyzed. Data collection is conducted through library research. The data analysis method applied is qualitative descriptive, aiming to provide a systematic interpretation of legal norms while also explaining their implications in real economic conditions. Through this juridical-economic approach, the study seeks to produce a comprehensive

⁴ Cheng-Chwee Kuik and Abdul Razak Ahmad, "Malaysia's Resilient (but Ambiguous) Partnership with the United States: The Dilemmas of Smaller States in the Indo-Pacific Era," *Asia Policy* 16, no. 4 (2021): 86–95, <https://doi.org/10.1353/asp.2021.0056>.

understanding of the interaction between international trade law and the economic relationship between Malaysia and the United States.⁵

Result and Discussion

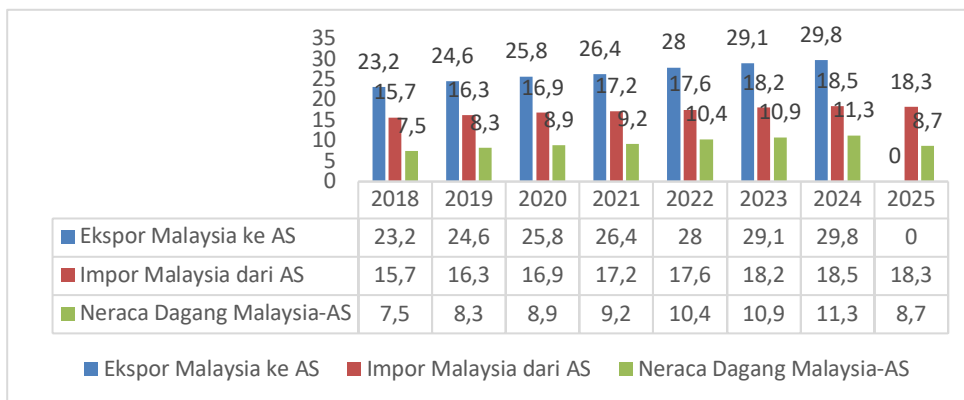
A. The impact of the import tariff policy imposed by the Donald Trump administration on Malaysia's export performance to the United States

US President Donald Trump's international trade policy of imposing high import tariffs has had a significant impact on the Malaysian economy. In early April 2025, the US imposed a minimum tariff of 10 percent on all imported products, including Malaysian products, which were subject to tariffs of up to 24 percent starting April 9. This policy is part of a reciprocal tariff strategy aimed at pressuring trading partners deemed to be engaging in unfair trade practices. The impact of this policy prompted the Malaysian government, under Prime Minister Anwar Ibrahim, to coordinate intensively with ASEAN countries, including Indonesia, to formulate a collective response to US trade pressure.

The main problem facing Malaysia due to the high import tariff policy imposed by President Donald Trump is the decline in the competitiveness of Malaysian export products in the United States market. The US plans to impose tariffs of up to 24% on Malaysian products starting July 2025, potentially increasing export costs and reducing bilateral trade volume. Key sectors such as electronics, palm oil derivatives, rubber products, textiles, and clothing, which are major contributors to Malaysian exports to the US, are severely impacted. This causes economic uncertainty and has the potential to reduce Malaysia's economic growth projection, which was previously estimated at between 4.5% and 5.5%. Here is a graph of Malaysia's international trade: Before & After Trump's policy.

Table 1. Malaysia's International Trade Graph: Before & After Trump's Policy

⁵ Desak Putu Dewi Kasih et al., "Kedudukan Negara sebagai Pembeli dalam Perspektif Hukum Perdagangan Internasional," *Jurnal Pembangunan Hukum Indonesia* 3, no. 3 (2021): 354–369, <https://doi.org/10.14710/jphi.v3i3.354-369>.



Source: <https://www.cnnindonesia.com>, 2025

The direct impact of this tariff policy is evident in the decline in Malaysia's projected export growth to the US. The increased tariffs have made Malaysian products more expensive in the US market, reducing American consumer demand for Malaysian goods. The manufacturing and electronics sectors, Malaysia's main export commodities to the US, are particularly vulnerable to these tariff increases. Furthermore, the tariff policy has forced Malaysian exporters to seek alternative export markets or adjust their supply chains to remain competitive amidst increasing tariff pressure.

