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Opportunities and Challenges in Malaysia's Economic and Trade Field in the Context of the Modern Eastern European Conflict

Wu Zihao ✉

Shenzhen University, Shenzhen, China

✉ wuzh915@foxmail.com

Abstract. *Malaysia is a resource exporting country and one of the Southeast Asian countries with the best economic recovery after the COVID-19 epidemic. The conflict between Russia and Ukraine (from February, 2022) to the global supply chain system has brought a huge impact, countries have encountered varying degrees of impact. The focus of this article is the process of economic recovery in Malaysia under the impact of the Russian-Ukrainian conflict, defining the opportunities and challenge. This paper argues that the conflict between Russia and Ukraine has brought Malaysia considerable gains in the foreign trade sector and opportunities for the latter to seek a higher market position in the global industrial chain, it also offers the prospect of greater cooperation among Malaysia's major powers. But Malaysia also faces the challenges of internal economic governance, internal political turmoil and fierce great power competition. How to deal with the challenges will be an important topic for the future development of Malaysia's economy and trade.*

Keywords: economic recovery; international market; internal governance; big country competition; Malaysia

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Возможности и проблемы в торгово-экономической сфере Малайзии в контексте современного восточноевропейского конфликта

У Цзыхао ✉

Шэньчжэньский университет, Шэньчжэнь, Китай
✉ wuzh915@foxmail.com

Аннотация. Малайзия является страной-экспортером ресурсов и одной из стран Юго-Восточной Азии с лучшими показателями восстановления экономики после эпидемии COVID-19. Конфликт между Россией и Украиной (с февраля 2022 г.) оказал огромное влияние на глобальную систему цепочек поставок. В статье отмечается, что страны столкнулись с разной степенью воздействия кризисной ситуации. В процессе экономического оздоровления Малайзии под влиянием российско-украинского конфликта в центре внимания предлагается рассмотреть возможности и проблемы этого процесса. Автор утверждает, что конфликт между Россией и Украиной принес Малайзии значительные выгоды в секторе внешней торговли и возможности для последней занять более высокое положение на рынке в глобальной производственной цепочке. Последнее обстоятельство открывает перспективы более тесного сотрудничества между Малайзией и крупными державами. Страна сталкивается с проблемами внутреннего экономического управления, внутренними политическими беспорядками и жесткой конкуренцией. Как Малайзия справится с новыми вызовами будет являться важным условием для будущего развития экономики и торговли в регионе.

Ключевые слова: восстановление экономики; международный рынок; внутреннее управление; конкуренция; Малайзия

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Introduction

This paper studies the problems in Malaysia's economic and trade field in the context of the Russian Ukrainian conflict, and attempts to analyze the opportunities and challenges faced by Malaysia's economic and trade field in the context of the impact of the Russian Ukrainian conflict on the world economy and politics. Through the analysis of relevant documents, international trade practices and international politics, this paper points out that Malaysia will welcome the benefits of the foreign trade sector and wider and deeper international cooperation, and will also face the fierce competition of major

countries in Southeast Asia, as well as the challenges of Malaysia's internal economic and political governance.

Materials

The literature cited in this study shows Malaysia's political and economic situation, international strategy, trade practice after the Russian-Ukrainian conflict, as well as Russia's international strategy, the impact of the Russian-Ukrainian conflict on the world economy, etc. Through these literature materials, this paper attempts to analyze the impact of the Russian-Ukrainian conflict on Malaysia's economic and trade field.

Results

The outbreak of the Russian-Ukrainian conflict in early 2022 cast a shadow over the world economy, which is gradually recovering from the impact of the epidemic. The outbreak of the Russian-Ukrainian conflict has caused a global supply chain crisis at a time when the world is becoming increasingly interconnected. The shortage of important materials and the general rise in prices have brought many negative effects on the economic growth of all countries in the world. This has dealt a huge blow to the world economy, which has barely recovered from the covid-19 pandemic this year.

The conflict between Russia and Ukraine, the world's most important energy and food exporters, has triggered a global food and energy crisis. Blockades on land and sea transport prevent food from reaching its destination in time, and sanctions imposed on Russia by the United States and its allies prevent the flow of energy. Countries that depend on food and energy imports face higher production costs and lower yields, which have an impact on global supply chain systems and ultimately lead to price increases on a global scale.

