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The Proposed U.S.-Malaysia Free Trade Agreement

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Summary

This report addresses the proposed U.S.-Malaysia free trade agreement (FTA). It provides a brief overview of the Malaysian economy, a review of U.S. interests in the proposed agreement, an examination of possible issues likely to arise during the negotiations, a comparison of tariff rates between the two countries, legislative procedures, and an appendix with a brief chronology and trade data — including U.S. exports and imports to Malaysia by sector and exports to Malaysia by state.

The U.S. Trade Representative, on March 8, 2006, announced the Administration's intent to negotiate a free trade agreement with Malaysia. The goal of the proposed FTA is to remove tariffs and non-tariff barriers and expand trade between the two nations. Beginning in June 2006, five rounds of negotiations (alternating between the two countries) were scheduled. The fourth round was held in San Francisco on January 8- 12, 2007. The negotiating goal is to complete the talks by March 31, 2007, in order for Congress consider it before the Administration's Trade Promotion Authority expires on July 1, 2007.

The proposed U.S.-Malaysia FTA is of interest to Congress because (1) it requires congressional approval under expedited legislative procedures; (2) it continues the trend toward greater trade liberalization and globalization; (3) it may include controversial provisions; and (4) it would affect certain trade flows that would, in turn, affect U.S. businesses or farmers, particularly import-competing industries and those exporting to Malaysia.

Malaysia is a rapidly industrializing country with a gross domestic product of \$131 billion and a majority Muslim population of 25.6 million people. It is a democratic secular Muslim state; a member of ASEAN, Asia Pacific Economic Cooperation, and other multilateral fora, and shares an interest with the United States in dealing with a rising China and in securing a safe shipping channel through the Strait of Malacca. Malaysia is not a member of the Arab League.

On a most favored nation basis, Malaysia's average tariff rate is 8.1% — nearly twice the 4.9% of the United States. Under an FTA, exporters in each country would face the same tariff rates — most of which to be phased out over time — and a more level playing field for U.S. businesses shipping merchandise to Malaysia.

Areas of particular interest to U.S. exporters include a reduction of Malaysian barriers to exports of automobiles (Malaysia protects its automobile industry with tariffs of 30% on fully assembled vehicles and excise taxes ranging from 80% to 200%) and certain agricultural products, stricter enforcement of intellectual property rights, and broader access in sectors such as financial services, government procurement, telecommunications, and professional services.

Malaysia is the tenth largest trading partner of the United States with U.S. exports of \$10.4 billion and imports of \$33.7 billion for a U.S. bilateral deficit of \$23.3 billion in 2005. The United States is Malaysia's top export market and second to Japan for Malaysia's imports. This report will be updated periodically.

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Recent Developments

- January 8-12, 2007. Fourth round of talks held in San Francisco result in modest progress; plans made for fifth round to be held in Malaysia on February 5-9, 2007.

- December 27, 2006. The Administration reported that it was not likely to ask Congress to substantially change U.S. import laws (trade remedies laws) due to negotiations on a free trade agreement with Malaysia.

- September 18, 2006. The third round of negotiations in Malaysia was postponed to October 30 because of a change in the lead Malaysian negotiator.

- Government procurement restrictions that reserve a certain share for ethnic Malays reportedly are emerging as a major sticking point in the negotiations.

Introduction[1]

On March 8, 2006, the U.S. Trade Representative announced and notified Congress of the Administration's intent to negotiate a free trade agreement (FTA) with Malaysia. The goal of the proposed FTA is to remove tariffs and non-tariff barriers and expand trade between the two nations. The first round of negotiations was held June 12-16, 2006, in Malaysia with at least five rounds anticipated. The two countries announced that they are seeking to complete the talks by March 31 in order to send the proposed implementing legislation to Congress in the spring of 2007 and have Congress consider it before the Bush Administration's Trade Promotion Authority expires on July 1, 2007, but they later indicated that they would not rush into concluding the FTA just to meet the deadline.[2]

