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## Global Markets Research

### Research Alert

# Malaysia: Impact from a BRICS+ membership likely limited

**BRICS+ is not a formal multilateral organisation; accounting for over 30% of world GDP**

**BRIC accounts for 17.2% of Malaysia's exports in 2023; 6.0% of FDI into Malaysia**

**Trade integration between BRICS+ nations is limited; possibly the same for Malaysia**

#### Overview

Malaysia Prime Minister Datuk Seri Anwar Ibrahim recently announced that Malaysia is planning to join the BRICS+ group of emerging economies. However, details are very scanty at this juncture other than that an expression of interest has been submitted and is pending feedback from the Chair of BRICS+.

#### What are BRICS and BRICS+?

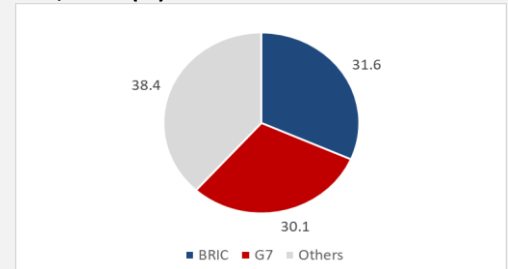
- The acronym **BRIC**, which did not initially include South Africa, was first coined in 2001 by then Goldman Sachs chief economist Jim O'Neill to underline the growth potential of Brazil, Russia, India and China.
- Was founded as an informal club in 2009 to provide a platform for its members to challenge a world order dominated by the US and its Western allies. Apart from geopolitics, the group also focuses on economic cooperation and increasing multilateral trade and development.
- The group was named **BRICS** after South Africa officially became a member in 2010.
- BRICS welcomed 5 new members into its ranks in 2023/2024 – Egypt, Ethiopia, Iran, Saudi Arabia and the UAE, and this is now informally called **BRICS+**.
- Over 40 countries have since expressed interest in joining BRICS+; amongst others, this includes Argentina, Malaysia and Indonesia.

#### Key facts about the bloc and impact on Malaysia

The bloc is **not a formal multilateral organisation**. Together, BRIC member countries account for 31.6% of world GDP (GDP based on PPP, 2023), largely driven by China (18.7%), followed by India (7.6%). This is compared to G7's 30.1%. Data from Banque de France also showed that BRICS+ accounts for 25% of world exports and **trade integration between BRICS+ nations remain limited** as only 15% of those exports are to other BRICS+ members.

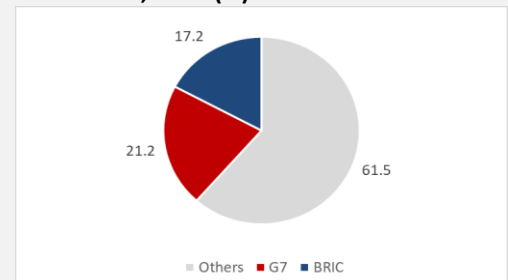
Domestically, our calculation suggests that **BRIC member countries account for 17.2% of Malaysia's exports in 2023 (G7: 21.2%) but only 6.0% of FDI into Malaysia (G7: 25.8%)**. As such, while we can't dispute the potentials to greater access to trade and investment given that BRICS+ member countries

**Figure 1: Share of world GDP based on PPP, 2023 (%)**



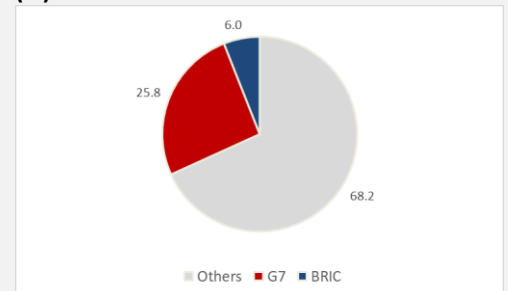
Source: IMF

**Figure 2: Share of Malaysia's export destination, 2023 (%)**



Source: BNM, CEIC

**Figure 3: Sources of Malaysia's FDI, 2023 (%)**



Source: BNM, CEIC

\* Due to limited data, denotes China & India for BRIC; US, UK, Japan, Germany & France for G7

account for a huge share of world's GDP and trade, potential economic impact may be milder than what is envisioned given the following:

