

Which Malaysian Exports Get Zero Tariffs under the US-Malaysia Trade Deal?

Aidonna Jan Ayub and Salbiah Idris



Views are short opinion pieces by the author(s) to encourage the exchange of ideas on current issues. They may not necessarily represent the official views of KRI. All errors remain the authors' own.

This view was prepared by Aidonna Jan Ayub and Salbiah Idris, researchers from the Khazanah Research Institute (KRI). The authors are grateful for the valuable comments from Dr. Nungsari Ahmad Radhi and Yin Shao Loong. We give our appreciation to KRI Knowledge Innovation and Data Team (KID) led by Gregory Ho Wai Son for their technical and computational support.

The detailed tariff lines exhibiting zero tariff rates that were used for this paper, organised by HS code and MTN sectors, are available from the authors upon request for educational purposes only.

Author's email address:

Jan.Ayub@krinstitute.org;

Salbiah.Idris@krinstitute.org

Attribution – Please cite the work as follows: Aidonna Jan Ayub and Salbiah Idris. 2025. Which Malaysian Exports Get Zero Tariffs under the US-Malaysia Trade Agreement? Kuala Lumpur: Khazanah Research Institute. License: Creative Commons Attribution CC BY 3.0.

Information on Khazanah Research Institute publications and digital products can be found at www.KRIInstitute.org.

Introduction

Tariffs applicable to Malaysian exporters under the Agreement between the United States of America and Malaysia on Reciprocal Trade (ART) primarily cover the Reciprocal Tariff Rate introduced by the current Trump Administration (sometimes referred to as the Trump tariffs). The United States (US) commitment for Trump tariffs under the ART is divided into products where the US committed to 0% and 19% rates. This article peels back one layer of the tariff story by analysing the sectors that may benefit from the ART through the 0% Trump tariff rate.

In practice, the Trump tariff rate is applied in addition to the existing Most-Favoured Nation (MFN) Tariff Rates and tariffs introduced as a result of US domestic investigations on national security and unfair trade practices. The Trump

Administration has also introduced exemptions to its own Trump tariffs in agricultural products. Thus, selected goods are not subject to Trump tariffs.

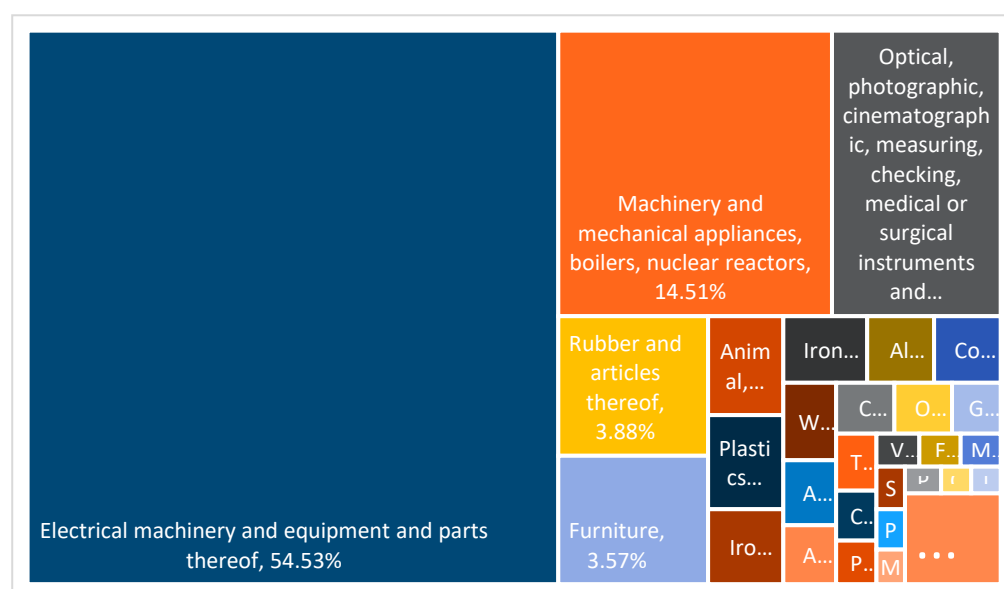
Thus, as multiple policy tools are used by the US to impose tariffs, the same product can face multiple tariffs ‘stacked’ on top of each other¹. The phenomenon of ‘tariff stacking’ is discussed in a KRI publication titled “Stacked Against Malaysian Exporters: How Multiple US Tariffs Work and What the US Supreme Court Might Change”².