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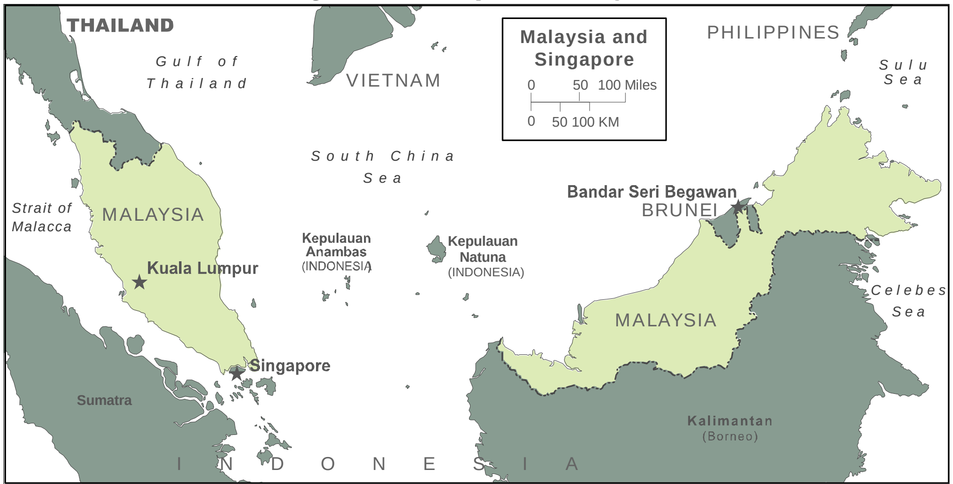
[1] The author would like to thank Dick Nanto, who conceived of this report and who wrote much of the text of this report.

[2] U.S. Trade Representative. "United States, Malaysia Announce Intention to Negotiate Free Trade Agreement." USTR Press Release, March 8, 2006. "U.S., Malaysia Launch FTA Talks, Seek to Complete Pact by End of Year." *International Trade Reporter*, Vol. 23, No. 10, March 9, 2006. P. 344. "Malaysia, US Agree Not to Rush Into Signing FTA."

(continued...)

Figure 1. Map of Malaysia



Source: Map Resources. Adapted by CRS. (KYancey 5/13/04)

An FTA with Malaysia would be the third FTA negotiation with a Southeast Asian nation, following the U.S.-Singapore FTA that came into effect on January 1, 2004 and a proposed U.S.-Thailand FTA whose negotiations now are stalled. The United States also has an FTA with Australia and is negotiating an FTA with South Korea. On May 10, 2004, the United States and Malaysia signed a Trade and Investment Framework Agreement.[3]

The proposed FTA is expected to be comprehensive and similar to that signed with Singapore. It would include a phasing out of tariffs on imports from each country, further opening of service sectors, and greater freedom for U.S. investment in the rapidly industrializing Malaysian economy. U.S. industries are particularly interested in greater market access in the automotive, financial services, government procurement, and agricultural sectors and in improving protection of intellectual property rights in Malaysia.

The proposed U.S.-Malaysia FTA is of interest to Congress because (1) it requires congressional approval under expedited legislative procedures; (2) it would continue the trend toward greater trade liberalization and globalization; (3) it may include controversial provisions; and (4) it would affect certain trade flows that would, in turn, affect U.S. businesses or farmers, particularly import-competing industries and those exporting to Malaysia.

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[2] (...continued)
Financial Times Information, Thai Press Reports. August 25, 2006.

[3] Office of the U.S. Trade Representative. "United States and Malaysia Sign Trade and Investment Framework Agreement." Press Release. May 10, 2004.

Among the initial responses to the USTR's FTA announcement were a statement by Senator Max Baucus welcoming the agreement, but urging the negotiators to address Malaysia's continued ban on bone-in beef, and statements by Representatives Jim Kolbe and Dan Burton hailing the launch of the negotiations.[4] The National Association of Manufacturers indicated that it has been a leading advocate of an FTA with Malaysia,[5] and a U.S.-Malaysia Free Trade Agreement (FTA) Business Coalition was organized on March 8, 2006.[6] Objections to the proposed FTA have come from some Malaysian and U.S. labor unions, farmers, fishermen and academics.[7]

Malaysia

Area: 127,316 sq. mi., slightly larger than New Mexico.
Capital: Kuala Lumpur
Population: 25.6 million.
Annual Economic Growth Rate: 5.8% (estimated 2006)
Ethnic groups: Malay 50.8%, Chinese 23.8%, Indigenous 10.9%, Indian 7.1%
Religions: Islam (60.4%), Buddhism (19.2%), Christianity (9.1%)
Government: Federal parliamentary democracy with a constitutional monarch. After becoming independent in 1957, Malaya, Sabah, Sarawak, and Singapore formed Malaysia in 1963. Singapore became an independent country in 1965.
Prime Minister: Abdullah bin Ahmad Badawi
GDP per capita: $5,353 (estimated 2006)
Currency: 3.5 Ringgit = $1.
Trade: The United States is Malaysia's largest trading partner. Malaysia is the 10th largest U.S. trading partner.

The expiration of Trade Promotion Authority (TPA) in the United States on July 1, 2007, places some pressure on the Bush Administration to conclude negotiations of this proposed FTA. TPA grants to the President the authority to enter into certain trade agreements, and to have their implementing bills considered under expedited legislative procedures.[8] TPA also requires that Congress be notified of the intent to sign an agreement 90 days prior to the actual signing. Therefore, the FTA would have to be finalized before April 2, 2007, in order to be considered under the current TPA provisions.