In response to the US import tariff policy, Malaysia, along with other ASEAN countries, has been pursuing bilateral negotiations with the United States to obtain tariff relief or concessions. Malaysia, as the current chair of ASEAN, is leading the coordination of the ASEAN Economic Ministers' Meeting to formulate a joint strategy to address the negative impacts of the tariff policy. Furthermore, ASEAN is also working to diversify export markets and strengthen domestic demand as mitigation measures to reduce over-reliance on the US market and maintain stable regional economic growth.⁶

Macroeconomically, Trump's import tariff policy has the potential to reduce Malaysia's economic growth by reducing exports, one of the country's main economic pillars. While the direct impact on Malaysia may not be as severe as in countries with higher tariffs

⁶ Andry Satrio Nugroho, Ahmad Heri Firdaus, Dzulfian Syarifan, Ariyo D. P. Irhamna, and Agung Satria Permana, "Manufacturing, Investment, and Trade Update: Tarif Trump Mengancam, Ekspor Indonesia Tertekan," INDEF, April 7, 2025, <https://indef.or.id/wp-content/uploads/2025/04/Manufacturing-Investment-and-Trade-Update-Edisi-7-April-2025.pdf>.

such as Vietnam or Indonesia, tariff pressures still hamper Malaysia's trade expansion to the US and force businesses to adapt to changing market conditions. Therefore, this US import tariff policy poses a serious challenge that requires effective trade policy strategies and diplomacy from the Malaysian government and ASEAN collectively.⁷

The Trade and Investment Framework Agreement (TIFA) is a framework agreement between two countries aimed at strengthening bilateral trade and investment relations. Through TIFA, the two countries agree on a regular consultation and cooperation mechanism to discuss specific issues related to trade, investment, trade governance, intellectual property rights protection, and various other non-tariff barriers. In practice, TIFA serves as the primary forum where high-ranking officials from each country meet periodically to seek solutions to trade barriers, explore market opportunities, and develop joint strategies for more open and balanced economic cooperation.

TIFA serves as a dialogue platform to strengthen collaboration and encourage mutually beneficial policy negotiations. This forum is particularly important amidst the emergence of protectionist policies or trade disputes, such as those experienced by several ASEAN countries due to the United States' tariff policies under President Donald Trump. Through the TIFA forum, partner countries are expected to advocate for their interests, such as requesting tariff adjustments or clarification of US policies in a constructive and law-based manner, thereby creating certainty and stability in international economic relations.

The unilateral imposition of high tariffs by the US, such as a 32% tariff on exports from partner countries, is considered contrary to the primary objectives of TIFA, which is to reduce trade barriers and increase trust between countries. This protectionist policy creates uncertainty and has the potential to damage the investment climate and the competitiveness of US partners' products in the global market. The United States' protectionist tariff policies place significant pressure on the mechanisms and effectiveness of TIFA. Such unilateral actions contradict the fundamental principles of free and fair trade espoused by TIFA, complicate trade relations, and erode trust between partners. Nevertheless, partner countries continue to utilize TIFA as a

⁷ Ahmad Mukhdzamir Maha, Amierul Hakimie, Luqman Yusli, et al., "The Implication of International Disputes on the International Trade: Malaysia as a Case Study," *Geopolitics Quarterly* 20, no. *Special Issue* (Winter 2024): 118, <https://doi.org/10.13140/RG.2.2.12844.78723>.

forum for dialogue to seek solutions, pursue renegotiations, and strengthen regional solidarity in addressing trade challenges with the US.

The Trade and Investment Framework Agreement (TIFA) is a bilateral mechanism designed to strengthen trade and investment relations between countries through structured dialogue and cooperation. It provides a platform for regular consultations on key issues such as market access, trade governance, intellectual property rights, and non-tariff barriers. In practice, TIFA facilitates direct engagement between high-level officials to address trade concerns, clarify policies, and explore mutually beneficial economic opportunities. In the context of increasing protectionist policies, such as the tariff measures introduced under Donald Trump, TIFA plays a strategic role as a preventive and problem-solving instrument. Rather than relying solely on formal dispute settlement under the World Trade Organization, which is often time-consuming and adversarial, TIFA enables more flexible, faster, and diplomatic negotiations. Through this forum, partner countries can seek tariff adjustments, request policy clarification, and negotiate practical solutions without escalating disputes into formal litigation.