To fully understand the advantages of the ART, a comprehensive analysis of both the costs and benefits, utilising both quantitative and qualitative methods, is necessary. This article examines one aspect, the zero percent Trump tariffs under the ART, aiming to identify which sectors may benefit from these exemptions. This article is intended for educational purposes only.

Examining Malaysia's Export Landscape Through the Zero Reciprocal Tariff Lens

Malaysia’s total exports to the US in 2024 are valued at RM198.9bn³. As shown in Figure 1 below, Malaysia’s exports are dominated by the electrical and electronics (E&E) sector. More than half of Malaysia’s exports in 2024 came from the electrical machinery and equipment product category. This is followed by (a) machinery and mechanical appliances, boilers, nuclear reactors; and (b) optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus.

Figure 1: Malaysia's Exports to the US (2024)



Source: UN Comtrade (2025)

¹ Angeles and Harput (2025)

² Ayub (2025)

³ UN Comtrade (2025)

In order to understand the potential impact of the ART on Malaysia, it is essential to examine the key features of the Trump tariffs. These are:

- The current Trump tariff for Malaysia is 19%, as established by an Executive Order on 31 July 2025⁴. This rate was reduced from an initial 25%⁵.
- Certain goods are exempt from this tariff due to the US domestic investigations under Section 232. These exemptions include semiconductors, steel, pharmaceuticals, critical minerals, aluminium, automobiles and parts, certain consumer electronics, copper, lumber, and polysilicon⁶.
- The ART establishes a Trump tariff rate of 19% for most goods (excluding the exceptions mentioned above) and sets 0% rate for 1,711 tariff lines⁷.
- Following the signing of the ART, the Trump Administration has also unilaterally exempted selected agricultural goods from Trump tariffs. These include coffee and tea; tropical fruits and fruit juices; cocoa and spices; bananas, oranges, and tomatoes; beef; and selected fertilisers⁸.

As an example, in the E&E sector, semiconductors are currently exempt from the application of Trump tariffs, pending the US domestic Section 232 investigations. Although semiconductors are an important part of the E&E sector's exports, the sector also exports other products. It is these other products that are currently applicable to the ART. Thus, semiconductors face two possible tariff outcomes under current US trade actions. If the ongoing Section 232 investigations on semiconductors result in new national-security tariffs, Malaysian semiconductor exports would likely fall under those measures. If Section 232 results in no new tariffs, Malaysian semiconductor exports may instead be covered by the ART's 19% Trump tariff, making a negotiated exemption an important avenue for maintaining tariff-free access.

Structure and Meaning of Zero Tariff Lines

The ART between Malaysia and the US generally changes the Trump tariff landscape for Malaysian exporters from 25% to 19% Trump tariff rate (with some exemptions). Malaysian-origin goods that fall within the 1,711 exempted tariff lines enjoy 0% Trump tariff rates, while all other goods will be subject to the 19% additional tariff. Annex 1 outlines the product categories where the 0% rates can be found. It is important to note that a single product category can encompass hundreds, or even over a thousand, tariff lines. The rules of origin that will determine what qualifies as 'Malaysian-origin' have not yet been finalised.

The tariff lines that enjoy 0% Trump tariff rates are organised into three main sectors:

1. Aircraft (564 tariff lines)

⁴ Executive Office of the President (2025)

⁵ MATRADE (2025)

⁶ Burkhart and Hammond (2025)

⁷ MATRADE (2025)

⁸ The White House (2025b)

This scope covers civil aircraft and a wide array of associated goods, including engines, parts, components, avionics, electronics and subassemblies. Within this scope, the distribution of HS chapters reflects the technologically intensive nature of aircraft-related production. HS chapters are the broad categories within the Harmonised System (HS) created by the World Customs Organization, grouping similar types of products and forming the basis for countries to classify goods for customs, tariff and trade reporting purposes before assigning them into more specific subheadings. The most significant clusters are found in:

- HS85, covering electrical machinery and electronic equipment (166 lines);
- HS84, encompassing machinery and mechanical appliances (148 lines);
- HS90, which includes optical, precision, and scientific instruments (84 lines); and
- HS73, consisting of iron and steel products such as fabricated components and structures (46 lines).