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[4] Office of Senator Max Baucus. *Baucus Welcomes Launch of U.S.-Malaysia Free Trade Talks*, Press Release, March 8, 2006. Office of Congressman Jim Kolbe. *Kolbe Hails Free Trade Negotiations with Malaysia*, Press Release, March 9, 2006. Office of Congressman Dan Burton. *Vice-Chairman Burton Comments on the Launch of the United States-Malaysia Free Trade Agreement*, March 7, 2006.

[5] National Association of Manufacturers. Testimony of Christopher Wenk before the Trade Policy Staff Committee, Office of the U.S. Trade Representative, on "Proposed United States-Malaysia Free Trade Agreement," May 3, 2006.

[6] The web page for the U.S.-Malaysia Free Trade Agreement (FTA) Business Coalition is [http://www.us-asean.org/US-Malaysia%20FTA/index.asp]. The Secretariat for the US-Malaysia Free Trade Agreement Business Coalition is the US-ASEAN Business Council.

[7] The website, "FTA Malaysia," [http://www.ftamalaysia.org/] is a nexus for information provided by groups, organizations and individuals opposed to the U.S.-Malaysia FTA.

[8] For more details on TPA, see CRS Report RL33743, *Trade Promotion Authority (TPA): Issues, Options, and Prospects for Renewal*, by J. F. Hornbeck and William H. Cooper.

FTA negotiations, however, can take longer than initially anticipated. For example, negotiations for the U.S.-Singapore Free Trade Agreement were launched in December 2000 with the hope of signing the agreement within a few months. The agreement was signed nearly three years later on September 4, 2003.

This report provides a brief overview of Malaysia and its bilateral trade relations with the United States, a survey of possible support and opposition to the FTA, an examination of possible issues likely to arise during the negotiations, a comparison of tariff rates between the two countries, and legislative activity with policy options. It also includes a brief chronology and import and export data, including U.S. exports to Malaysia by sector and exports to Malaysia by state.

The Malaysian Economy

Malaysia is a rapidly industrializing country, a member of the Association of Southeast Asian Nations (ASEAN), and a nation with a population of 25.6 million people, the majority of whom are Muslims. Malaysia's government is a federal parliamentary democracy with a constitutional monarch.

Table 1. Selected Indicators for the Malaysian Economy

	2005	2006 (est.)	2007 (proj.)
Real GDP Growth	5.2%	5.8%	6.0%
Nominal GDP ($ billion)	124.457	142.593	155.982
Nominal GDP per Capita	$4,763	$5,353	$5,740
Inflation Rate - CPI	3.0%	3.7%	n.a.
Inflation Rate - PPI	6.8%	6.8%	n.a.
Unemployment Rate	3.5%	3.5%	3.5%
Exports ($ billion)	140.950	162.688	177.301
Imports ($ billion)	114.603	132.391	145.572

Source: Malaysia's Ministry of Finance, [http://www.treasury.gov.my].

Malaysia's GDP and average per capita income make it a market considerably larger than most of the countries that have recently negotiated free trade agreements with the United States. At official exchange rates, the per capita income is $5,353, but its purchasing power parity is estimated at $11,871.[9] As such, Malaysia is a mid-size market more in the range of Australia and South Korea.

According to Malaysia's Ministry of Finance, the United States is its largest trading partner and largest foreign investor. According to U.S. trade figures,

[9] Purchasing power parity estimates of per capita GDP attempt to revalue official GDP figures by comparing the relative costs of a select group of goods in each nation and then recalculating per capita GDP to reflect the relative purchasing power in each nation.

Malaysia was the tenth largest trading partner of the United States. The United States exported more to Malaysia than it did to Israel, Ireland, or India and three times as much as it sold to Russia. In the first 10 months of 2006, U.S. investment in Malaysia totaled over $537 million — the third greatest source of foreign investment in Malaysia, after Japan and Australia.[10]

Interests, Benefits and Potential Opposition

Malaysia plays into U.S. interests through its economy and trade, its role in countering radical Islamic terrorism; the example it sets as a democratic secular Muslim state; its position as a member of ASEAN, Asia Pacific Economic Cooperation (APEC), and other multilateral fora; its shared interest in dealing with a rising China; and its shared interest in securing a safe shipping channel through the Strait of Malacca.

The proposed FTA also is part of the Bush Administration's strategy to press for regional and bilateral trade initiatives in order to "ignite a new era of global economic growth through free markets and free trade." This is a component of the U.S. national security strategy.[11] It also is in accord with the Enterprise for ASEAN Initiative, a trade initiative of the Bush Administration in which the United States has offered the prospect of FTAs with members of ASEAN committed to economic reforms and openness. In a broader sense, a U.S.-Malaysia FTA would be a step toward realization of APEC's "Bogor Vision," under which the United States and APEC's other 21 members are working toward "free and open trade in the Pacific." At the 2006 APEC meetings, the United States proposed that APEC consider forming a Free Trade Area of the Asia Pacific that would accomplish this goal.[12] With the Doha Round of multilateral trade talks under the World Trade Organization (WTO) stalled, some see FTAs as a fallback position should the WTO talks collapse.