However, the unilateral imposition of high tariffs by the United States such as tariffs reaching up to 32% on certain exports poses challenges to the effectiveness of TIFA. These measures contradict the spirit of cooperation and trust that underpins the agreement, potentially weakening its function as a stabilizing mechanism in bilateral trade relations. At the same time, such protectionist policies highlight the complementary role of TIFA alongside the WTO system: while the WTO provides a formal legal framework for dispute resolution based on principles such as non-discrimination and fairness, TIFA offers a more pragmatic avenue for negotiation and immediate policy response.

For Malaysia, TIFA serves as an essential diplomatic tool to manage trade tensions with the United States. It allows Malaysia to pursue negotiated outcomes such as mitigating tariff impacts, maintaining market access, and safeguarding investment flows while avoiding prolonged legal disputes at the WTO level. This approach is particularly relevant in a projected 2025 scenario, where renewed tariff policies may increase pressure on export performance and supply chains. Empirical and policy studies indicate that TIFA has supported Malaysia in maintaining constructive economic engagement with the

United States, even amid shifting geopolitical dynamics. The agreement also reinforces commitments to multilateral frameworks such as the WTO and regional cooperation platforms like APEC. In this regard, TIFA not only complements formal legal mechanisms but also enhances policy coordination and economic resilience.

Overall, while protectionist tariff policies challenge the effectiveness of cooperative frameworks, TIFA remains a critical instrument for balancing legal, economic, and diplomatic responses. Its ability to produce practical, negotiated outcomes makes it particularly valuable in addressing trade disputes that may not be efficiently resolved through formal litigation alone.

B. Strategies and recommendations taken by Malaysia in responding to the US reciprocal tariff policy to maintain economic and trade stability

In the face of the United States' 24–25% reciprocal tariff policy on Malaysian exports, the Malaysian government firmly rejected retaliatory tariffs. Instead, Malaysia prioritized diplomacy and negotiations, particularly through the Trade and Investment Framework Agreement (TIFA), to find a solution that supports the principles of free and fair trade. The Ministry of International Trade and Industry (MITI) emphasized the importance of open dialogue with US authorities to de-escalate the trade dispute.⁸

Malaysia adopted several key strategies in responding to the reciprocal tariff policy imposed by the United States to maintain economic and trade stability. First, Malaysia adopted a proactive and non-retaliatory approach by engaging in constructive dialogue and negotiations with the US. Malaysia's Second Minister of Finance, Datuk Seri Amir Hamzah Azizan, stated that Malaysia is striving to understand the issues and seek win-win solutions through productive discussions between the two countries' trade teams. This approach received a positive response from the US, including the suspension of tariffs on the semiconductor sector, which is crucial for both countries, demonstrating the cross-dependence in the global supply chain.

⁸ Ninne Zahara Silviani, Nurlaily, Vivi, Cross-Country Perspective: Imposing Sanctions on Grab Partners with Invalid Identities in Indonesia and Singapore, *Hang Tuah Law Journal* 2, no. 7, (2023): 170–188, <https://doi.org/10.30649/htlj.v7i2.192>

Malaysia's primary strategy includes the activation of the National Geoeconomic Coordination Council (NGCC), a cross-ministerial team chaired by the Prime Minister. The NGCC aims to conduct a comprehensive impact study on various export sectors to the US and design a national economic preparedness response. This was followed by the formation of a special task force comprised of government officials and industry representatives to gather feedback and ensure the impact of US tariffs on investment and exports is minimized.

Second, the Malaysian government, through the Ministry of Trade and Industry (MITI) and the National Geoeconomic Command Center (NGCC), conducted an in-depth study of the impact of the tariffs and formulated a multi-dimensional strategy to mitigate their negative effects. Malaysia also accelerated its long-term economic and industrial reform agenda, such as the implementation of the New Industry Master Plan 2030 (NIMP 2030) and the National Energy Transition Roadmap (NETR), to build stronger economic resilience.⁹ Furthermore, Malaysia led ASEAN in strengthening regional cooperation and expanding economic ties with external partners to reduce dependence on the US market (MITI, 2025).