Analysing these tariff lines from a sector-specific perspective reveals the wide range of industrial inputs embedded in the Aircraft sector, reflecting the sector's reliance on diverse yet interdependent product categories spanning electronics, precision instruments, mechanical systems and engineered materials. A sector-specific perspective is achieved by using a parallel categorisation based on product groupings, as outlined in the WTO's Multilateral Trade Negotiations (MTN) Categories 2023, which reinforces this technological profile⁹. Electrical machinery and electronic equipment account for 168 lines, mechanical, office and computing machinery for 146 lines, and other manufactured products for 113 lines. Additional represented categories include minerals and metals, transport equipment, wood, paper and furniture, rubber and leather and chemicals.

2. Pharmaceutical (807 lines)

The goods related to the Pharmaceutical sector consist of 807 exempted tariff lines covering products used in pharmaceutical applications that are not patented in the US. Scoping the type of goods that can enjoy 0% Trump tariffs to those that are not patented in the US may be a prohibitive condition of entry. The composition of this group of tariff lines is highly concentrated in chemical-related chapters, with the top three HS chapters accounting for most lines:

- CH29, organic chemicals (625 lines);
- CH28, inorganic chemicals (58 lines); and
- CH30, medicines and pharmaceutical preparations (52 lines).

⁹ WTO (2023)

Collectively, the Pharmaceutical sector represents a highly specialised concentration of upstream chemical inputs integral to pharmaceutical manufacturing. However, when the tariff lines are grouped by sector (using the MTN categories), the tariff lines for the Pharmaceutical sector are composed almost entirely of chemical products, with 803 of the 807 lines falling under chemical classifications, and only four lines linked to minerals and metals. This structure aligns closely with the MTN chemical and pharmaceutical lists encompassing Active Pharmaceutical Ingredients (APIs), intermediates and speciality chemicals.

3. Others (340 lines)

This scope comprises 40 exempted tariff lines not classified under the Aircraft or Pharmaceutical sectors. These items span agricultural goods, natural resources and industrial materials. Although widely dispersed across many HS chapters, the scope is anchored by five chapters with the highest number of lines:

- CH28, inorganic chemicals; compounds of precious metals, rare-earth metals and radioactive elements (56 lines);
- CH44, wood and articles of wood; wood charcoal (39 lines);
- CH81, other base metals; cermets¹⁰; articles thereof (35 lines);
- CH45, cork and articles of cork (19 lines); and
- CH72, iron and steel (19 lines).

In general, this distribution of tariff lines resembles the raw materials and resource-based groupings, underscoring the extent to which this scope is anchored in primary commodities and basic industrial inputs rather than technologically intensive goods. The distribution of categories by sector further illustrates the diversity of sectors represented within this scope. The largest concentrations fall within minerals and metals (122 lines), followed by wood, paper and furniture (72 lines) and chemicals (61 lines). Additional representation appears in coffee, tea, cocoa and spices (26 lines), other agricultural products (17 lines), fruits and vegetables (12 lines), oilseeds, fats and oils (8 lines), and textiles (8 lines). Beyond these, smaller categories including rubber, leather and footwear, live animals and meat, cereals and food preparations, beverages and tobacco and other manufactures collectively account for the remaining lines.

Malaysia's Export Sectors that Could Benefit from Zero Percent Tariff

Malaysia's ability to benefit from the zero percent tariffs of the ART depends on how closely its export structure aligns with these exempted tariff lines. Three segments of Malaysia's export

¹⁰ Cermet is a composite material that combines ceramic and metal components.

sectors stand to benefit, though the depth of advantage differs across sectors. These are the aerospace, E&E and chemical and oleochemical sectors.

Aerospace. This sector may be the greatest beneficiary of the zero percent Trump tariffs, maintaining Malaysia's participation in the US-based aerospace value chain. Specifically, Aircraft covers civil aircraft systems, engines, avionics, electrical equipment and precision-engineered components, consistent with Malaysia's strengths in machining, advanced assembly and MRO-related component production. Without exemption, these goods would otherwise face the combined MFN tariff and the additional 19% Trump tariff. Their continued 0% Trump tariff preserves Malaysia's competitiveness in supplying aircraft and aerospace electronics to the US, even as most other Malaysian exports experience a substantial rise in tariff exposure.

