

## **TEXT**

### **MINISTER OF INVESTMENT, TRADE AND INDUSTRY**

# **MAINTAINING AND STRENGTHENING MALAYSIA'S TRADE AND INVESTMENT COMPETITIVENESS IN FACING GLOBAL GEO-ECONOMIC CHALLENGES THROUGH THE MALAYSIA-UNITED STATES AGREEMENT ON RECIPROCAL TRADE**

**WEDNESDAY, 29 OCTOBER 2025**

## **A. INTRODUCTION**

Tan Sri Speaker,

1. After five months of intensive negotiations, spanning from 6 May to 17 October 2025—during which Members of Parliament were briefed by the Honourable Prime Minister regarding the imposition of reciprocal tariffs on 5 May, and by myself on the progress of negotiations on 4 August, in addition to numerous media interviews—finally, Alhamdulillah, on Sunday, 26 October 2025, the

Honourable Prime Minister and the President of the United States (US), Donald J. Trump, signed the Agreement on Reciprocal Trade (ART).

2. Even after the agreement is signed, the scrutiny persists. That is to be expected. This MADANI Government welcomes scrutiny, but it must be founded on facts, not baseless accusations or sheer fabrication.
  
3. I must stress that this negotiation was not one we sought. Unlike typical trade agreements, which are driven by mutual interest, this was a unilateral tariff imposed upon us, and on hundreds other nations trading with the US. Whether we like it or not, we were forced to confront a reality that is, as we have repeatedly stated, entirely unbalanced. Some Members of this House suggest we surrendered too much ground in these talks. The fact remains, **this is the geopolitical reality of an open trading nation facing the world's largest economy, which is also our biggest export market.** In 2024, total Malaysia-US trade recorded **RM325 billion**, with Malaysian exports amounting to **RM198.65 billion**. For the period of **January to September 2025**, our total exports to the US were **RM166.38 billion**. **This is a vital market for Malaysia, and we had no choice but to rise and defend**

**our access against the pressure of the U.S. Government's unilateral reciprocal tariffs. We negotiated because it was vital for our national and economic interests.**

4. As a responsible Government, we did not offer excuses or seek to find fault. Instead, we acted swiftly, cautiously, and wisely, engaging in negotiations to defend the well-being of our businesses, protect the livelihoods of all Malaysians, maintain our export markets, and uphold the dignity of the country—all done practically, firmly, based on the principles of an independent and sovereign nation.

On that basis, I intend to answer each and every concern raised by the Honourable Members. But before that, allow me to first explain the key elements of this Agreement on Reciprocal Trade with the United States.

## **B. KEY ELEMENTS OF THE AGREEMENT ON RECIPROCAL TRADE**

Tan Sri Speaker,

1. We must recognise that this agreement involves the

livelihoods of millions of Malaysians who rise every morning to work and earn a living across various sectors such as E&E, aerospace, rubber, cocoa, and pharmaceuticals. If we had been careless, complacent, slow to act, or failed to stand firm, they would be the ones who lose their jobs and sources of income—not the Honourable Members sitting comfortably in this House.

2. Therefore, when evaluating the ART, several facts must be clearly understood:

i) Reciprocal tariffs were **imposed on all U.S. trading partners**, not just countries with a trade surplus with the US, but also those with deficits, such as Singapore and Australia. Recall that on **2 April 2025**, Malaysia was imposed a tariff rate of **24%**, which was **later raised to 25% in July 2025** due to the Malaysia-US trade imbalance. Back then, the US cited various tariff and non-tariff barriers that caused it to face a high trade deficit with Malaysia. **Although Malaysia was in a better position than other countries exporting similar goods** (like Vietnam at 46%, Thailand at 36%, and Indonesia at 32%), **we decided to commence negotiations as early as May 2025 to secure a lower tariff rate, ensuring Malaysian exports remained competitive. This proactive approach was deemed**

