MINISTRY OF
INVESTMENT, TRADE AND INDUSTRY

FREQUENTLY ASKED QUESTIONS ABOUT THE MALAYSIA–USA'S AGREEMENT ON RECIPROCAL TRADE

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SOVEREIGNTY AND ENFORCEMENT UNDER THE ART

1. Does Article 5.1 of the Reciprocal Trade Agreement (ART) force Malaysia to follow U.S. sanctions and undermine our neutrality policy?

a. Article 5.1 of the ART does not require Malaysia to follow U.S. sanctions. Instead, if an issue arises involving shared security or economic interests, Malaysia and the U.S. must first hold discussions before deciding on any action.

b. Malaysia remains free to make decisions based on its own laws, national policies, and interests. Malaysia also does not need to amend existing laws to sign the ART, which proves that national sovereignty is not compromised.

c. Article 5.1 also provides that Malaysia only needs to act if the issue involves shared economic or security interests. If it does not affect national economic or security interests, Malaysia is not obliged to comply.

d. In essence, Clause 5.1 recognises Malaysia's sovereignty because it is implemented according to the following principles:

- Malaysia's national interests and security;
- Malaysian law, not U.S. law;
- Issues that arise will first be discussed with the U.S. to reach a mutual understanding; and
- Any action Malaysia takes will be based on an appropriate timeline to enable a prior cost–benefit analysis.

e. Without the ART, the risk of unilateral U.S. action against Malaysia is higher. With the ART, trade relations are more stable and Malaysia's export sector operates in a clearer, certain and predictable environment.

f. In conclusion, Article 5.1 does not bind Malaysia to follow U.S. sanctions; it guarantees a window for dialogue, prioritises national sovereignty, and maintains Malaysia's policy of neutrality.

2. Could Article 5.2 on export controls and cooperation with the United States undermine Malaysia's sovereignty?

a. Article 5.2 merely states that Malaysia and the U.S. will cooperate in controlling trade in technology and goods categorised as "sensitive." However, any implementation remains subject to Malaysian law.

b. For reference, Malaysia already has its own legal framework such as the Strategic Trade Act 2010, which governs the export, transit, and transfer of sensitive technologies in line with international standards.

c. In short, Malaysia retains its decision-making power based on its own laws while strengthening its reputation as a trusted trading and global supply-chain partner.

3. Could Articles 3.3 and 5.3 of the ART affect Malaysia's authority or sovereignty?

a. Articles 3.3 and 5.3 do not grant the U.S. the power to compel Malaysia to make any decision. They simply require that discussions or consultations be held before any action is taken.

b. Article 3.3, which concerns inter-government digital trade agreement only sets out the procedures for a dialogue. This Article does not provide the U.S. with the power to approve, object or veto ultimate decisions made by Malaysia.

c. Article 5.3 applies only if a new trade agreement is concluded in the future. If the U.S. wishes to withdraw from the ART, that would be deemed a last resort and could only occur after due consultations and joint resolution processes. This also does not affect existing agreements such as the ASEAN FTA.

4. Will Article 6.2 of the ART limit the role of government-linked companies (GLCs) or open the door to external interference?

a. Article 6.2 neither limits the role of GLCs nor cedes control to external parties. Rather, it ensures that business and trade activities are conducted transparently, fairly, and in line with international practices.

b. GLCs will continue to play a strategic role in driving economic growth, safeguarding key national sectors, and fulfilling social responsibilities to the people.

c. The Government retains full authority to support GLCs, including through initiatives that protect public welfare, strengthen the Bumiputera economy, and ensure inclusive development.

d. The agreement simply ensures that all parties, including international investors can compete on a level playing field, without undermining Malaysia's right to implement economic policies that serve national interests and public well-being.

5. What are the implications for Malaysia's export market if the ART is not signed?

a. Malaysia–U.S. bilateral trade in 2024 totalled RM325 billion, with Malaysia's exports to the US valued at RM198.65 billion (making the U.S. Malaysia's largest export market). For January–September 2025, exports to the U.S. amounted to RM166.38 billion.

b. If the ART is not signed:

- Malaysian exports will be subject to reciprocal tariffs at the original rate of 24% or higher (30%, 40%, 50%, or any rate deemed appropriate by the United States).
- No Malaysian exports would be exempted from the 19% reciprocal tariff;
- Exports under Section 232 of the Trade Expansion Act 1962 (such as semiconductors and pharmaceuticals) which are expected to be finalised by end-2025, will risk high tariffs. For reference, Malaysia's semiconductor exports to the U.S. were RM56.2 billion (2024).

c. Malaysia must safeguard access to this critical U.S. market, which has been negotiated in the national interest and for economic continuity. The agreement touches the livelihoods of millions of Malaysians and thousands of SMEs across key sectors (Electrical & Electronics, Aerospace, Rubber, Cocoa, Pharmaceuticals). Delayed action could disrupt these industrial ecosystems and lead to loss of income.

d. If Malaysia did not act promptly or failed to maintain these trade commitments, industrial ecosystems risk disruption or cessation, resulting in lost jobs, closures of industrial operations, and direct impact on household incomes.

