

Malaysia: Free Trade Opens Up Opportunities and Strengthens Sustainability

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At a glance

- The trade mission to Malaysia highlights the country's great potential for Swiss companies, particularly for the Swiss medtech industry.
- The free trade agreement improves market access, reduces tariffs, and establishes reliable rules for trade and investment.
- The agreement establishes channels of dialogue that go beyond the current status quo. For palm oil, the agreement includes limited tariff reductions, clear sustainability requirements, and full traceability.

From October 19 to 20, State Secretary Helene Budliger Artieda traveled to Malaysia with a high-level business delegation led by *economiesuisse*. The focus was on strengthening economic ties and the free trade agreement signed in 2025 between the EFTA states and Malaysia. This agreement opens up new economic opportunities and links them to clear sustainability requirements.

Malaysia Offers Great Potential for Swiss Companies

With a population of approximately 36 million, Malaysia is the sixth-largest economy in Southeast Asia. This highly industrialized country is closely integrated into global value chains, is projected to grow by about 4.7 percent in 2026, and aims to achieve high-income economy status by 2030. Opportunities for Swiss companies are emerging particularly in the medtech sector, electronics, the pharmaceutical and healthcare industries, clean technologies, aviation, and high-value-added services.

Economic ties are already close: Within ASEAN, Malaysia is Switzerland's fourth-largest trading partner and, after Singapore, the second-largest destination for Swiss direct investment. At the same time, the country offers access to a larger regional market.

Free Trade Agreement Boosts Competitiveness

The free trade agreement signed in June 2025 significantly improves conditions for Swiss companies. For 99.9 percent of current exports, tariffs will be eliminated immediately or after transition periods. The machinery, chemical, pharmaceutical, watchmaking, electronics, and precision industries will benefit in particular. At the same time, competitive disadvantages compared to countries with existing preferential access will be eliminated.

However, the benefits extend beyond the elimination of tariffs. The agreement contains clear rules on labor rights as well as on the protection of the climate, forests, and biodiversity. In this way, it combines new economic opportunities with responsible action.

Palm Oil: Limited Tariff Reductions, Clear Requirements, More Dialogue

The Swiss Parliament approved the agreement this summer. However, a coalition of NGOs, the Social Democratic Party (SP), and the Greens has launched a referendum. The criticism centers on the tariff concessions for palm oil and the negative consequences for the environment, labor rights, and human rights.

The criticism is unfounded. The agreement addresses these concerns. The tariff reductions for palm oil are limited and subject to clear conditions. Tariff concessions apply only within specified quotas and only if sustainable production and traceability are demonstrated. In addition, the parties to the agreement commit to protecting the climate, forests, and biodiversity, as well as to upholding labor rights.

Palm oil is the country's most important export and a central pillar of its economy. At the same time, the country has made progress in recent years toward environmental and social sustainability. The government has committed to not further expanding the area under cultivation and to prioritizing productivity gains over additional deforestation.

It is also noteworthy that the agreement enjoys broad support in Malaysia, including among segments of civil society. It establishes an institutional framework for dialogue on environmental, social, and sustainability issues. Without its entry into force, this opportunity would remain largely untapped. The status quo is therefore not a convincing alternative.

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