**more favourable to inaction or retaliation** against the world's major economic power. The option of **retaliating or not negotiating** would have **jeopardised an export market worth RM198.65 billion across various sectors supporting our economy, including SMEs, and affecting millions of Malaysian workers.**

- ii) Based on impact assessments and various scenarios, **our negotiations with the U.S. adopted a whole-of-nation approach, spanning multiple Ministries, Agencies, and the private sector, with the goal of achieving a mutually beneficial agreement.** It is important to emphasise that **throughout the process, Malaysia adhered strictly to the principle of neutrality, the whole-of-nation approach, and always ensured that our national interests and sovereignty were protected and upheld.** The negotiating team **stood firm on issues involving our red lines: specifically, Bumiputera rights, Government procurement policies, and demands for the full equity liberalisation of strategic sectors such as energy and telecommunications.** If anyone dares to claim we are 'selling the country,' I challenge them to produce a single clause that

**violates or crosses these red lines. There is none. The reality, Tan Sri Speaker, is that to gain better terms, we could have simply relinquished the very red lines we fought so hard to protect. Even then, there's no guarantee of lower tariffs. Yet, we did not compromise. This is a matter of national dignity and sovereignty, and this Government, as true Malaysians, will never allow our sovereignty to be undermined.**

- iii) ART contains clauses that guarantee national sovereignty, where the implementation is based on the country's economic security interests and is grounded in domestic laws and regulations. The US also agreed that any steps taken to address trade imbalances must be resolved through a negotiation mechanism to achieve mutual understanding. For example, Article 5.1.1 should not be seen as Malaysia blindly following US sanctions against other countries. On the contrary, the provision, through the phrases "in accordance with domestic laws and regulations" and "within a mutually acceptable timeline," grants Malaysia the legal and diplomatic space to avoid taking action against other nations. We only need to consult with the US, and if action is required, we can proceed**

based on our own domestic laws and mechanisms. Furthermore, any action taken by Malaysia must pertain to a **"shared economic concern"**—an **issue of common concern** to both Malaysia and the US. If a matter does not affect Malaysia, we are not obligated to take the same actions. I want to emphasize: this is not a license for the United States to dictate our foreign policy. It is **a commitment that if there is a shared concern, we discuss and negotiate as strategic partners, not as a subordinate nation.** That is the fundamental difference.

- iv) The clear main outcome of the six-month negotiation is **Malaysia's success in reducing the tariff rate imposed by the US from 25% to 19%**, the lowest rate applied to ASEAN countries with trade surpluses with the United States. More encouragingly, Malaysia also **secured exemptions from this 19% reciprocal tariff for 1,711 tariff lines on Malaysian products exported to the US.** These cover our main exports such as **palm oil, rubber-based products, cocoa products, aircraft components and spare parts, and pharmaceuticals, collectively contributing up to RM22 billion (USD5.2 billion), or approximately 12% of our total exports to the US in 2024.** This is a

significant figure, and the Agreement ensures **continued market access** for Malaysian exports to the US.

- v) Had the ART Agreement not been concluded promptly, Malaysia faced the risk of the US Government raising the tariff rate back to **24%** or significantly higher—30%, 40%, 50%, or even 100%. The U.S. has shown that it can take such action in negotiations with other countries. A failure to finalise this agreement could have meant higher tariffs, severely affecting the competitiveness of Malaysian exports. Who would bear the loss and be forced to close their business? Our companies. Who would lose their jobs and sources of income? Our own citizens.
  