When announcing the proposed negotiations, the U.S. Trade Representative listed four major goals associated with a U.S.-Malaysia FTA. These were: (1) to create new opportunities for U.S. manufacturers, farmers, and service providers; (2) to strengthen U.S. competitiveness and generate high-paying jobs; (3) to strengthen U.S. economic partnerships in the region; and (4) to advance broader U.S. strategic goals.[13] Other benefits mentioned for the proposed FTA include (5) to cement a vibrant U.S.-Malaysia economic relationship; (6) to increase U.S. exports; (7) to diversify U.S. exports; (8) to increase investment; (9) to increase the sharing of knowledge and know-how between American companies and Malaysian companies;

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[10] Source: Malaysia Industrial Development Authority [http://www.mida.gov.my/].

[11] The White House. National Security Strategy of the United States. March 2006, part VI.

[12] See CRS Report RL31038, *Asia Pacific Economic Cooperation (APEC), Free Trade, and the 2006 Meetings in Hanoi, Vietnam* by Michael F. Martin.

[13] Office of the United States Trade Representative. Free Trade Agreement: U.S.-Malaysia. Trade Facts, March 2006.

(10) to enhance economic growth and job creation; and (11) to lower costs and create more competitive companies.[14]

A U.S.-Malaysia FTA also would keep the U.S. economy linked to the dynamic economies of Southeast Asia. Malaysia already has FTAs with Indonesia, Brunei, Singapore, the Philippines, and Vietnam under the ASEAN free trade area. It has FTAs with South Korea and Pakistan, an economic partnership agreement with Japan covering most goods trade, a partial FTA with China, is negotiating FTAs with Australia and New Zealand, and is discussing an FTA with India. The USTR has also indicated that with the proposed FTA, the U.S. government is hoping to further build the trading relationship with Malaysia as well as broader bilateral relations with a country that has been on the "forefront of Asia's economic transformation and is a leader in the region and beyond." The USTR hopes that this FTA will strengthen U.S. cooperation with Malaysia in multilateral and regional fora, reinforce a strong U.S.-ASEAN relationship, and advance U.S. commercial and strategic interests in Asia.[15]

As a moderate, democratic Muslim nation, Malaysia plays a strategic role in U.S. foreign policy. In 2005, Malaysia's Prime Minister Abdullah Badawi urged Muslims around the world to guard against extremism and improve ties with the West while promoting his nation's moderate version of Islam.[16] The U.S. government hopes that the proposed FTA will reinforce the shared interests of the United States and Malaysia, promote common values, and facilitate cooperation in counter-terrorism, defense, counter-narcotics, education, and in other areas.[17] Malaysia (along with Singapore, Thailand and Indonesia) also plays a key role in protecting vital maritime shipping lanes in the Strait of Malacca from pirates and terrorism.

In the United States, opposition to the proposed FTA has emerged from labor unions, environmental protection organizations, as well as "anti-globalization" groups. In Malaysia, voices opposing the FTA have arisen from labor unions, farmers, fishermen and other groups, as well as from opposition political parties. In some cases, opponents to the U.S.-Malaysia FTA from both nations have formed coalitions.[18]

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[14] Remarks by Ambassador Karan K. Bhatia, Deputy U.S. Trade Representative, Press Conference on the U.S.-Malaysia Free Trade Agreement, Kuala Lumpur, Malaysia, March 17, 2006.

[15] Weisel, Barbara. Opening Remarks, Public Hearing, U.S.-Malaysia FTA, Washington, DC, May 3, 2006.

[16] "Malaysia PM Abdullah Warns Muslims Against Extremism." Voice of America. January 27, 2005. See also CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn (Coordinator), Emma Chanlett-Avery, Thomas Lum, Mark Manyin, and Larry Niksch.

[17] Weisel, Barbara. Opening Remarks, May 3, 2006. Op. cit.

[18] The AFL-CIO and the Malaysian Trades Unions Congress signed a joint declaration regarding a U.S.-Malaysia FTA on January 22, 2007 in Kuala Lumpur, stating that any (continued...)

