



MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH

PRESS RELEASE

STATEMENT ON THE AGREEMENT ON RECIPROCAL TRADE BETWEEN MALAYSIA AND THE UNITED STATES

MIER expresses appreciation to the Minister of Investment, Trade and Industry for the comprehensive briefing on the reciprocal trade agreement with the United States, given during President Trump's recent visit.

Many, including us, feel that the agreement is unbalanced in favour of the United States. However, we also recognise the challenges of negotiating a bilateral agreement with a global superpower that no longer practices conventional trade negotiations. This is precisely why multilateralism under the WTO framework remains a more balanced and equitable avenue for establishing fair trading disciplines.

The United States is one of our largest trading partner, and continues to be a significant source for global demand and investments, one whose market potential and capacity we can still benefit from. The Prime Minister's invitation on behalf of ASEAN to the President of the United States, therefore, is a strategic decision that takes into account the overall wellbeing of the economy.

While some have criticised the trade deal as compromising our sovereignty, it is essential that we now adopt a forward-looking strategy to strengthen trade and investment relations with all partners in the years ahead. For a start, the zero-tariff concessions covering approximately 1,711 items should be strategically leveraged. This is particularly relevant for semiconductors, which have strong upstream and downstream linkages across multiple industries, as well as for palm oil and chemical products.

The commitments via investments by GLCs such as Malaysia Airlines and Petronas should not have raised concerns as they have been committed previously. However, prospective investments by entities such as Khazanah, KWSP, and PNB should continue to be guided by their respective independent investment assessments and governance frameworks.

Malaysia has extensive experience in trade negotiations, from the Uruguay Round to the various FTAs that followed. Our negotiators have always upheld national interests and integrity in pursuing trade access. The major trading partners recognise this, and we have included exit clauses to protect ourselves if the obligations become too burdensome.

That said, it is imperative that MITI conducts a thorough cost-benefit assessment of the trade deal and prepares domestic industries for heightened competition and a more challenging trade environment, should such conditions arise.

Tan Sri Dato' Sri Dr Sulaiman Mahbob
Executive Director
Malaysian Institute of Economic Research
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About MIER:

MIER is an independent, non-profit organisation devoted to economic, finance and business research that serves as a think-tank for the government and the private sectors. Our trustees hail from various background to ensure the institute functions as a national economic research and policy hub. We undertake independent and problem-oriented economic and policy analysis on the country's economic challenges as well as providing advice on macroeconomic management, development and future economic perspectives.

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