- vi) Furthermore, **the uncertainty would have eroded investor confidence on fresh investments or expanding existing ones in Malaysia. Predictability and certainty are paramount for the business community.** Tan Sri Speaker, **investors do not commit to a country that appears hesitant or unwilling to protect its own export markets.**

## C. ADDITIONAL BENEFITS OF ART AGREEMENT

Tan Sri Speaker,

1. Taking a broader view, Malaysia also enjoys **additional benefits** following the signing of the ART Agreement, including the following:

i) **As part of the negotiation package, the Malaysia-US bilateral relationship has been upgraded to a Comprehensive Strategic Partnership. This is not merely symbolic.** It places Malaysia in a small, key group of Washington's partners, providing us with a direct line of sight to high-technology investment opportunities, technology transfer, and more secure supply chain access.

ii) In terms of **trade and investment**, Malaysia is **now considered a trusted supply chain partner to the U.S.** This is expected to further facilitate the flow of **strategic and high-tech goods, thereby helping us achieve the goals of the New Industrial Master Plan 2030 (NIMP 2030).** This status enhances our economic competitiveness and furthers the aspiration

of the MADANI Economic Framework to position Malaysia among the world's 30 largest economic powers.

- iii) **As a trusted supply chain partner, Malaysia has high potential to attract more investments from the US and other countries seeking to export to the US market, thereby reinforcing our position as a preferred investment hub in the region. For the record, approved investments from the US recorded RM10.4 billion from January to June 2025, with cumulative investment reaching RM218.2 billion up to 2024.**
  
- iv) **Based on Malaysia's high commitment through the ART, the US Government stated that this would be considered favourably in determining the outcome of the investigation under Section 232 of the US Trade Expansion Act of 1962 for the semiconductor industry, expected to be finalised by the end of 2025. In other words, our semiconductor sector—which contributed RM56.2 billion in exports to the US in 2024, nearly 10% of total US semiconductor imports—is now negotiating as a critical supply chain partner, not just a regular**

**vendor.**

- v) Most importantly, the **ART Agreement provides certainty and predictability, which are essential elements in the world of business and investment.** And let me emphasise this: **when other countries eventually reference this Malaysia-US framework as a benchmark,** let no one dare say that Malaysia is merely 'following others'. In this instance, **other countries will be following Malaysia's framework.**

#### **D. ISSUES RAISED FOLLOWING THE SIGNING OF THE ART AGREEMENT**

Tan Sri Speaker,

1. Allow me to respond to the issues raised by the Honourable Members. Numerous allegations are circulating on social media, including from individuals who may not have read the full text of the agreement, yet speak as if they were at the negotiating table. I will address them one by one based on facts:

- i. **Purchases Amounting to RM1 Trillion from the U.S.:** The procurement list under Section 6 of this Agreement, titled the Commercial Considerations Commitment, is nothing new. I explained this last August in Parliament. Maybe the MP for Pasir Gudang was absent then. It is okay, I shall reiterate it today: the proposed purchases by those companies are pre-planned procurement and do not involve any Government funds. We simply asked multinational corporations (MNCs) and Government-Linked Companies (GLCs) about their existing procurement plans from the United States and compiled the list. Even without the tariffs, these companies would still proceed with these planned procurements.
- For example, the Boeing aircraft purchases by Malaysia Aviation Group were announced in March 2025, way before the tariff announcement by President Trump.
  - The same applies to the proposed LNG procurements by PETRONAS. PETRONAS has long sourced LNG from various countries, including the U.S., even before the tariffs were announced. These procurements are part of a commercial strategy to ensure supply stability

and fulfil domestic and international contractual commitments, especially since PETRONAS's long-term supply commitments currently exceed existing production capacity

- **This is not a political directive from Washington. It is PETRONAS's commercial decision to ensure a stable supply, honour contracts, and prevent the country from facing an energy crisis. A sovereign nation must maintain diverse energy sources and options—that is energy security, not dependence.**

## ii. Halal Standard Compliance

- As all Honourable Members are aware, Halal standards represent a red line that the Government has never compromised during the ART negotiations.
- I wish to emphasise that claims that Malaysia is compromising on Halal issues are unfounded. Under the ART Agreement, the process for approving halal imports from the US remains the same: imports must comply with Malaysian Halal standards and the Trade Description Act (Halal Certification and Labelling Order 2011) for trade within Malaysia.