With respect to labor interests, the AFL-CIO opposes additional FTAs in general. Its position is that the Bush Administration has launched or concluded bilateral free trade agreements that include no enforceable protections for core workers' rights, move "backwards from previous accords on workers' rights, and contain many of the same flawed rules that have worsened our trade deficit" under the North American Free Trade Agreement (NAFTA).[19] Labor organizations also are interested in ensuring that labor laws in the bilateral trading partner country are brought up to International Labor Organization (ILO) standards and that a dispute settlement or enforcement mechanism is included in agreements that would preclude partner countries from reversing labor gains or weakening labor laws following congressional approval and implementation of their respective FTAs.[20] As for labor conditions in Malaysia, most workers have the right to engage in trade union activity. As of September 2004, 9% of the labor force was represented by the 617 trade unions.[21]

There has also been organized opposition to a U.S.-Malaysia FTA from Malaysians. On January 11, 2007, an anti-FTA campaign in northern Malaysia resulted in petitions with over 20,000 farmer and fishermen signatures being submitted to Malaysia's Prime Minister Badawi and Malaysia's Ministry of International Trade and Industry. The petitions state that the proposed FTA would harm Malaysia's rice farmers and fishing industry.[22] In October 2006, a coalition of opposition parties, workers, and small businesses in Malaysia called for the cessation of negotiations with the United States until a study of the economic and social impact of the proposed FTA was conducted.[23]

Opposition to an FTA also may arise from various special interest groups. For example, Public Citizen, a nonprofit consumer advocacy organization in the United States, maintains that the FTA with Central America is "based on the same failed

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[18] (...continued)
agreement "must result in broadly shared benefits to working people and communities, not simply extend and enforce corporate power and privilege." For more details, see "U.S. Unions Oppose Free Trade with Malaysia," by Anil Netto, Inter Press Service News Agency, January 22, 2007.

[19] AFL-CIO. Issue Brief: The Bush Record on Shipping Jobs Overseas. August 2004. See also: Testimony of Thea M. Lee, Policy Director, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), before the House of Representatives Committee on Ways and Means, Hearing on the Implementation of the United States-Bahrain Free Trade Agreement, September 29, 2005.

[20] See, for example, Testimony of Thea M. Lee, Policy Director, AFL-CIO, before the Subcommittee on International Trade of the Senate Committee on Finance in a Hearing on the Implementation of the United States-Oman Free Trade Agreement, March 6, 2006.

[21] U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. *Country Reports on Human Rights Practices — 2005, Malaysia*. March 8, 2006.

[22] "20,000 Fishermen, Farmers Protest Against FTA," by Fauwaz Abdul Aziz, Malaysiakini, January 10, 2007.

[23] "Malaysians Concerned Over Possible Free Trade Agreement with US," by Joseph Masiliamany, AsiaNews, October 10, 2006.

neoliberal NAFTA model, which has caused the 'race to the bottom' in labor and environmental standards and promotes privatization and deregulation of key public services." [24] In Malaysia, people concerned about the cost of pharmaceutical drugs, especially treatment for HIV/AIDS, are opposed to possible provisions in the FTA that they believe will raise the cost of prescription drugs in Malaysia.[25]

Another possible issue could be Malaysia's relations with Israel. Malaysia currently does not have diplomatic relations with Israel and requires export licenses for all goods sent to Israel. U.S. law currently contains several provisions designed to undermine official boycotts and trade embargoes aimed at Israel.[26]

In recent congressional consideration of FTAs, opposition concerns have been addressed either in the implementing legislation or by securing various commitments in writing from the Administration. For example, in congressional consideration of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA), the Bush Administration assuaged opposition from labor, sugar, and textile interests by promising certain actions to ameliorate adverse effects of the proposed FTA. In a letter, the Administration promised to allocate $40 million of fiscal 2006 foreign operations appropriations for "labor and environmental enforcement capacity building assistance," and to continue to request this level of funding in budgets for fiscal years 2007 through 2009. The Administration also stated that it would not allow the DR-CAFTA to interfere with the operation of the sugar program through FY2007 as the program is defined in the Farm Security and Rural Investment Act of 2002. For the textile and apparel industry, promises were made related to rules of origin, stricter customs enforcement with respect to Mexican inputs used in DR-CAFTA textile and apparel products, and actions to increase use of U.S. fabric.[27]

In Malaysia, the Ministry of Trade and Industry headed by Hon. Dato' Seri Rafidah Azizis is leading the negotiations. The Ministry lists as its FTA objectives to: (1) seek better market access for Malaysian goods and services; (2) further facilitate and promote bilateral trade and investment flows as well as economic development; (3) enhance the competitiveness of Malaysian producers and exporters through collaboration; and (4) build capacity in specific targeted areas thorough technical cooperation. The Ministry also views the proposed FTA as comprehensive and covering liberalization of the goods and services sector; trade and investment promotion and facilitation activities; investment protection; economic and technical cooperation programs; and having appropriate flexibility to facilitate development

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[24] Public Citizen. Global Trade Watch. CAFTA: Part of the FTAA Puzzle. [http://www.citizen.org/trade/cafta]

[25] "People with HIV/AIDS Hold Anti-FTA Protest," by Soon Li Tsin, Malaysiakini, January 11, 2007; "US FTA: Will We Lose Out, Too?" by Jacqueline Ann Surin, *The Sun*, January 11, 2007.

