

U.S.-CHINA TRADE WAR SEPTEMBER 2019

SUMMARY

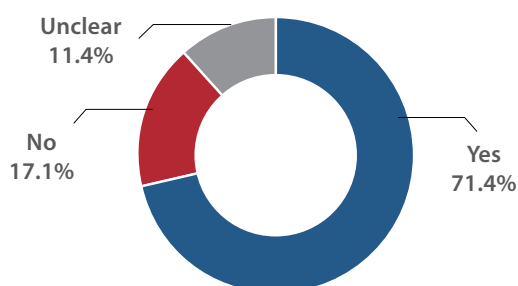
In the midst of the U.S.-China trade war, the American Malaysian Chamber of Commerce (AMCHAM) conducted an online survey of its members for a quick sentiment report. A total of 70 companies answered the survey.

A majority of companies are concerned by the ongoing trade war. Almost half consider trade tensions to have had a negative impact on business performance in the past 6 months.

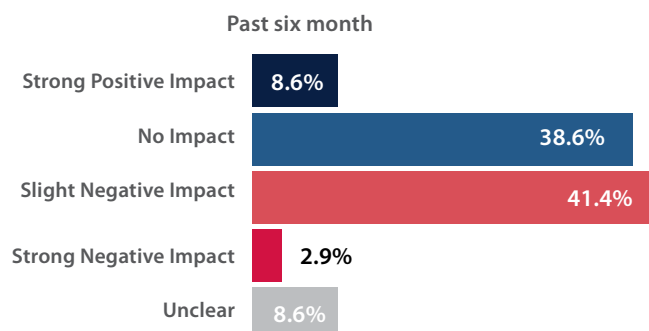
Southeast Asia, and Malaysia specifically, are considered to be more attractive places to invest and do business with many waiting to see how the negotiations are progressing. Some supply chain readjustment are afoot and many are delaying the investment decisions at amidst the uncertainty.

FINDINGS

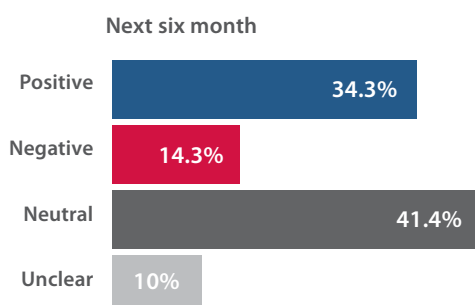
1 **71.4% of respondents are concerned** about the ongoing trade war between the U.S. and China. **88.6%** of respondents believe that geopolitical events are relevant to their business.



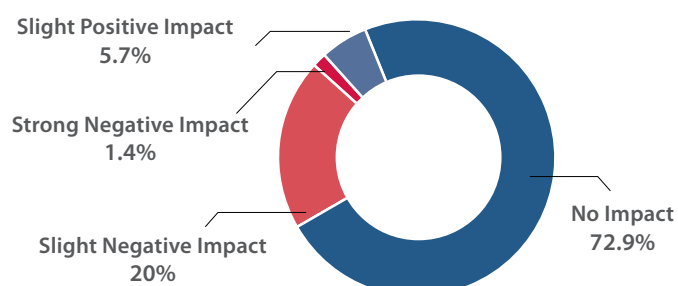
2 For the past six months, respondents saw a **negative impact on business performance; 44.3%** attributed this to the trade war; a significant segment have seen no impact.



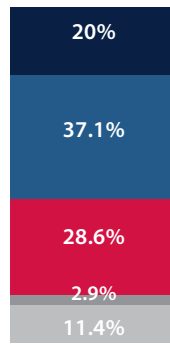
3 **A positive or neutral** business outlook is anticipated for the next six months.



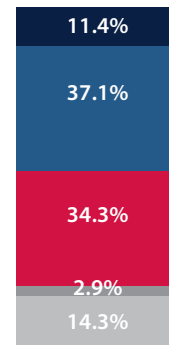
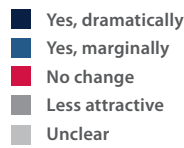
4 When asked about restrictions that U.S. companies face in trading with specific Chinese companies (such as Huawei), **the majority felt no impact. However, 21% reported a negative impact on their business.** Some of these contracts are fulfilled from Malaysia.