Southeast Asia is one of the areas affected. In south-east Asia, most countries rely on exports of resources for economic growth. The Russia-Ukraine conflict has made the external economic and trade environment unstable, which has forced some Southeast Asian countries to lower their economic growth forecasts for 2022. Malaysia's central bank cut its growth forecast by just 0.2% to 5.3-6.3% from an earlier forecast of 5.5-6.5%. But in fact, the impact of the Russia-Ukraine conflict on Malaysia is more complicated than it seems [1].

1. The State of Malaysia's Economic Recovery

At the beginning of this year, economies in Southeast Asia began a steady recovery, according to the World Bank. Indonesian and Vietnamese output has already surpassed pre-pandemic levels, with Cambodia, Malaysia, Mongolia, the Philippines and Thailand expected to surpass pre-pandemic levels in 2022 [2] the Malaysian economy is forecast to grow at 5.8 per cent, making it one of the best-performing countries in south-east Asia to recover momentum [3].

In 2020, Covid-19 put Malaysia's economic growth at -5.6%, the steepest decline since the Asian financial crisis in 1998. Despite high vaccination 2021, the lifting of containment measures and the reopening of international borders and targeted policy measures, economic growth did not return to pre-pandemic levels. In 2022, the impact of the epidemic weakened, economic growth has a higher expectation, but there is also greater downward pressure [4].

The main sources of downward pressure on the economy are the Russian-Ukrainian conflict and dollar inflation. The conflict between Russia and Ukraine has hit the global supply chain and triggered a general rise in prices. The continuing inflation of the US dollar and the corresponding monetary policy have led to a further devaluation of the Malaysian currency. This has led to an unstable external economic and trade environment in Malaysia. In addition to external factors, Malaysia's internal political turmoil also poses challenges for economic growth. Since the 2018 Political changes, the Malaysian government has gone through three cycles, and the approaching elections in 2022 have led to more frequent and intense factional divisions and ethnic strife [5]. All these factors suggest that Malaysia's economic recovery is not as rosy as it seems.

2. Opportunities in the Area of Economy and Trade in Malaysia

The conflict between Russia and Ukraine has impacted the global supply chain, and the inflation caused by it has distorted the normal operation of the world economy and trade. In the short term, as a resource-exporting country, Malaysia has certain opportunities in the economic and trade fields. In the long run, there are also opportunities for cooperation between Malaysia and the major powers.

2.1. The Good News of the Foreign Trade Sector

In the short term, the Russo-Ukrainian conflict has brought some benefits to Malaysia's foreign trade sector. The conflict between Russia and Ukraine has

caused a spike in the price of crude oil, which has led to a surge in the price of palm oil, which is used to make biodiesel. At the same time, the conflict between Russia and Ukraine also indirectly led to the world's number one exporter of palm oil Indonesia banned its export of palm oil. This has pushed up international palm oil prices by 25-30% and kept them high until the third quarter of this year. As a palm oil exporter, this situation has led to a significant increase in the income of Malaysia's foreign trade sector. According to official statistics, palm oil exports in May Rose 38.85 percent from the previous month, and the trend continues [6]. Malaysia is also a net oil exporter, with the oil and gas sector contributing nearly 6.2 per cent of GDP. On the government's revenue side, every \$1 increase in the international price of crude oil generates an additional RM300M in tax revenue. Rising prices for palm oil and oil have helped fuel Malaysia's economic growth. At the same time, due to the impact of the war on the global industrial chain, Malaysia can also actively layout, fill the gap in the international market. Due to the rising prices caused by the war and the withdrawal of Indonesian palm oil from the international market, Malaysia needs to rapidly expand the production of palm oil and other related products and introduce a series of safeguard measures, to maximize global demand to achieve a higher market position. To win more space for future economic and trade development.