[26] See CRS Report RS22424, *Arab League Boycott of Israel*, by Martin A. Weiss.

[27] See CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck.

objectives.[28] The Ministry also noted that it would seek "flexibility and longer phase-in periods for sensitive sectors."[29]

FTAs and Tariff Rates

FTAs negotiated by the United States usually provide for tariff free trade between the two countries with a phase-in period for sensitive sectors. With Malaysia, some trade already is free. Both the United States and Malaysia participate in the Information Technology Agreement[30] (ITA) under which tariffs on semiconductors and other information technology products are bound at zero. The majority of current U.S. exports to Malaysia are covered by this agreement. Semiconductors and parts for computers alone account for more than half of U.S. exports to Malaysia. Therefore, tariffs are not a barrier to most U.S. products currently sold to Malaysia. An FTA, however, would open markets artificially restricted by tariff and non-tariff barriers. Many of the more competitive U.S. exports face relatively high duties in Malaysia. These include products such as motor vehicles and parts, off-road dumpers, polyethylene, motorcycles, and adhesives.[31]

Measuring the degree of protection provided by tariff barriers is a complicated process, since each country has thousands of products each with a tariff rate that depends on the category of exporter. Average rates, therefore, will differ depending on how they are calculated. The two types of averages most often cited are the most favored nation (MFN) rates and the average applied rates.

Average MFN Tariff Rates

The MFN rates apply to most countries and all members of the World Trade Organization. U.S. exporters face these rates unless they have been reduced by a special arrangement, such as the Generalized System of Preferences[32] or Information Technology Agreement. The average MFN rates are simple averages of all tariff lines. On an MFN basis, Malaysia's average tariff rate at 8.1% is nearly twice the 4.9% of the United States. Under an FTA, if each country reduces its tariff rates to zero, U.S. exporters would stand to gain more than their Malaysian counterparts, since Malaysian rates are considerably higher than those in the United States. **Table**

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[28] Malaysia. Ministry of Trade and Industry. Malaysia-US Free Trade Agreement. Media Release. May 3, 2006.

[29] Malaysia. Ministry of Trade and Industry. "Joint Announcement To Launch Negotiations For A Malaysia United States Free Trade Agreement, 8 March 2006, Washington D.C." Media Release, March 13, 2006.

[30] See World Trade Organization discussion of the Information Technology Agreement at [http://www.wto.org/English/tratop_e/inftec_e/inftec_e.htm].

[31] Wenk, Christopher. Testimony on the Proposed United States-Malaysia Free Trade Agreement For the Trade Policy Staff Committee, Office of the U.S. Trade Representative. May 3, 2006.

[32] Malaysia does not qualify for GSP treatment.

2 shows the average and range of U.S. and Malaysian MFN tariff rates by major commodity category as classified under the Harmonized System. Both the United States and Malaysia have peaks in tariff rates on certain products.

Malaysia and the United States each protects its agricultural sector. Although Malaysia's average MFN tariff rate for agricultural products at 3.2% is lower than the 9.7% of the United States, Malaysia maintains high rates on items of interest to U.S. agriculture. The Malaysian tariff rate for grains averages 15.2% and rice is at 40%, oranges and apples at 15% to 20%, and wheat flour at 96%. Prepared food is subject to tariffs of 5% to 30%. Beef enters the country at 15% but pork faces a 139% tariff and ham 168%. The tariff is 25% on yogurt, 10 to 25% on chocolate products, and 20% on baby food. For the United States, the upper range for agricultural products is a 350% tariff on imports of tobacco products that exceed the import quota. Tobacco products within the quota face a 12.1% tariff rate. In recent years, the tobacco quota has not been filled, so the 350% rate has not been applied.

Table 2. Average and Range of Malaysian and U.S. Most Favored Nation Tariff Rates

	Malaysia's Tariff Rates (2005)			**U.S. Tariff Rates (2004)**		
	No. of Lines	**Average (%)**	**Range (%)**	**No. of lines**	**Average (%)**	**Range (%)**
Total	10,581	8.1	0-60	10,304	4.9	0-350
Agricultural products	1,202	3.2	0-40	1,611	9.7	0-350
Live animals and products thereof	142	0.8	0-20	140	4.2	0-100
Dairy products	40	6.1	0-25	166	26.1	0-284
Coffee and tea, cocoa, sugar, etc.	209	4.1	0-25	314	11.6	0-159
Cut flowers and plants	46	0.0	0-0	60	1.5	0-6.8
Fruit and vegetables	302	3.9	0-30	437	6.3	0-132
Grains	21	15.2	0-40	21	1.5	0-11
Oils seeds, fats, oil and their products	197	2.0	0-20	92	6.0	0-164
Beverages and spirits	81	6.4	0-30	100	6.1	0-107
Tobacco	19	5.0	5-5	47	56.4	0-350
Other agricultural products, n.e.s.	145	1.3	0-25	234	1.9	0-62
Non-agricultural products (excl. petrol.)	9,349	8.7	0-60	8,665	4.0	0-58
Fish and fishery products	188	3.2	0-20	193	2.0	0-35
Mineral products, precious stones, etc.	416	10.4	0-60	530	3.3	0-38