Third, as ASEAN Chair, Malaysia is encouraging a collective regional response to US tariff policies by initiating dialogue and coordination among ASEAN member states. At the most recent ASEAN Summit, Malaysia emphasized the importance of strengthening regional economic integration and increasing intra-ASEAN trade as a long-term mitigation strategy. The Kuala Lumpur Declaration, agreed upon by ASEAN, also highlighted shared concerns over the challenges posed by unilateral US tariffs and called for ASEAN's voice to be heard clearly internationally. This step aims to maintain open and resilient supply chains and ensure the sustainability of regional economic growth.

To maintain regional economic connectivity, Malaysia also encourages collective cooperation at the ASEAN level. As ASEAN Chair for 2025, Malaysia initiated a meeting of regional economic ministers to formulate a strategy to address the systemic impact of US tariffs on trade networks, supply chains, and macroeconomic stability

⁹ Indah Dwi Qurbani, Ilham Dwi Rafiqi, Emilda Yofita, Nabila Aulia Rahma, "The Ideal Concept of Energy Control in Indonesia from the Economic Constitution Perspective", *Jurnal Pembaharuan Hukum* 9, no. 3, (2022): 481-502, <https://doi.org/10.26532/jph.v9i3.17429>

of ASEAN countries. This aligns with the commitment to strengthening market integration and mutually protecting the trade interests of fellow members.

On the export side, Malaysia is actively exploring and expanding its market to high-growth regions and maximizing the use of multilateral trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). The government is also accelerating the implementation of strategic industrial policies, such as the New Industrial Master Plan 2030 (NIMP 2030), to improve competitiveness and supply chain resilience. These efforts are supported by the accelerated strengthening of high-tech product exports, particularly semiconductors and the digital economy, which are being explored with the US through the Technology Safeguards Agreement.¹⁰

As an adaptive response, the government is providing special assistance to affected industry players, including providing assistance programs, business consulting, and facilitating alternative market access. All of these strategies are developed with reference to international best practices and the principles of economic openness, as published and discussed in various international journals and publicly available government policy documents. This multi-level approach emphasizes Malaysia's role as a country that prioritizes diplomatic solutions and economic adaptation over confrontational tariff retaliation that could potentially lead to a trade war.

Malaysia can adopt several strategic policies to respond to the challenges and capitalize on the opportunities arising from the United States' reciprocal import tariff policy. First, Malaysia needs to strengthen export market diversification by expanding trade relations with countries other than the United States, including deepening regional economic integration through ASEAN and strengthening cooperation with key trading partners such as China, Japan, and the European Union. This will reduce dependence on the US market, which is currently experiencing uncertainty due to tariffs and

¹⁰ Chong Su Hui et al., "Analysis of the US-CHINA Trade War: China's Diversion from the US towards Malaysia," *Geopolitics Quarterly* 20, no. Special Issue (Winter 2024): 162–182, <https://doi.org/10.22034/igq.2024.476540.1947>.

protectionism, while also opening up new market opportunities for Malaysian export products.¹¹

Second, Malaysia must accelerate structural reforms and improve the competitiveness of its manufacturing and high-tech sectors, particularly semiconductors, a key export commodity. The government can encourage investment in innovation, research and development, and strengthening local supply chains to mitigate the impact of disruptions caused by US tariffs. Furthermore, the implementation of strategies such as the New Industry Master Plan 2030 and the National Semiconductor Strategy must be accelerated to ensure Malaysia maintains its position as a technology manufacturing hub in Southeast Asia while attracting high-quality foreign direct investment.

Third, Malaysia needs to leverage its position as ASEAN Chair in 2025 to foster coordination and a collective response among ASEAN countries to US tariff policies. Through economic diplomacy and joint negotiations, ASEAN can strengthen its bargaining position in trade talks with the US and other global partners. Furthermore, Malaysia can promote domestic policies that support economic stability, such as prudent fiscal management and strengthening the labor market, to minimize the external impact of tariff policies and maintain economic growth in the range of 4.4-5% this year.