E&E. While many E&E exports fall outside the exempted list for zero Trump tariffs, this segment embedded in aerospace systems could benefit. Electrical machinery, electronics and instrumentation used in aircraft are explicitly included within the scope of Aircraft-related goods. Their exemption allows Malaysian avionics-related electronics and specialised assemblies to maintain tariff-free entry into the US, supporting high-value E&E activities integrated into aerospace production.

Chemical and oleochemical. The chemical and oleochemical sector benefits through the Pharmaceutical sector, though the exemption is narrowly defined. Exports at 0% Trump tariffs are limited to non-patented exports. Nevertheless, these upstream chemical inputs would otherwise face a tariff jump once the 19% tariff is applied. Their exemption therefore ensures 0% Trump tariff access for non-patented pharmaceutical intermediates and oleochemical derivatives, enabling Malaysian exporters some possible access to US pharmaceutical and speciality-chemical supply chains.

A limited benefit is extended to selected resource-based industries, as reflected in the small number of other exempted lines. Within this group, the largest concentrations arise in minerals and metals, followed by wood, paper and furniture, with additional representation in chemicals and agricultural categories. Although these products generally faced modest tariff levels before the ART, exemption from the additional 19% tariff prevents a substantial increase in their overall tariff burden. These sectors, therefore, retain 0% Trump tariffs for specialised and niche export segments that would otherwise experience a pronounced rise in cost.

Malaysia's Trade Relationship with the US at the Product-level

Malaysia's trade relationship with the US on specific product categories is illustrated through Table 1 below. These are the product categories with the largest number of tariff lines with 0% Trump tariffs. As the data presented in Table 1 is aggregated data, it represents an overestimation of the trade value of the tariff lines with 0% Trump tariffs. A more detailed analysis of these tariff lines is needed to offer a clearer understanding of their value by examining each tariff line individually. The Malaysian External Trade Development Corporation (MATRADE) has estimated that these 1,711 tariff lines are valued at USD5.2bn (approximately RM23.8bn), or roughly 12% of Malaysia's total exports to the US in 2024.

Table 1: Malaysia's Trade Relationship with the US: Product-level Export and Import Analysis in 2024¹¹

	Organic Chemicals (HS 29)	Electrical Machinery and Equipment (HS 85)	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances (HS 84)	Inorganic Chemicals (HS 28)	Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus (HS 90)
Part A: The US as Malaysia's Export Market					
Value of Trade to US (RM)	1.08bn	108.47bn	28.86bn	0.29bn	17.80bn
Malaysia's Exports to the US as a Share of Total Exports in Each Product Category	4.4%	19.5%	19.8%	4.4%	25.1%
Top 3 Export Markets for Malaysia	China Indonesia India	US Singapore China	Singapore US China	China Vietnam Thailand	US China Other Asia
Rank of US as an Export Market for Each Product Category	7	1	2	6	1
Part B: Malaysia as an Importing Country of the US					
Malaysia's Imports to the US as a Share of Total US Imports in Each Product Category	0.4%	5.9%	1.8%	0.2%	3.4%
Top 3 Import Countries for US	Ireland China Switzerland	China Mexico Vietnam	Mexico China Other Asia	Canada China Germany	Mexico Germany China
Rank of Malaysia as an Import Country for Each Product Category	21	5	13	33	10

Source: UN Comtrade (2025)

Note: Information is aggregated to the HS 2-digit code.

Table 1 above is divided into two parts. Part A examines the significance of the US as a key export market for Malaysia's goods. Part B examines the significance of Malaysia as a key importing country for the US. These two perspectives provide insight into the importance of the US to Malaysia and vice versa, particularly for selected product categories.

To illustrate the potential benefits of zero tariffs in specific product categories, we examine organic chemicals, which consist of 625 tariff lines with zero tariffs. In 2024, Malaysia exported organic chemicals to the US valued at RM1.08 billion, representing about 0.54% of Malaysia's total exports to the US¹². However, Malaysia's exports of organic chemicals to the US accounted for only

¹¹ Calculation of trade relationship is based on HS codes. For simplicity, sectors are categorized based on the World Trade Organisation's MTN list of categories.

¹² UN Comtrade (2025)

4.4% of Malaysia's total organic chemical exports in 2024. The US is only Malaysia's seventh most important export market for organic chemicals, as countries such as China, Indonesia and India are more important export markets.