	Malaysia's Tariff Rates (2005)			U.S. Tariff Rates (2004)		
	No. of Lines	**Average (%)**	**Range (%)**	**No. of lines**	**Average (%)**	**Range (%)**
Metals	1,061	17.5	0-50	1,011	1.9	0-26
Chemicals and photographic supplies	1,481	5.1	0-50	1,834	3.7	0-6
Leather, rubber, footwear, travel goods	397	13.1	0-40	389	6.9	0-58
Wood, pulp, paper and furniture	2,370	2.5	0-40	508	0.7	0-14
Textiles and clothing	1,176	12.6	0-30	1,651	9.0	0-38
Transport equipment	461	25.8	0-50	228	2.6	0-25
Non-electric machinery	735	6.3	0-35	853	1.3	0-10
Electric machinery	438	9.5	0-50	558	2.1	0-15
Non-agric products, n.e.s.	626	6.3	0-50	910	3.0	0-39
Petroleum	30	0.5	0-5	28	2.2	0-7
By sector[a]						
-Agriculture and fisheries	1,655	0.4	0-40	492	5.7	0-350
-Mining	124	1.0	0-30	121	0.4	0-10
-Manufacturing	8,801	9.6	0-60	9,690	4.9	0-350
-excluding food processing	7,904	10.2	0-60			
By stage of processing						
First stage of processing	2,054	0.9	0-40	964	3.7	0-350
Semi-processed products	3,482	9	0-60	3,392	4.3	0-159
Fully-processed products	5,045	10.4	0-60	5,948	5.4	0-350

Source: World Trade Organization calculations, based on data provided by the Malaysian and U.S. authorities. See *Trade Policy Review — Report by Malaysia*, WT/TPR/G/156, December 12, 2005, and *Trade Policy Review — Report by the United States*, WT/TPR/S/160, February 15, 2006.

Note: Calculations exclude specific rates and include the *ad valorem* part of alternate and compound rates. The tariff is based on HS02 nomenclature. The number of lines refers to the number of individual lines in the list of tariffs for each country.

a. International Standard Industrial (Rev.2) classification. Electricity, gas, and water are excluded.

The concern that an FTA would generate a surge in agricultural imports from Malaysia seems small. In 2004, for example, Malaysia exported to the world a total of $106 million in dairy products, $88 million in sugar, and $225 million in tobacco products.[33] Malaysia does not have a significant sugar industry, a politically sensitive industry in the United States.

In non-agricultural products (excluding petroleum), Malaysia's average MFN tariff rate is 8.7% as compared with 4.0% in the United States. The ranges of tariff rates are similar. In Malaysian sectors where the government is fostering the growth of industry, however, the rates are particularly high. In transport equipment, in particular, the average Malaysia tariff of 25.6% is nearly ten times the U.S. rate of 2.6%. In non-electrical machinery, a sector in which both countries currently export to each other, the Malaysia tariff rate at 9.5% is four times the U.S. rate of 2.1%. Similarly, in electrical machinery the Malaysia rate of 6.3% is double the U.S. rate of 3.0%. The Malaysian rate, however, can reach 35% for some items. Most industrial machinery enters Malaysia at 5% to 30%. Boilers and engines enter at 5%, but air conditioners and refrigerators enter at 30%.

Average Applied Tariff Rates

Applied average tariff rates are derived by dividing the amount of customs duties collected by the value of imports. Average applied tariff rates are good indicators of a nation's actual level of tariff protection. These rates may be somewhat lower than the MFN rates because items with high rates might not be imported at all (so no tariffs are paid) and because Malaysia has FTAs with other nations under which the FTA partners pay lower or no tariffs on their exports to Malaysia. They can also be higher if importers buy expensive items (such as machinery or automobiles) subject to higher tariff rates.

For Malaysia, the average applied tariff rate of 8.4% is more than twice the U.S. average rate of 3.7%.[34] For all industrial goods, the applied rate is 9.1% in Malaysia as compared with 3.7% in the United States. **Table 3** shows Malaysian applied tariff rates by industrial sector.

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[33] United Nations Trade Database (SITC Rev.3) accessed via the U.S. Department of Commerce's Trade Policy Information System.

