



MINISTRY OF
INVESTMENT, TRADE AND INDUSTRY



MEDIA STATEMENT



MALAYSIA'S POSITION ON UNITED STATES SECTION 301 TRADE INVESTIGATIONS FINDING ON FORCED LABOUR PUBLISHED BY USTR ON 2 JUNE 2026

1. Background

Following the United States Supreme Court's ruling on 20 February 2026 striking down the IEEPA-based reciprocal tariff, the 19% tariff against Malaysia was deemed null and void. The United States then imposed a temporary 10% tariff under Section 122 Trade Act 1974, whereby this temporary tariff is only valid for 150 days and is set to expire on 24 July 2026.

2. The Section 301 Investigations

Under Section 301 of the Trade Act of 1974, the USTR has the right to conduct investigations to address trade imbalances across four areas:

- (i) forced labour,
- (ii) excess capacity,
- (iii) state subsidies, and
- (iv) environmental practices.

Two investigations were initiated against Malaysia on 11 March and 12 March 2026 relating to **excess capacity** and **failure to address the importation of goods with forced labour content, respectively**. In response, Malaysia submitted its formal comments on 15 April 2026 and appeared before the USTR on 12 May 2026.

3. The Forced Labour Finding

On **2 June 2026**, the USTR published its findings on Section 301 investigations on forced labour against Malaysia. Following its findings, USTR proposed a **10% tariff** on Malaysian goods upon the expiry of the tariff under the Section 122 Trade Act 1974 on **24 July 2026**, the lower of the two proposed rates applicable across all 60 investigated countries. Malaysia receives this lower rate specifically in recognition of its commitment under the **Agreement on Reciprocal Trade (ART)** with the United States to implement a forced labour import prohibition. Countries without such a commitment face a higher proposed rate of 12.5%.

This finding does not mean Malaysia practices forced labour and is not a reflection of the labour conditions in Malaysia. What the USTR report found is that Malaysia does not yet have **a specific import prohibition law to screen goods and raw materials entering Malaysia from third countries with forced labour content** and the Government is actively working to address this import gap.

Malaysia has a comprehensive domestic legal framework prohibiting forced labour, amongst others, the Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007, the Employment Act 1955, and the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2021, National Wages Consultative Council Act 2011, enforced rigorously by the relevant authorities.

4. No Final Tariff Has Been Imposed

It must be noted that no final tariff determination has been made against Malaysia yet. The 10% tariff is a proposed action only. Any tariff rate will only be imposed after USTR completes its full investigation process and issues a formal determination.

The proposal is currently subject to a public consultation process. Requests to appear at the hearings together with a summary of testimony must be submitted by **22 June 2026**. Written comments are due by **6 July 2026** and public hearings are scheduled for **7 July 2026**. A final decision is expected in late July 2026, around the time of the expiry of the Section 122 temporary tariff on **24 July 2026**, with the Section 301 tariffs intended to take effect upon that expiry. Malaysia will continue to engage USTR actively throughout this process, including at the hearings, to present our case and protect Malaysian trade interests.

5. No Excess Capacity

Regarding excess capacity, Malaysia reiterates that it does not have excess industrial capacity that distorts or disrupts global markets. Malaysia's industrial output reflects genuine demand. Malaysia has submitted detailed evidence to this effect and will defend this position before USTR. USTR has yet to come out with any findings and propose actions with regards to this investigation.

6. Conclusion

Malaysia is a responsible trading nation with strong worker protections and a firm commitment to fair trade. Malaysia has consistently abided by and upheld the rules-based international trading system, honouring its obligations under bilateral, regional, and multilateral trade agreements. The Government will continue to engage the United States at all levels and will provide further updates as the process progresses.

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