6. If vehicles from the U.S. are allowed into the Malaysian market without additional checks, will this heighten competitive pressure on the local automotive industry?

a. The standard tests applied to all imported and domestically produced vehicles are designed to ensure that every vehicle offered to the market is safe for consumers, not to protect the domestic industry.

b. If U.S.-origin vehicles meet or exceed these standards, it demonstrates alignment with Malaysia's policies and broadens the range of quality options available to consumers.

c. Moreover, U.S. vehicles typically occupy the premium, higher-priced segment targeting high-income consumers. As such, they do not compete directly with the local automotive manufacturers.

7. If Malaysia agrees not to impose a Digital Services Tax (DST) at the U.S.'s request, does this mean Malaysia loses the right to use taxation as an economic instrument?

a. Malaysia does not agree to abolish the DST. Article 3.1 does not require Malaysia to abolish or exempt digital taxes. It only ensures that any taxation is implemented fairly and without discrimination against U.S. companies.

b. Malaysia retains full authority to impose digital taxes. The Service Tax on Digital Services (SToDS) applies to all foreign companies–including U.S. firms–that meet the criteria, consistent with international rules and WTO practices.

c. SToDS also operates alongside the Sales and Service Tax (SST) for domestic digital services. This means that Malaysia's right to legislate, collect, and enforce taxes remains fully preserved.

d. In short, the agreement does not limit Malaysia's taxing powers; it mainly seeks to ensure transparency in its implementation.

8. Article 3.4: Malaysia cannot compel U.S. companies to surrender technology or intellectual property (IP) to operate here. How is this permissible without a U.S. free trade agreement (FTA)?

a. Article 3.4 protects companies from being forced to disclose technology, source code, or trade secrets as a condition of operating in Malaysia. This means U.S. companies are not required to surrender their IP in order to do business here.

b. However, Malaysia retains the authority to obtain access to information or technology when necessary for law enforcement, national security, financial audits, or official investigations, subject to strict legal procedures.

c. If companies wish to share technology voluntarily, this may be done through valid commercial agreements. This approach encourages structured technology transfer based on consent and mutual benefit.

d. Such provisions are not new; Malaysia has applied them in other trade agreements, and they do not confer exclusive advantages on U.S. companies.

9. Did Cambodia get a better Agreement on Reciprocal Trade than Malaysia?

a. International analysts agree that there is a difference in terms of the Agreement where Cambodia receives better treatment based on its status as a Least Developed Country. The US has given slightly different 'treatment' than Malaysia, based on Cambodia's level of development. Accordingly, the commercial considerations requested from Malaysia are higher than Cambodia based on Malaysia's higher level of development and capabilities. However, overall, many analysts have perceived Malaysia's ART package as better because Malaysia does not have to eliminate import duties on all goods imported from the US.

ECONOMIC IMPACT AND DOMESTIC INDUSTRY

10. Will tariff reductions covering 98.4% of goods from the United States harm local businesses, especially Small and Medium Enterprises (SMEs)?

a. Malaysia has not eliminated all import duties on goods from the United States. The current average import duty rate is around 7%, and more than half (57%) of products imported from any country are already duty-free.

b. Import duties are eliminated or reduced only for specific US goods, and this is being rolled out in phases. Certain tariff lines will be implemented over a period of up to nine (9) years.

c. For other items, particularly those that previously faced high import duties (up to 60%), the new rates are reduced to about 5%–15%, not zero.

d. US goods are typically more expensive due to higher manufacturing and shipping costs. This means they do not compete directly against local products.

e. Several sensitive categories, such as agricultural produce and locally manufactured cars, remain protected and are not subject to full duty elimination.

11. If halal requirements for products from the United States are relaxed, will Malaysia's global halal reputation be affected?

a. All halal products from the US remain subject to Malaysia's halal standards. Only products certified by foreign halal certification bodies recognised by JAKIM are allowed to enter the Malaysian market.

b. JAKIM conducts audits, monitoring and recognition of those US halal certification bodies. This ensures that the control, authority and integrity of halal certification remain fully under Malaysia's jurisdiction.

c. This approach simply facilitates trade and expedites halal recognition without diluting the stringency of Malaysia's halal standards, which are widely regarded as among the most trusted globally.

d. JAKIM will review and audit US halal bodies themselves. This means that the halal authority and control remain in Malaysia's hands.

12. Does the term "investment" in Article 6.1.3 of the ART refer to the same thing as the RM1 trillion figure mentioned by the minister?

a. Article 6.1.3 refers to investments made by Malaysian companies in the United States, and not to the RM1 trillion figure.

b. The RM1 trillion figure includes commercial transactions such as purchases by private companies and GLCs for their own operations. These are business decisions, not the government's financial commitments.

c. Both matters are driven by the private sector, with decisions made on commercial considerations that benefit the economy and the national interest.