- ART stipulates that only halal products certified by a **U.S. halal certification body recognised by the Department of Islamic Development Malaysia (JAKIM) and meeting Malaysian halal requirements** will be permitted for export to Malaysia
- I wish to emphasise that JAKIM's recognition of any U.S. halal certification body **is based on rigorous auditing and certification processes** that assess capability and compliance with Malaysian halal standards.
- This means that full control over standards, criteria, and halal recognition **remains under JAKIM's jurisdiction**. No relaxation of Malaysian halal standards or procedures.
- Therefore, **if anyone attempts to fear-monger by claiming that "our halal standards will be determined by America," I must emphasise to this Honourable House that this is not true**. Malaysia's halal standards are determined by Malaysia, certified by JAKIM, and maintained by the Muslim community in this country. Full stop.

- From a trade perspective, **this approach aims to streamline administration and facilitate export-import activities without compromising the integrity of Malaysia’s halal system** or the country’s standing as an international benchmark for halal standards.

### iii. **Critical Minerals Sector and Rare Earth Elements (REE)**

- There are allegations that Malaysia is relaxing restrictions to allow the export of critical minerals and REEs to the U.S., with some portraying this as a push for “short-term gains” that would undermine national strategic objectives.
- For the information of all Honourable Members, Malaysia continues to maintain a policy prohibiting the export of raw REEs to ensure the development of a local downstream industry. What does this mean? **It means value addition must occur in Malaysia. High-skilled employment must be created in Malaysia. Processing technology must be developed in Malaysia. We no longer wish to be a country that merely extracts and ships out cheap**

**raw materials, as in the past.** Currently, Malaysia encourages foreign investment and technology partnerships for the mining of raw REEs to develop a more integrated domestic industrial ecosystem. In this regard, Malaysia welcomes strategic cooperation with the U.S. or other countries in developing the local REE industry, especially potential tripartite cooperation among Malaysia, the U.S., and Australia (Lynas). **I reiterate: any development of national strategic resources will be effected in accordance with Malaysian law, on Malaysian soil, under Malaysia's sovereignty.** Not at the mercy of foreign investors.

- **I would also like to emphasise an important point to prevent any confusion or misrepresentation.** Our policy is not to permanently hinder trade. Our policy is **to prevent the export of unprocessed,** cheap raw materials so that value addition occurs in Malaysia first. **Just as in other sectors such as oil and gas, rubber, cocoa, and palm oil, Malaysia does not prohibit exporting finished products and processed goods. The same principle applies to REEs and critical minerals.** After processing domestically in accordance with our laws and standards, and after that value is created here, high-

value downstream products may be exported as part of the global supply chain. **This is how we ensure high-skilled employment, processing technology, and the industrial value remains in Malaysia, rather than being diverted as raw ore at low prices.**

- In general, the facilitation measures and all investments under this Agreement will continue to be implemented **in accordance with national laws and policy**. This is to ensure that the **strategic sector remains protected while simultaneously enhancing new opportunities for our people and the domestic industry.**

## **E. Closing**

Tan Sri Speaker,

1. Based on **the factors above, and the relative concessions granted by the U.S. side compared with initial demands, this ART Agreement is indeed a mutually beneficial** arrangement for both parties, **including Malaysia's business and export sectors**. This view is supported by various local industry associations. In

fact, many members of the industrial community have told MITI directly that if these negotiations failed, they would not only lose profits but may be forced to close operations and lay off Malaysian workers. This is the reality we confront daily, outside political platforms or social media rhetoric.

2. I would also like to reiterate that Malaysia's approach in negotiating ART is **grounded in openness and long-term national interests, focusing on safeguarding the viability of companies, including small and medium enterprises (SMEs) and Malaysians** who earn livelihoods through the broader business and manufacturing ecosystem, with the U.S. as the export destination.
  
