



MINISTRY OF  
INVESTMENT, TRADE AND INDUSTRY



**MEDIA STATEMENT**



## **SOVEREIGNTY MAINTAINED, DUE PROCESS OBSERVED IN MALAYSIA-US AGREEMENT ON RECIPROCAL TRADE (ART)**

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The Ministry of Investment, Trade and Industry (MITI) reiterates that Malaysia's **sovereignty**, policy **autonomy** and **national interests** remain fully protected under the Malaysia–United States Agreement on Reciprocal Trade (ART), bearing in mind that the ART is not a conventional free trade agreement initiated by Malaysia. It is a **measured response** to defend national interests, protect jobs and maintain Malaysia's export markets against the U.S.'s unilateral tariffs imposed on Malaysia and many other trading partners. No amendments to Malaysian laws were required as a precondition to signing – which affirms our sovereignty in the whole negotiation process.

Prior to signing the ART, the Government undertook a **rigorous due process**. All relevant ministries and agencies were involved in **assessing legal, economic, security and sectoral implications**. MITI also conducted scenario analyses with relevant ministries, which showed that **inaction or refusal to engage would likely have led to significantly higher tariffs, wider product coverage and greater uncertainty for exporters, investors and workers**. It must be borne in mind that the ART is not a free trade agreement, and the sense of urgency was crucial to help continue securing Malaysia's top export market.

In terms of due process, MITI would like to place on record that **at least ten (10) engagement sessions with policymakers** have been organised since May 2025:

1. Briefing Session to the Backbenchers Club (BBC) (4 May 2025);
2. Special Parliamentary Sitting on the Issue of the United States' Reciprocal Tariff (5 May 2025);
3. Meeting with the Special Select Committee on International Relations and International Trade (28 July 2025);
4. Ministerial Statement Session on the ART Agreement in Parliament (4 August 2025);
5. Briefing Session to the Backbenchers Club (BBC) (5 August 2025);

6. Ministerial Question Time Session (7 August 2025);
7. Briefing Session to the Opposition Bloc (19 August 2025);
8. Ministerial Question Time Session on (16 October 2025);
9. Briefing Session on the ART Agreement to the Backbenchers Club (BBC) (29 October 2025);
10. Ministerial Statement Session on the ART Agreement in Parliament (29 October 2025).

The ART, together with its implications, was **presented to and approved by the Cabinet**. Additionally, **engagement sessions** with relevant ministries include the **Ministry of Finance** (on tariff and fiscal implications); **Ministry of Foreign Affairs** (on diplomatic alignment); the **Ministry of Agriculture & Food Security, Ministry of Plantation Industries & Commodities** and the **Ministry of Health** (on food safety and security)

Agencies consulted include the **Attorney-General's Chambers** (to ensure constitutional alignment and compliance); **Bank Negara Malaysia** (on macroeconomic, financial services and currency impact); **JAKIM and Department of Veterinary Services** (on halal standards, sanitary and phytosanitary measures); **National Pharmaceutical Regulatory Agency and Medical Device Agency** (on technical regulations and marketing authorisation); and **Royal Malaysian Customs Department** (on Customs duties and taxes).

In 2024, Malaysia–U.S. trade reached RM325 billion, with exports making up RM198.65 billion. From January to September 2025, Malaysia's exports to the U.S. totalled RM166.38 billion, making the U.S. effectively Malaysia's **largest export market**. Without ART, Malaysian exports could have been subject to tariffs of 24%, 25% or even higher, with risks of further unilateral escalation and steep tariffs on sensitive sectors such as **semiconductors** and **pharmaceuticals**, potentially impacting RM56.2 billion in semiconductor exports alone. An adverse outcome would have jeopardised thousands of businesses and the livelihoods of millions of Malaysians across key sectors including **E&E, aerospace, rubber, cocoa and pharmaceuticals**.

Through the ART, Malaysia secured tangible gains. The reciprocal tariff rate has been reduced from 25% to 19%, the lowest applied to most ASEAN countries with a trade surplus with the United States. More importantly, **Malaysia obtained exemptions for 1,711 tariff lines, safeguarding around RM22 billion in exports covering palm oil, rubber, cocoa, aerospace parts and pharmaceuticals.** With the exemption, there is also **strong potential for this value to grow beyond RM22 billion in future.** At the same time, **Malaysia has maintained on average 7% import duties against U.S. goods** and continues to maintain import duties for sensitive sectors.

From the outset, the Government also stood firm on **clear red lines** which include **Bumiputera policies, government procurement, and ownership in strategic sectors** such as **energy and telecommunications.** No clause in the ART overrides these red lines. Provisions such as Article 5.1 (on complementary actions) and Article 5.2 (on export controls) are explicitly anchored in Malaysia's domestic laws and apply only where there are shared economic or national security concerns. Malaysia retains **full autonomy** to decide its course of action, consistent with its longstanding **neutral and non-aligned** foreign policy. Articles 3.3 and 5.3 require consultations with the U.S. but do not confer any veto power over Malaysia's future trade agreements.

Malaysia's manufacturing and export sectors that support the U.S. supply chain has provided **1.1 million jobs for Malaysians and opportunities to at least 7,000 SMEs.** Malaysia values all its key markets, as each market has its own unique trade profile that may not be easily replicated elsewhere. ART has also provided **certainty to investors and the export sector.** For the period **Jan-Sep 2025**, this confidence is also reflected in the **steady increase of exports, as well as approved investments** in Malaysia, which collectively contributed to the 5.2% GDP growth for 3Q 2025.

The ART therefore functions as a **defensive, stabilising instrument.** It **mitigates the risk of sudden tariff shocks, secures better treatment than many peers facing the same U.S. unilateral measures,** and sends a clear signal that **Malaysia is committed to protecting critical export markets** while upholding its sovereign right to regulate in the national interest. Finalising the ART reinforces Malaysia's position as a **resilient, predictable and trusted trading nation** in an increasingly challenging geopolitical and economic environment.

MITI welcomes genuine and well-informed, fact-based discourse and discussions on sovereignty and other concerns related to ART. The Ministry will continue to brief Parliament, engage stakeholders and provide clear explanations so that the rakyat can evaluate the ART based on accurate and complete information. Implementation of the ART will remain firmly grounded in Malaysia's laws, national interest and independent foreign policy.

## **MINISTRY OF INVESTMENT, TRADE AND INDUSTRY (MITI)**

**17 November 2025**

### About MITI:

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation.

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