13. Must Malaysia abolish the broadcast licence condition requiring 80% local content and allow more foreign content during prime time? What are the implications for the local broadcasting industry?

a. At present, there is no regulation mandating 80% local content for all new stations. In fact, foreign content is already permitted during prime time in line with the Communications and Multimedia Act 1998.

b.Content oversight remains under the jurisdiction of the Malaysian Government. All stations are subject to censorship, local content guidelines, and regulations that safeguard language, culture and national interests.

14. Article 3.2(b) mentions “trusted cross-border data flows with appropriate safeguards.” What does this mean, and will it give US companies unfettered access to Malaysians’ data?

a. Article 3.2(b) does not grant US companies free access to Malaysians’ data. It provides that cross-border data transfers may occur securely and with appropriate safeguards, consistent with international practice in the digital economy.

b. This provision does not override Malaysian law. Any data transfer remains subject to the Personal Data Protection Act (PDPA) 2010 and other applicable regulations. Data may be transferred only if it meets the security and privacy requirements set by the Government of Malaysia.

c. “Appropriate safeguards” means foreign companies, including those from the United States, must comply with Malaysia’s data security standards when handling data originating from Malaysia.

d. In short, Article 3.2(b) facilitates legitimate digital commerce and lawful data flows between countries, while citizens’ privacy rights and national data control remain under Malaysia’s jurisdiction.

15. To what extent does restricting Malaysia’s nuclear procurement to certain countries—except in cases of no viable alternatives as per Article 5.3.4—affect its sovereign right to determine its own energy partnerships and strategic autonomy?

a. The operative clause here is "except where there are no alternative suppliers on comparable terms and conditions". This means that Article 5.3.4 does not limit Malaysia's decision-making right on nuclear technology procurement. If there is a country that can supply nuclear energy technology on more competitive terms and prices, Malaysia is free to procure nuclear technology from that country.

16. Will strategic cooperation with the United States in critical minerals and rare earth elements (REE) undermine national policy or interests?

a. Malaysia maintains its policy of prohibiting the export of unprocessed REE raw materials. This approach is intended to ensure value is created domestically through processing and manufacturing, rather than exporting low-value raw materials.

b. Cooperation with the United States and other partners such as Australia, is not about taking over the local industry, but about accelerating technology development, knowledge transfer and attracting high-quality investment into the country.

c. All cooperation will be carried out in accordance with Malaysia’s laws and policies. Control over the strategic REE sector remains with Malaysia, while creating jobs, industrial growth and opportunities for local enterprises.

17. If Malaysia has agreed to develop the critical minerals and REE sector with US companies, can local firms still collaborate with other countries?

a. Malaysia remains open to working with any country that brings technology, expertise and investment to support the full value chain of the critical minerals and REE industry, from exploration and extraction to end-product manufacturing.

b. The Government's priority is for local companies to become active participants, not merely observers. Through viable, high-technology foreign investment, Malaysia can develop a new source of economic growth that delivers added value to the nation.

c. This development aligns with national policies such as the New Industrial Master Plan 2030 (NIMP 2030) and the National Advanced Materials Technology Roadmap (NAMTR 2021–2030), and supports growth in high-tech sectors including electronics, electric vehicles (EVs), aerospace, medical devices and renewable energy.

18. If Petroliam Nasional Berhad (PETRONAS) is an oil and gas producer, why does Malaysia still purchase liquefied natural gas (LNG) from the United States? Is this detrimental to the country?

a. PETRONAS's proposed LNG procurement from the United States is part of a commercial strategy to ensure supply stability and meet domestic and international contractual commitments.

b. This step is taken because PETRONAS's long-term supply commitments exceed current production capacity. Procuring LNG from other producing countries, including the United States, allows PETRONAS to optimise supplies and ensure stable deliveries to customers.

c. These agreements are commercially negotiated. PETRONAS sells LNG at competitive international market prices to ensure profitability and deliver value to the nation.

d. This is not dependence on the United States; it is a strategic diversification of supply sources to strengthen PETRONAS's global portfolio and maintain its position as a competitive energy leader.

19. How will the ART affect existing development plans such as RMK13, NIMP 2030 and the MADANI Economy?

a. The ART supports and strengthens the national development agenda.

b. It aligns with the 13th Malaysia Plan (RMK13) by helping to drive sustainable economic growth and opening new export opportunities for local companies.

c. The ART also contributes to achieving the targets of the New Industrial Master Plan 2030 (NIMP 2030), particularly in accelerating industrial transformation towards a more modern, digital and environmentally friendly economy.

d. In line with the MADANI Economy principles, the agreement ensures that economic growth translates into public benefit through more quality jobs, higher incomes, and by reinforcing Malaysia's position as a trusted global trading partner.