Similarly, Malaysia is not a key importer of organic chemicals for the US. Malaysia ranks 21st as an importing country for organic chemicals, accounting for only 0.4% of the US' total imports of organic chemicals. Other countries, such as Ireland, China, and Switzerland, were more important importing countries for organic chemicals in the US in 2024.

In general, the size of the US market is evident, given that the US is a key export market for Malaysia in three out of five product categories listed in Table 1. For example, the US is Malaysia's key export market for the HS 90 product category, which covers optical, photographic, cinematographic, measuring, checking, precision, medical, or surgical instruments and apparatus. The US represents more than a quarter of Malaysia's exports in this product category. However, in the case of the US, Malaysia's imports for this product category represent only 3.4% of the US' total imports in this product category.

In conclusion, the analysis of Malaysia's trade relationship with the US highlights the complexities of their economic interactions. Despite receiving the highest number of tariff lines with 0% Trump tariffs, organic chemicals do not represent a large portion of Malaysia's trade with the US, nor is the US the most important export market for Malaysia's organic chemicals. However, the size of the US market is clear, given the relatively low share of Malaysia's imports for each product category.

Conclusion

The breakdown of product categories with 0% Trump tariffs reveals the export sectors that could potentially benefit from the ART. Three segments of Malaysia's export sectors stand to benefit, though the depth of advantage differs across sectors. These are the aerospace, E&E and chemical and oleochemical sectors. Specifically, Malaysia's participation in the US-based aircraft value chain is likely to continue, benefiting from the 0% Trump tariffs for this sector.

Comparing the product categories against the value of Malaysia's exports to the US provides context for the sectors that may benefit from the ART. This approach to understanding the ART aims to contribute to the conversation on which export sectors benefit from the ART, thereby enriching discussions on the costs and benefits of the ART.

Annex 1

Annex 1: Number of Tariff lines with Zero Percent Reciprocal Tariff Rate (Trump Tariff Rate)

HTS2 Code	Description	Number of 8-digit Tariff Lines with 0% Reciprocal Tariff Rate
29	Organic Chemicals	625
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Recorders And Reproducers, Parts And Accessories	166
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances	148
28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Of Radioactive Elements Or Of Isotopes	114
90	Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical Or Surgical Instruments And Apparatus	84
30	Pharmaceutical Products	52
73	Articles Of Iron Or Steel	46
39	Plastics And Articles Thereof	38
44	Wood And Articles Of Wood; Wood Charcoal	39
81	Base Metals Nesoi; Cermets; Articles Thereof	37
38	Miscellaneous Chemical Products	35
88	Aircraft, Spacecraft, And Parts Thereof	22
71	Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Precious Metals; Precious Metal Clad Metals, Articles Thereof; Imitation Jewelry; Coin	20
94	Furniture; Bedding, Cushions Etc.; Lamps And Lighting Fittings Nesoi; Illuminated Signs, Nameplates And The Like; Prefabricated Buildings	20
45	Cork And Articles Of Cork	19
72	Iron And Steel	19
26	Ores, Slag And Ash	18
40	Rubber And Articles Thereof	18
9	Coffee, Tea, Mate And Spices	17
25	Salt; Sulfur; Earths And Stone; Plastering Materials, Lime And Cement	16
46	Manufactures Of Straw, Esparto Or Other Plaiting Materials; Basketware And Wickerwork	14
91	Clocks And Watches And Parts Thereof	12
83	Miscellaneous Articles Of Base Metal	11
48	Paper And Paperboard; Articles Of Paper Pulp, Paper Or Paperboard	10
15	Animal Or Vegetable Fats And Oils And Their Cleavage Products; Prepared Edible Fats; Animal Or Vegetable Waxes	8
50	Silk, Including Yarns And Woven Fabrics Thereof	8
32	Tanning Or Dyeing Extracts; Tannins And Derivatives; Dyes, Pigments And Other Coloring Matter; Paints And Varnishes; Putty And Other Mastics; Inks	7
6	Live Trees And Other Plants; Bulbs, Roots And The Like; Cut Flowers And Ornamental Foliage	7
8	Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons	7
68	Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials	7
79	Zinc And Articles Thereof	7

