



Free Trade Agreement: U.S. and Malaysia

Economic and Strategic Benefits

Office the United States Trade Representative

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Malaysia is the United States' Largest Trading Partner in Southeast Asia

10th largest U.S. trading partner in 2005:

- Fifth largest in Asia after China, Japan, Korea and Taiwan
- \$44 billion in two-way trade
- Trade grew significantly over last decade:
 - U.S. goods exports up 50 percent (to \$10 billion)
 - U.S. services exports up 31 percent (to \$1.2 billion)

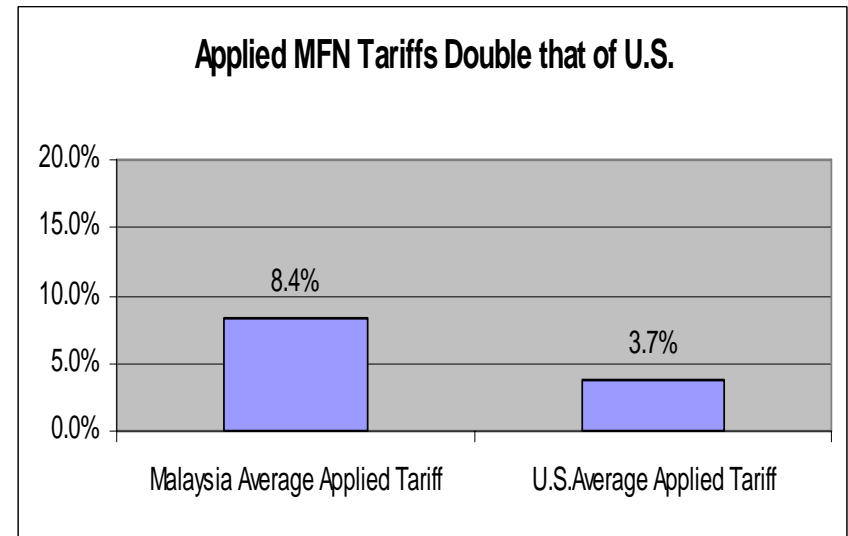
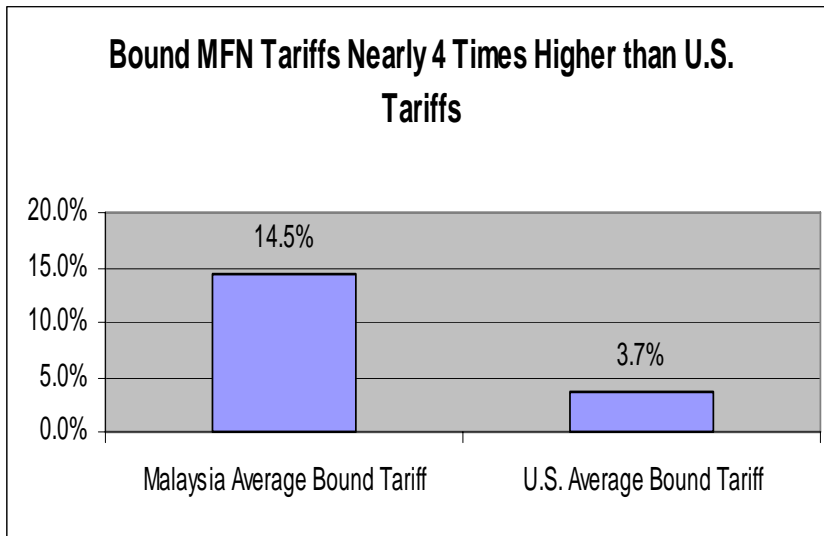
A strong, growing economy:

- Upper middle income economy with GDP of \$248 billion in 2005
- Average of 5 percent real annual growth over last decade, despite Asian financial crisis
- 3rd highest per capita income in ASEAN (\$10,400)
- 27 million people

The United States is Malaysia's Largest Trading Partner

- Malaysia imports more from the United States than any other country except Japan.
- The United States is Malaysia's largest export market, accounting for nearly one-fifth of Malaysia exports.
- The United States is the largest foreign investor in Malaysia.