C. Implications of the Malaysian National Law and International Law

The high tariff policy imposed by Donald Trump on Malaysian products fundamentally contradicts the provisions of the World Trade Organization. Article I of the General Agreement on Tariffs and Trade 1994, which enshrines the Most-Favored Nation (MFN) principle, prohibits WTO members from engaging in discriminatory tariff practices against other members. In addition, Article II of the GATT requires that applied tariffs must not exceed the bound rates committed in each member's schedule. The imposition of a 24% tariff on Malaysian exports appears to exceed these commitments and may therefore be subject to legal challenge under the WTO dispute settlement mechanism. Despite this strong legal basis, Malaysia has

¹¹ "Ekonomi Malaysia di kuartal pertama 2025 tumbuh 4,4 persen," ANTARA News, May 16, 2025, <https://www.antaranews.com/berita/4740919/ekonomi-malaysia-di-kuartal-pertama-2025-tumbuh-44-persen>.

thus far opted for a diplomatic and bilateral approach rather than formal litigation.

Within the regional framework of the ASEAN Free Trade Area, Malaysia plays a more strategic and proactive role, particularly in its capacity as ASEAN Chair 2025. Rather than merely issuing declarations, Malaysia has actively driven efforts to consolidate regional economic resilience. This includes strengthening intra-ASEAN trade through the acceleration of tariff elimination commitments, enhancing trade facilitation measures, and promoting the use of local currencies in cross-border transactions to reduce dependence on external markets. Malaysia has also initiated coordinated policy dialogues among ASEAN member states to harmonize responses to external protectionist pressures, including the development of joint positions in global trade negotiations.¹²

Moreover, Malaysia has emphasized the importance of safeguarding regional supply chains by encouraging diversification of production networks within ASEAN and reducing reliance on single external markets such as the United States. As Chair, Malaysia has facilitated sector-specific cooperation particularly in manufacturing, digital trade, and logistics to ensure that ASEAN remains competitive and adaptive in the face of global trade disruptions. This approach reflects a shift from reactive diplomacy to proactive regional governance, positioning ASEAN as a more unified and influential economic bloc in international forums.¹³

In the broader multilateral context, Malaysia also leverages its participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to mitigate the adverse effects of US tariff policies. The CPTPP provides expanded market access and tariff reductions among member countries, enabling Malaysia to diversify its export destinations and reduce dependency on traditional markets. However, increased liberalization also poses risks, such as heightened import competition and potential pressure on domestic industries. Consequently, Malaysia must adopt balanced policies that maximize

¹² Vanessa Angel, David Tan, Windi Afdal, Revolution of Piercing the Corporate Veil Doctrine in England: A Common Law Perspective on VTB Capital v. Nutritek, *Hang Tuah Law Journal* 9, no. 1, (2025): 203–227. <https://doi.org/10.30649/htlj.v9i1.269>

¹³ Michael Cox, “Power Shifts, Economic Change and the Decline of the West?,” *International Relations* 26, no. 4 (2012): 369–388, <https://doi.org/10.1177/0047117812461336>.

the benefits of trade agreements while safeguarding vulnerable sectors through targeted support and regulatory measures.

From a legal perspective, every sovereign state retains the right to regulate international trade through domestic policies, including the imposition of tariffs. However, such measures must remain consistent with international obligations. Both Malaysia and the United States, as WTO members, are bound by multilateral rules that discourage excessive protectionism and uphold the principles of fair and free trade. In this regard, unilateral tariff measures that exceed agreed limits may constitute violations of international commitments and provide affected countries with grounds for legal recourse.

In practice, tensions often arise between national sovereignty and international legal obligations. The unilateral approach adopted during Trump's administration illustrates how domestic legal instruments can be used to advance national economic interests, sometimes at the expense of the multilateral trading system. For Malaysia, this creates a complex legal and strategic environment, requiring a careful balance between defending national interests and maintaining adherence to international norms.