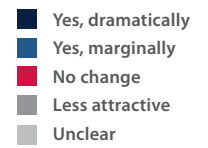
5 Southeast Asia becomes **more attractive as a place to do business** in the midst of the trade war (57.1%); Malaysia specifically is considered more attractive with 48.5% respondents looking positively at the location.



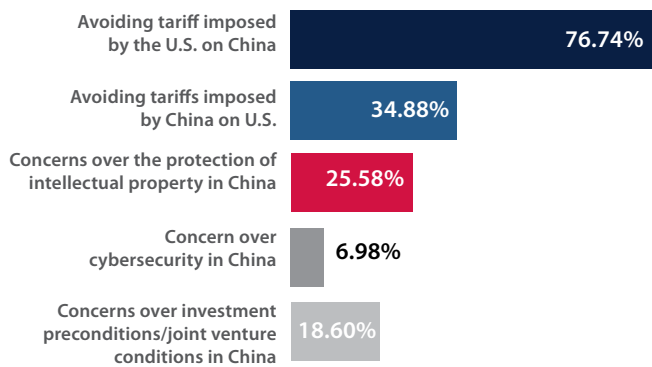
Southeast Asia



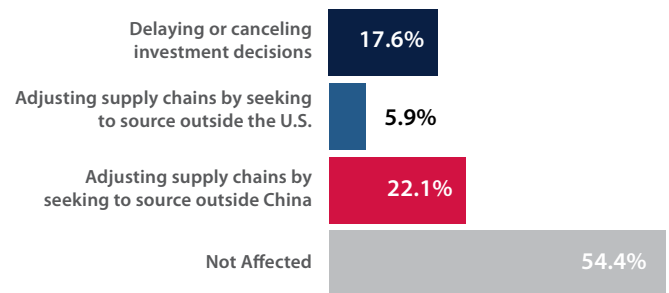
Malaysia



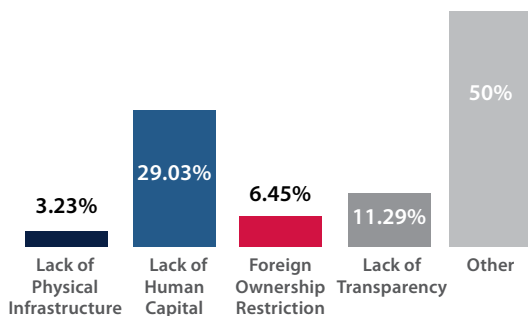
6 Among companies that consider Malaysia to be more attractive as a result of the Trade War, **a majority (77%) are attracted by the opportunity to avoid tariffs imposed by the U.S. on China.** A smaller number (35%) are interested in producing in Malaysia to avoid China's tariffs on goods made in the U.S. Concerns about China's investment preconditions and treatment of IP are major contributing factors that are making Malaysia an attractive option.



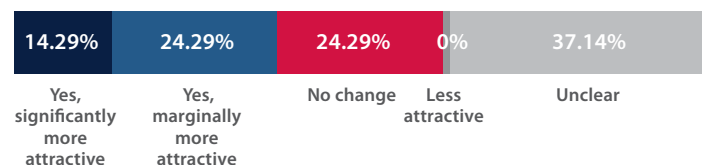
7 **28% of the respondents have been adjusting their supply chains** as a result of the tariffs due to the trade war. Most of these companies have been sourcing goods that were previously sourced in China. Also noted, there is some displacement of goods previously sourced from the U.S. 18% report that they have been delaying or cancelling investment decisions.



8 **The talent gap remains a limitation for Malaysia.** Around half of companies report that there are **no major constraints to investing further in Malaysia.** However, 30% noted that a lack of human capital is the most constraining factor.



9 **Ratification of CPTPP would increase Malaysia's attractiveness for future investments** as it provides greater market access to CPTPP partner countries, removal of tariff barriers, greater transparency, better intellectual property protection, improved labor conditions, greater guarantees and increased investor confidence in Malaysia.



PROFILE OF RESPONDENTS

The survey respondents were split relatively evenly between manufacturing (45%) and service companies (40%).



Of the 70 respondents the majority were American companies.



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