3. **These negotiations do not imply the country's unconditional agreement to all conditions proposed by the U.S.;** rather, the ART Agreement affirms that **the door remains open** for Malaysia **to secure the opportunity to discuss and negotiate**, so issues can be resolved without compromising national interests and sovereignty. **In simple terms, the ART Agreement is not a blank cheque to the United States. It is a guardrail—one we build so that any subsequent actions must go through negotiations, rather than unilateral threats.**

4. MITI also wishes to emphasize that the **Malaysia-U.S. ART Agreement is not the sole initiative undertaken by the Government to address global geo-economics and geopolitics.** As a long-term measure, the **Government recognises that Malaysia cannot rely on one or two major markets or trading partners alone.** To that end, MITI is proactively diversifying our export destinations while strengthening Malaysia's position in existing markets. The core approach includes **reinforcing existing FTAs** and negotiating new FTAs, such as **with the Republic of Korea, the United Arab Emirates, and EFTA (Switzerland, Norway, Liechtenstein, and Iceland), which were successfully concluded this year.**

Tan Sri Speaker,

5. In finalising this reciprocal tariff agreement with the United States, I would like to record my appreciation and convey heartfelt thanks to the civil servants from MITI and across the various Ministries, Departments, and Agencies who assisted and were consulted throughout the negotiation process. These civil servants come from diverse backgrounds, with varied expertise and experience.

6. For more than six months, they had worked tirelessly, staying up late and putting in long hours to safeguard our country's interests and uphold our national dignity amid the tariff crisis we face.
  
7. The 12-hour time difference with Washington, D.C. in the United States, meant **our team in Malaysia had to negotiate during the night and early morning when the majority of Malaysians were asleep**. After those long nights, they returned to work in the daytime to carry out their core duties. Tan Sri Speaker, after each negotiation session, the proposed outcome must be referred to the relevant Ministries for feedback and then elevated for further discussion and Cabinet decision. Personally, I had even arranged a 6.00 a.m. telephone conversation between President Trump and Prime Minister YAB Dato' Seri Anwar Ibrahim.
  
8. The negotiation process was indeed complex and highly challenging. **As previously explained, this unilateral reciprocal tariff agreement is truly unprecedented**. MPs must understand that **we are not negotiating a conventional FTA, which typically takes years. The fastest FTA on record took about 18 months**. We were

negotiating under the immediate pressure of existing tariffs. **The time constraint was dictated not by Putrajaya, but by Washington.** This is why these negotiations ranked among **the fastest and most intricate in the history of our trade agreement discussions.**

9. Therefore, the success in finalising this agreement demonstrates the highest commitment of our civil servants to safeguard national interest. I am very disappointed when there are those in this House or elsewhere who mock or undermine the efforts of our negotiating team.
10. I understand that there are political attacks directed at the Government leaders, but we must not belittle the efforts and sacrifices of civil servants who have worked to ensure our nation's sovereignty. Some MPs have claimed that this agreement subjects our country to risk; I ask again: do you think that these civil servants are also willing to jeopardise our nation? Let us refrain ourselves from politicising and debate with facts, not rhetoric.
11. Tan Sri Speaker, in conclusion, this issue is not about me or any particular political party. **It is about the future of jobs and livelihoods for millions of Malaysians, the competitiveness of our enterprises, and the country's**

**economic standing in an increasingly volatile global environment.** This is our mandate as the Federal Government, and it is a shared responsibility of this esteemed Dewan.

12. I therefore appeal to all Honourable Members: we may compete in politics, but **when it comes to defending our economic interests and national sovereignty, we must stand firm together, as Malaysians—one clear, resolute, and dignified voice.** Let us not allow external forces to divide us. The world is watching how we respond under pressure. This is not an ideal situation, but together we will seek solutions that protect national interests and the welfare of the people. **Let the world see that Malaysia is not a submissive nation, but a respected and dignified country capable of negotiating with confidence, safeguarding sovereignty, defending rights, and protecting the people's interests.** Thank you.