- As mentioned earlier, BRICS+ plus is not a formal organisation and trade integration has remained limited so far and may continue to face challenges from soft factors perspectives, such as: 1) Lack of cooperation between countries, be it in terms of regulatory or infrastructure. 2) Diversity in the economic structure and political systems suggests that the coalition will face challenges to come to consensus. 3) Lack of global trusts.
- The lion's share of BRICS+'s contribution to world GDP as well as Malaysia's export destination and source of FDI are from China, of which, we have already enjoyed good ties and close collaboration with.
- Authorities have to strike a delicate balance between navigating between the G7s, especially the US and Eurozone, and the BRICS+ bloc given the tensions between some of the member countries, like China and Russia, with the West, and not risk our "neutral" standing.

**Table 1: BRICS+'s share of global exports of selected goods, 2021 (% of global exports; ppts change)**

		Share of global exports [%]				BRICS+ / BRICS change [pp]	Main BRICS+ exporters
		G7	G7+EU	BRICS	BRICS+		
Oil and coal	Crude oil	18	19	15	36	21	Saudi Arabia, Russia, UAE
	Petroleum gas	23	30	9	13	4	Russia
	Refined oil	20	38	23	34	11	Russia, India, UAE, Saudi Arabia
	Coal briquettes	12	14	19	19	0	Russia, South Africa
Food	Corn	41	52	13	13	0	Brazil
	Soybeans	39	40	50	51	0	Brazil
	Soybean oil	10	22	16	19	2	Brazil
	Soybean flour	19	27	32	33	0	Brazil
	Wheat	35	53	18	18	0	Russia
	Rice	10	14	41	42	0	India
Metal ore	Gold	21	23	11	19	8	UAE, South Africa
	Diamonds	14	26	35	47	12	India, UAE, South Africa
	Iron ore	5	7	29	29	0	Brazil
	Copper ore	7	9	5	6	1	ns
Critical materials	Cobalt	3	18	1	1	0	ns
	Magnesium	13	34	50	51	1	China
	Nickel	9	16	15	15	0	Russia, Brazil
	Lithium	5	11	7	7	0	China
	Graphite	24	30	52	53	0	China, Brazil

Sources: Observatory of Economic Complexity, Banque de France

**Table 2: Breakdown of exports by destination in 2021 (% of total)**

Exporting countries	Breakdown by destination			Share of global exports			
	BRICS+	G7	Rest of the world	BRICS+	G7	Rest of the world	Total
BRICS+	14.8	27.6	57.7	3.7	6.8	14.3	24.8
Brazil	37.0	20.0	43.0	0.5	0.3	0.6	1.3
Russia	19.3	22.4	58.4	0.4	0.5	1.4	2.3
India	19.6	28.9	51.5	0.4	0.5	1.0	1.9
China	10.2	32.3	57.5	1.6	5.1	9.2	15.9
South Africa	17.7	34.3	48.0	0.1	0.2	0.3	0.6
Egypt	20.6	23.0	56.4	0.0	0.0	0.1	0.2
Ethiopia	20.6	26.1	53.4	0.0	0.0	0.0	0.0
Iran	44.8	1.2	54.0	0.1	0.0	0.1	0.2
Saudi Arabia	40.1	9.2	50.7	0.1	0.0	0.2	0.3
United Arab Emirates	17.9	4.3	77.8	0.3	0.1	1.5	1.9
World	16.9	33.9	49.1	16.9	33.9	49.1	100.0

Source: Banque de France, Trade Data Monitor, United Nations Comtrade of the UAE

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damansara  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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