The implications of US tariff policies for Malaysia extend across both national and international legal domains. Domestically, the Malaysian government must adjust its economic and trade policies to mitigate the impact on affected industries. This involves coordinated action across ministries and institutions, including strategic bodies such as the National Goeconomic Coordination Council (NGCC), to assess sectoral vulnerabilities, provide targeted assistance, and facilitate access to alternative markets. Regulatory frameworks must also ensure that protective measures do not undermine long-term competitiveness or violate international commitments.¹⁴

At the international level, the US tariff measures raise significant concerns regarding compliance with WTO principles, particularly non-discrimination and the prohibition of unilateral protectionist actions. Malaysia retains the right to challenge such measures through formal dispute settlement mechanisms, while also pursuing diplomatic engagement through bilateral platforms such as the Trade and

¹⁴ Muhammad Sultan Mandalika and Vanessa Debora Muaja, "Analisis Hukum terhadap Dampak Pengenaan Tarif 32% oleh Amerika Serikat terhadap Perdagangan Indonesia: Tinjauan Perjanjian Perdagangan Internasional dan Kebijakan Ekonomi," *ALADALAH: Jurnal Politik, Sosial, Hukum Dan Humaniora* 3, no. 2 (2025): 173–187, <https://doi.org/10.59246/aladalah.v3i2.1285>.

Investment Framework Agreement (TIFA). Simultaneously, Malaysia's leadership within ASEAN reinforces regional solidarity and collective bargaining power, enabling member states to advocate for a rules-based trading system and resist external economic pressures.

Overall, Malaysia's response demonstrates a multidimensional strategy that integrates legal action, economic diplomacy, and regional leadership. Its role as ASEAN Chair 2025 is particularly significant, as it not only coordinates collective responses but also strengthens institutional mechanisms and regional integration, thereby enhancing ASEAN's capacity to navigate an increasingly uncertain global trade environment.

From a legal perspective, the tariff measures introduced by the United States raise concerns under the framework of the World Trade Organization, particularly regarding the Most-Favored Nation (MFN) principle and tariff binding commitments under the General Agreement on Tariffs and Trade 1994. In principle, Malaysia has a strong legal basis to challenge such measures through the WTO dispute settlement mechanism. However, in practice, Malaysia has deliberately refrained from immediately pursuing formal litigation.

This restraint reflects the understanding that the WTO dispute mechanism functions as an *ultimum remedium* a last resort rather than a primary instrument of response. Resorting to formal dispute proceedings can be time-consuming, resource-intensive, and potentially escalate trade tensions, which may negatively affect broader diplomatic and economic relations. Therefore, Malaysia has opted to prioritize diplomatic engagement, bilateral negotiations, and multilateral dialogue as more flexible and constructive approaches in addressing trade disputes.

Conclusion

The import tariff policy imposed during the administration of Donald Trump has created considerable challenges for Malaysia in maintaining economic stability and sustaining its international trade performance. Although Malaysia was not the primary target of the trade tensions, the indirect effects have been substantial, particularly through global supply chain disruptions and rising production costs due to reliance on intermediate goods from affected countries. In response, Malaysia has prioritized strategies aimed at diversifying export markets and strengthening regional economic cooperation, especially within Association of Southeast Asian Nations, in order to

reduce dependence on the United States while supporting long-term economic resilience. In this context, Malaysia's approach reflects a pragmatic and strategic adaptation rather than a confrontational stance. By leveraging its role as ASEAN Chair 2025, Malaysia has emphasized regional coordination, supply chain resilience, and intra-ASEAN trade expansion as key instruments to mitigate external shocks. These efforts demonstrate that Malaysia views regional integration not only as an economic tool but also as a form of collective security against global trade uncertainties.

By positioning the WTO legal route as a final option, Malaysia maintains its commitment to international law while preserving strategic space for negotiation and cooperation. This balanced approach allows Malaysia to safeguard its national interests without undermining long-term trade relationships or regional stability. Ultimately, such a strategy reinforces Malaysia's resilience and adaptability in navigating the increasingly complex and evolving dynamics of global trade.

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Conflicting Interest Statement

There is no conflict of interest in the publication of this article.

Publishing Ethical and Originality Statement

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