

Malaysia Submission to the US International Trade Commission

**Presented by H.E. Dr. Jamaluddin Jarjis
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Introduction

Chairman and Commissioners, let me begin by expressing my sincere thanks for the opportunity to speak on behalf of the Government of Malaysia this morning.

The Trans-Pacific Partnership (TPP) offers an excellent platform to realise the creation of a huge market, encompassing some of the biggest economies in the Asia-Pacific region. It also acts to introduce a new dimension to regional trade - one that could potentially change the dynamics of trade and investment between countries of the Pacific Rim and possibly even world trade.

I am pleased and honoured to share with you the benefits of the TPP for the United States and Malaysia. I am confident that the benefits of joining the TPP, will further invigorate the expansion of membership to other economies of the Asia-Pacific region.

Malaysia's Participation in the TPP

On 5 October 2010, all eight Trans-Pacific Partnership (TPP) members unanimously agreed to include Malaysia as a full negotiating member of the TPP negotiations. The decision enables Malaysia to be involved and effectively contribute in the on-going TPP Third Round negotiations in Brunei. Malaysia is the ninth member to join, along with the other current members including New Zealand, Chile, Singapore, Brunei, the United States, Australia, Peru and Vietnam.

Malaysia views the TPP as a positive step towards deeper economic integration within the Asia Pacific region, similar efforts are currently undertaken through the ASEAN Free Trade Agreement (AFTA) and the ASEAN FTA initiatives with its dialogue partners.

Malaysia would like to thank the eight TPP members who supported the inclusion of Malaysia to become part of the TPP. Malaysia is also committed and ready towards the successful conclusion of the negotiation.

US-Malaysia Trade Relations

When I arrived in the U.S. in November 2009, my mission as Malaysia's Ambassador to the United States is to further strengthen the bond of friendship between our two countries through various ways of enhancing cooperation between the Malaysian government whom I represent, with the US Administration, the US business community as well as all those working with Malaysia.

We do so by building on a solid foundation that has been formed over several decades. Since the establishment of diplomatic ties between Malaysia and the United States in 1957, the bilateral relationship have remained strong, founded on shared principles of democracy, market based enterprise, peace and security.

Over the past 52 years, we have seen the cooperation between our nations progressed steadily in various fronts such as in trade and investment, education, science and technology, defence, security, good governance and high quality engagements on issues of interest to civil society. The most recent is the establishment of the new Strategic Trade Act. Secretary Clinton during her recent visit in Kuala Lumpur in early November stated that 'the Strategic

Trade Act will deny nuclear proliferators the opportunity to use Malaysian territory to expand their aims’.

Economic Front

On the economic front, Malaysia has taken concrete measures to get back into shape. We are happy to report that Malaysia is now poised for economic growth in 2010. Independent analysts have predicted economic growth of around 3 to 4 percent, rebounding from a year in which our country, like the U.S., lost ground. The move into positive territory of growth has been facilitated by economic policies and timely stimulus measures Malaysia enacted late last year and early this year under Prime Minister Najib’s stewardship.

Malaysia trades with no less than 200 countries. Trade is at the core of our prosperity. Our relationships with our trading partners namely the United States remain central to our trade relations. In 2009, the US goods and services exports to Malaysia totalled USD\$10 billion. The US was Malaysia’s third largest source of imports after China and Japan, with a share of 11.2% of Malaysia’s total imports.

Major imports from the US comprised mainly of electrical and electronic products, machinery, appliances and parts, chemical and chemical products, transport equipment, optical and scientific equipment. US agriculture exports comprised of more than USD\$700 million in value. In terms of services exports, USD\$2 billion was exported from the US.

The US was Malaysia’s third largest trading partner accounting for 11.1% of Malaysia’s global trade. However, Malaysia’s trade with the US declined by 21.3% to US\$34.89 billion (RM109.2 billion), compared with USD\$44.34 billion (RM138.8 billion) in 2008. Malaysia is ranked as the US second largest trading partner among ASEAN member States after Singapore.