U.S. Exporters Have Much to Gain From FTA with Malaysia



- One-third of Malaysia's industrial goods tariffs have no legally bound ceiling
- Malaysia's non-tariff barriers include import licensing and certification requirements.

Opportunities for U.S. Manufacturers

Sector by sector, Malaysia's industrial goods tariffs exceed those of the United States

| | Malaysia | U.S. |
|--|--------------------|--------------------|
| <u>Industrial Goods Applied Tariffs</u> | <u>9.1%</u> | <u>3.7%</u> |
| Wood, pulp, paper, and furniture | 10.9% | 0.7% |
| Textiles and clothing | 13.5% | 9.6% |
| Leather, rubber, footwear, and travel goods | 14.0% | 4.3% |
| Metals | 9.3% | 2.1% |
| Chemicals and photographic supplies | 3.6% | 3.4% |
| Transport equipment | 18.5% | 3.2% |
| Non-electric machinery | 3.7% | 1.2% |
| Electric machinery | 6.7% | 1.9% |
| Mineral products and precious stones | 8.8% | 2.0% |
| Manufactured articles not specified | 5.1% | 2.5% |
| Fish and fish products | 2.4% | 1.1% |

NAM estimates that US manufacturing exports to Malaysia could double by 2010 under an FTA

Opportunities for U.S. Agricultural Exporters

- \$400 million market for U.S. agricultural exporters in 2005
- Producers of high value products, including U.S. growers of fruit, vegetables, nuts, and processed horticultural and other food producers benefit

| Product | Malaysian Applied Tariff | Product | Malaysian Applied Tariff |
|------------------------------|---------------------------------|--|---------------------------------|
| Yogurt | 25% | Pineapple Juice | 30% |
| Processed Cheese | 10% | Soups and Broths | 20% |
| Kiwifruit | 25% | Baby Food | 20% |
| Rice | 40% | Protein Concentrates | 20% |
| Confectionery | 15% | Yeasts and Other Food Preparations | 20-25% |
| Chocolate and Cocoa Products | 10-25% | Sauces, including Ketchup, Tomato Sauce, and Soy Sauce | 20% |
| Canned Fruit Mixtures | 10-20% | Mineral Waters and Other Nonalcoholic Beverages | 20% |

Opportunities for U.S. Service Providers

Benefits expected in range of service sectors, where market access is limited and U.S. companies are highly competitive:

- High-tech and computer
- Telecommunications
- Financial services
- Energy
- Distribution
- Healthcare
- Audio visual

Malaysia – A strong strategic partner

- Important partner in regional and multilateral fora (APEC, WTO Doha negotiations)
- Moderate leader in developing and Muslim worlds
- Constructive partner on counterterrorism and other security issues

US-Malaysia FTA – Supports US Engagement in Southeast Asia

- Southeast Asia among most vibrant, rapidly-growing regions of world and key U.S. market
- The 10 ASEAN economies:
 - GDP of \$2.7 trillion.
 - Population of 570 million
 - U.S.'s 4th largest export market (\$50 billion)
 - U.S.'s 5th largest source of imports (\$99 billion)
- US-Malaysia FTA supports President Bush's Enterprise for ASEAN Initiative, aimed at intensified engagement with region and creation of a network of FTAs

US-Malaysia FTA -- Part of Active U.S. Engagement in Asia

- Opening most dynamic Asian markets to U.S. business:
 - Singapore FTA in force since January 2004
 - Thailand FTA under negotiation
 - Korea FTA launched January 2006
 - Malaysia FTA launched March 2006
- 4 FTA partners gives U.S. companies increased access to:
 - \$1.9 trillion market
 - 6th largest world market
- Will give U.S. business a competitive edge in Asia:
 - By strengthening U.S. supply chains
 - By providing U.S. companies with same access as firms in other countries negotiating preferential trade agreements
- Encourages economic liberalization in the region