



Trade Facts

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Free Trade Agreement: U.S. – Malaysia *Key Player in Southeast Asian Market*

Malaysia is the United States' largest trading partner in South East Asia and our 10th largest trading partner in the world. The U.S. had more than \$44 billion in two-way trade with Malaysia in 2005, 60 percent more than our trade with India and about a quarter of our trade with Japan. Malaysia is an upper middle income economy of 27 million people, with a GDP of almost \$250 billion in 2005. Malaysia's economy has grown an average of 5 percent a year for the past ten years. A Free Trade Agreement (FTA) with Malaysia will provide U.S. companies with a gateway to the dynamic South East Asian region – a market approaching \$3 trillion.

Create New Opportunities for U.S. Manufacturers, Farmers and Service Providers

New export opportunities will result from reducing or eliminating Malaysia's applied tariffs, which are twice as high on average as U.S. applied tariffs. One-third of Malaysia's tariffs are bound at levels more than twice as high as applied rates, and can legally snap back to these higher levels at any time. The National Association of Manufacturers estimates that with an FTA, U.S.-manufactured exports could more than double to \$22 billion by 2010. Malaysia is also our fourth largest agricultural market in South East Asia. By eliminating tariffs and other restrictions on these products under an FTA, current U.S. agricultural exports of nearly \$400 million will expand. An FTA will also provide a strategic foothold for U.S. companies in Malaysia's growing high-technology, telecommunications and financial services sectors.

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Strengthen U.S. Competitiveness and Generate High-Paying Jobs

Malaysia is already a critical link in the supply chain of many of America's most competitive companies. A U.S.-Malaysian FTA will allow U.S. companies to increase their efficiency, diversify their production base in East Asia, and lower their costs to compete more effectively in Asia and other markets. Because most Malaysian products and services already enter the U.S. market duty-free, an FTA will level the playing field. More export opportunities will mean more export-related jobs, which pay between 13 and 18 percent more than other U.S. jobs.

Strengthen U.S. Economic Partnerships in the Region

This agreement will build on our FTA with Singapore, as well as our future FTAs with Thailand and Korea, to solidify the United States' economic partnership with the region. It will support President Bush's Enterprise for ASEAN initiative, which seeks to create a network of FTAs across the region. It will provide U.S. companies with the same access as firms from other countries that have or are seeking to conclude trade agreements with Malaysia.

Advance Broader U.S. Strategic Goals

By solidifying our economic relationship, an FTA with Malaysia will advance other important policy goals, including supporting our partnership on security. Malaysia is a moderate Muslim country in a critical part of the world and has been an important partner in the war on terror. The United States and Malaysian militaries participate in extensive joint training, and Malaysia is an important purchaser of American defense systems.