Liberalisation of Malaysia's Services Sector

Currently, the services sector in Malaysia is a growing sector. Services only contributed about 40 per cent to the Gross Domestic Product (GDP) in 1980 and it has reached 57.4 per cent in 2009. The 10th Malaysia Plan (RMK10) projects services to increase its contribution to 61 per cent of the GDP by 2015 and it is envisaged that this will increase to 65 per cent by 2020.

The objectives of the liberalisation initiatives are to build confidence and to sustain Malaysia's competitiveness. The liberalisation of the services sector demonstrates the willingness of the Government to undertake the necessary reforms to sustain Malaysia's attractiveness and provides new opportunities for exports of US services.

The inclusion of Malaysia in the TPP provides greater market export opportunities for US goods and services, services suppliers, small businesses and agricultural products to Malaysia and into the ASEAN region.

Malaysia and the TPP

Malaysia firmly believes that the TPP is a vehicle to address the new realities of establishing the goals of developing a high standard, 21st century, regional trade agreement. This could be achieved in two ways. Firstly, by strengthening trade flows across the Asia-Pacific region, TPP provides the US a ready platform to contribute to the achievement of President Obama's goal of doubling US exports over the next five years, and creating the much needed US jobs to recover.

TPP also offers the US, and the other participants, a unique opportunity to negotiate a trade agreement which reflects the business realities of the 21st century. We can work together to find ways to address behind-the-border

barriers, which will allow our companies to operate more seamlessly across markets. We can also tackle issues such as standards, conformance, and other technical barriers to trade. And we can address issues at the intersection of trade and the environment, social accountability matters such as labour standards; and trade and investment in new technologies and emerging sectors.

We understand that the Obama Administration is eager to move forward on the trade front with Malaysia. As it deliberates on how this can be achieved, Malaysia remains open and enthusiastic about enhancing the regional cooperation through the TPP. Enhancing bilateral and regional trade and investment cooperation with the United States will continue to be a fundamental element in Malaysia-US relations.

In 2009, Malaysia's bilateral trade with the TPP member countries totaled USD\$95.26 billion (RM 285.8 billion) or 28.9 per cent of Malaysia's total trade. The top trading partners of Malaysia in TPP are Singapore and the United States of America.

With the US being an existing TPP member, this would enable an additional 11.7 per cent of Malaysia's global trade to be accorded preferential treatment – bringing the total figure to 71.2 per cent of Malaysia's global trade.

Malaysia will benefit from the elimination of duties on 12.4 per cent of Malaysia's exports particularly on footwear and textile and apparel products, which are imposed duties of up to 37.5 per cent and 32 per cent, respectively.

Malaysia will also enjoy elimination of specific duties on cocoa products, petroleum oils, textiles and apparel, footwear, metal products and clocks and watches.

One of the objectives of Malaysia's trade policy is to promote and support efforts to create a more liberal and fair global trading environment. Malaysia's approach towards trade liberalisation is anchored by a rules-based multilateral trading system under the WTO, complemented by our regional and bilateral free trade arrangements (FTAs). Last year, Malaysia successfully concluded bilateral FTA negotiations with New Zealand and regional FTAs (through ASEAN) with India, Australia and New Zealand.

Other recent FTA negotiation concluded was with Chile in May 2010 and signing in November 2010. The Comprehensive Economic Cooperation Agreement with India was in September 2010 and signing scheduled before end of January 2011., Other on-going negotiations are with Australia and Turkey. . Malaysia also announced the commencement FTA negotiations with the European Union in October 2010 and the first round of negotiations is scheduled on 6-9 December 2010.

Conclusion

The proliferation of free trade agreements both bilateral and regional in the Asia-Pacific region have expanded rapidly over the past five years. The TPP presents a bold move by the US to be engaged in a high quality trade agreement that would further open and develop the rapidly expanding Asia market for US businesses especially for the SMEs. It also represents a vehicle which could be benchmarked against in establishing a comprehensive US trade agenda in the region.