2.2. Wider and Deeper International Co-operation

In the long run, the Russian-Ukrainian conflict has also brought Malaysia more opportunities for cooperation at the national strategic level. From the perspective of Russia, as early as 1998 after the Asian financial crisis, Russia discovered the economic development potential of Southeast Asia. It has launched its Asia-Pacific strategy to compensate for Far Eastern Federal District economic imbalances and expand its influence among the region's major powers. After the Crimean crisis of 2014, the pace of Russia's "Pivot to the east" accelerated markedly [7]. At present, Russia's strategic cooperation in Southeast Asia is mostly in the field of arms trade and security, while cooperation in the economic field is minimal. After the Russia-Ukraine conflict, Russia will reduce its economic dependence on the west to a greater extent, and will pay more attention to the economic and trade cooperation in the Asia-Pacific region. The cooperation between Malaysia and Russia on arms sales and security is very

deep. Under the guidance of the balanced strategy of major powers, Malaysia is also keen to have more co-operation with Russia in other areas to hedge the Chinese Belt and Road strategy against the US Indo-Pacific strategy, in order to ensure its own survival and security and seek more room for development [8] in addition to cooperation with Russia, cooperation with China, the United States, Japan, Australia and other major powers will also be expanded and deepened in an increasingly competitive environment. It can be expected that after the Russia-Ukraine conflict, Malaysia and the major powers will have a broader and deeper space for cooperation.

Discussion

Against the background of Russia-Ukraine conflict, Malaysia's economic and trade development will also encounter no small challenges. Malaysia's internal political and economic governance problems, its external power fierce competition also caused trouble.

Internal Economic Governance

Malaysia's economic governance is particularly important in the face of widespread global inflation. Russia-Ukraine conflict and covid-19, under the influence of global prices generally rose. This year, the dollar's persistent inflation has triggered turmoil in the financial sector around the world. Malaysia has used loose monetary policy to stimulate the market in order to promote economic recovery, while the US Federal Reserve's tight monetary policy has led to a strengthening of the US dollar in the currency markets. Under the dual influence, the Malaysian ringgit continued to depreciate [9]. This will not only strengthen domestic inflationary pressures, but may also eliminate the benefits accumulated in the area of foreign trade during this period. Therefore, how to balance the use of monetary policy and economic revitalization measures is the key to economic governance in Malaysia.

In the face of huge global market demand, Malaysia's measures to expand production is not easy. In the production of palm oil, the biggest problem restricting its expansion is the shortage of labor force. Even before the Russo-Ukrainian conflict, Malaysia faced a labor shortage. As a result of the epidemic, government controls and border closures have prevented domestic and foreign workers from working, and the policy of bringing in foreign workers has not been effectively implemented. These problems make it very difficult to expand

production [6] in the face of the global demand, it is very important to solve the problems of the foreign workers and the problems caused by them, such as the problems of finance and the protection of the rights and interests of the foreign workers.

Internal Political Turmoil

Domestic political turmoil is also affecting Malaysia's economic and trade development. The political turmoil mainly came from ethnic strife and the split of political factions. In Malaysia, the different political demands of Malays, Chinese and Indians have intensified the competition between different political parties. At the same time, the division of political parties in Malaysia has made the whole political situation in Malaysia a fragmented pattern. [5] Before the 2022 general election, the political struggle in Malaysia will be more intense and fuller of uncertainty.

The Asia-Pacific region has always been one of the regions to which great powers attach great importance. In the great power competition in the region, ASEAN's balanced diplomatic strategy has obtained many benefits for it. But after the Russia-Ukraine conflict, it can be expected that great power competition in the region will become more intense. At a time when great power competition is low, ASEAN may be able to calmly pursue a great power balance strategy. But ASEAN may not be able to co-ordinate when great power competition is fierce. In the South China Sea, for example, this balance of powers is not working [10] there are potentially significant risks for Malaysia to continue to pursue its great power balancing strategy in the future.

Summary

The conflict between Russia and Ukraine has cast a shadow on the world economic development, and it has brought about the global supply chain crisis, which has brought about a great impact on the economies of all countries. Events such as the Russia-Ukraine conflict have taken a toll on Malaysia's economic recovery. As a developing country in Southeast Asia, the Russia-Ukraine conflict has brought Malaysia a lot of benefits in the foreign trade sector, and also brought the latter a chance to seek a higher market position in the global industrial chain, it also offers the prospect of greater cooperation among Malaysia's major powers. But Malaysia also faces the challenges of internal economic governance, internal political turmoil and fierce great power

competition. How to deal with the challenges will be an important topic for the future development of Malaysia's economy and trade.

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Сведения об авторах / Information about authors

У Цзыхао – магистрант Колледжа экономики, Шэньчжэньский университет.

E-mail: wuzh915@foxmail.com

Автор заявляет об отсутствии конфликта интересов.

Wu Zihao – master student of College of Economics, Shenzhen University.

E-mail: wuzh915@foxmail.com

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