HTS2 Code	Description	Number of 8-digit Tariff Lines with 0% Reciprocal Tariff Rate
75	Nickel And Articles Thereof	6
98	Special Classification Provisions, Nesoi	6
18	Cocoa And Cocoa Preparations	5
21	Miscellaneous Edible Preparations	5
34	Soap Etc.; Lubricating Products; Waxes, Polishing Or Scouring Products; Candles Etc., Modeling Pastes; Dental Waxes And Dental Plaster Preparations	5
19	Preparations Of Cereals, Flour, Starch Or Milk; Bakers' Wares	4
20	Preparations Of Vegetables, Fruit, Nuts, Or Other Parts Of Plants	4
80	Tin And Articles Thereof	4
1	Live Animals	3
31	Fertilizers	3
14	Vegetable Plaiting Materials And Vegetable Products, Nesoi	2
76	Aluminum And Articles Thereof	2
96	Miscellaneous Manufactured Articles	2
4	Dairy Produce; Birds' Eggs; Natural Honey; Edible Products Of Animal Origin, Nesoi	1
12	Oil Seeds And Oleaginous Fruits; Miscellaneous Grains, Seeds And Fruits; Industrial Or Medicinal Plants; Straw And Fodder	1
13	Lac; Gums; Resins And Other Vegetable Saps And Extracts	1
23	Residues And Waste From The Food Industries; Prepared Animal Feed	1
35	Albuminoidal Substances; Modified Starches; Glues; Enzymes	1
36	Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations	1
70	Glass And Glassware	1
74	Copper And Articles Thereof	1

Source: Author based on The White House (2025a)

Note: The number of tariff lines covered is not indicative of the value of trade affected. The agreement uses the 8-digit HTSUS code. Each HTS2 Code can encompass hundreds, or even over a thousand, tariff lines.

References

- Angeles, Fiama, and Halit Harput. 2025. "US Tariff Stacking, Explained." Global Trade Alert, October 16. <https://globaltradealert.org/blog/US-Tariff-Stacking-Explained>.
- Ayub, Aidonna Jan. 2025. "Stacked Against Malaysian Exporters: How Multiple US Tariffs Work and What the US Supreme Court Might Change." *Khazanah Research Institute*, November 6. <https://www.krinstitute.org/publications/stacked-against-malaysian-exporters-how-multiple-us-tariffs-work-and-what-the-us-supreme-court-might-change>.
- Burkhart, William F., and Keigh E. Hammond. 2025. *Presidential 2025 Tariff Actions: Timeline and Status*. Reports No. R48549. Trade & International Finance. Congressional Research Service. <https://www.congress.gov/crs-product/R48549>.
- Executive Office of the President. 2025. "Further Modifying the Reciprocal Tariff Rates." National Archives, August 6. <https://www.federalregister.gov/documents/2025/08/06/2025-15010/further-modifying-the-reciprocal-tariff-rates>.

- MATRADE. 2025. "Malaysia–U.S. ART: Strengthening Growth and Competitiveness of Malaysian Exporters." November 4. <https://www.matrade.gov.my/en/about-matrade/media/press-releases/6467-malaysia-u-s-art-strengthening-growth-and-competitiveness-of-malaysian-exporters>.
- The White House. 2025a. "Agreement Between the United States of America and Malaysia on Reciprocal Trade." The White House, October 26. <https://www.whitehouse.gov/briefings-statements/2025/10/agreement-between-the-united-states-of-america-and-malaysia-on-reciprocal-trade/>.
- The White House. 2025b. "Fact Sheet: Following Trade Deal Announcements, President Donald J. Trump Modifies the Scope of the Reciprocal Tariffs with Respect to Certain Agricultural Products." The White House, November 14. <https://www.whitehouse.gov/fact-sheets/2025/11/fact-sheet-following-trade-deal-announcements-president-donald-j-trump-modifies-the-scope-of-the-reciprocal-tariffs-with-respect-to-certain-agricultural-products/>.
- UN Comtrade. 2025. "Trade Data." UN Comtrade Database. <https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=ALL&Partners=842&Reporters=458&period=2024&AggregateBy=none&BreakdownMode=plus>.
- WTO. 2023. "WTO Multilateral Trade Negotiations (MTN) Categories." Economic Research and Statistics Division, World Trade Organization. <https://ttd.wto.org/en/resources/reference-nomenclatures>.