[34] Office of the United States Trade Representative. "Free Trade Agreement: U.S. and Malaysia, Economic and Strategic Benefits." Power Point presentation. March 8, 2006. [http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2006/asset_upload_file802_9121.pdf]

Table 3. U.S. and Malaysian Average Applied Tariffs Rates for Industrial Goods

Industrial Category	Malaysia	United States
All Industrial Goods	9.1%	3.7%
Wood, pulp, paper, and furniture	10.9%	0.7%
Textiles and clothing	13.5%	9.6%
Leather, rubber, footwear, and travel goods	14.0%	4.3%
Metals	9.3%	2.1%
Chemicals and photographic supplies	3.6%	3.4%
Transport equipment	18.5%	3.2%
Non-electric machinery	3.7%	1.2%
Electric machinery	6.7%	1.9%
Mineral products and precious stones	8.8%	2.0%
Manufactured articles not specified	5.1%	2.5%
Fish and fish products	2.4%	1.1%

Source: U.S. Trade Representative. "Free Trade Agreement: U.S. and Malaysia, Economic and Strategic Benefits," March 8, 2006.

Possible Issues

Free trade agreements reduce artificial barriers to trade and investment and, thereby, change existing parameters that generate opportunities for making profits or exerting market power. In addition to eliminating tariffs on both sides, FTAs usually also eliminate or reduce import quotas and other non-tariff barriers to trade. They also usually provide access to services, open markets for investment, contain provisions strengthening protection of intellectual property, address certain types of government regulations and practices, provide for a dispute settlement process, and can touch on issues such as business visas, competition policy, and a variety of policies or practices that affect economic activity. FTAs create gainers and losers as border barriers and government strictures are lessened. In general, the ones who gain tend to be exporters, investors, and consumers, while those who lose tend to be companies and workers in import competing industries. For import-sensitive sectors, the length of phase-out periods for existing protective measures can be a focus of dispute.

The U.S. Trade Representative has identified certain specific issues related to the potential U.S.-Malaysia FTA that are likely to require attention in the negotiations. These include intellectual property rights, automobiles, services, government procurement, and capital controls. Other issues may arise as the negotiations progress.

Intellectual Property Rights

An issue of interest to U.S. exporters is Malaysian enforcement of intellectual property rights (IPR). Malaysia has recently tightened its laws on and stepped up enforcement of protection of intellectual property, but problems still remain. The International Intellectual Property Association (IIPA) estimated 2004 industry losses in Malaysia due to piracy at $188 million. IIPA estimated 2004 piracy rates at 63% for business software, 52% for music, and 50% for movies.

Malaysia has remained on the Special 301 Watch List since October 2001 as part of an effort by the USTR to monitor Malaysia's efforts to improve its IPR regime. In its *2006 Special 301 Report*, the USTR stated that Malaysia has made some significant improvements in IPR protection and enforcement but still has some serious deficiencies. IPR enforcement improvements during 2005 included conducting raids against pirate optical disc production facilities, seizing pirate goods and machinery used to produce pirate materials, arresting IPR infringers, and revoking or declining to renew licenses for pirate optical disc facilities. The USTR also stated that trademark counterfeiting, including those of pharmaceuticals, is rampant in Malaysia and that these issues are to be addressed in the FTA negotiations.[35]

Opposition to the FTA negotiations has appeared in Malaysia among people concerned about the treatment of HIV/AIDS. They claim that a U.S.-Malaysia FTA would more than likely patent anti-retroviral AIDS drugs for five years, "making far too costly for them [HIV/AIDS patients] to buy."[36] Others believe that stricter enforcement of drug patents could discourage pharmaceutical companies from introducing new anti-retroviral drugs in Malaysia.[37]

Automobiles

Malaysia has a booming automobile industry. Its automobile manufacturers, such as Proton and Perodua, market their vehicles in over 40 countries around the world, and its motorcycle manufacturer, Modenas, is a popular brand in Argentina, Greece, Iran, Singapore, Malta, Mauritius, Turkey, and Vietnam. Malaysia's automobile components and parts industry is also quite successful on the world market.

Malaysia has long protected its automobile manufacturing industry from foreign competition using high tariffs and non-tariff trade barriers. Government policies also distinguish between national cars (i.e., made by domestic producers, such as Proton and Perodua) and non-national cars, which include most vehicles manufactured in Malaysia by non-Malaysian owned firms. The firms making national cars, for

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[35] See U.S. Trade Representative. *2006 Special 301 Report*, April 28, 2006.

[36] "People with HIV/AIDS Hold Anti-FTA Protest," by Soon Li Tsin, Malaysiakini, January 11, 2007.

[37] Dass, Maria J. Groups Worried Over FTA with US. Sun2Surf.com, Malaysia. September 11, 2006.

example, receive 50% rebates on their excise taxes. Ethnic Malays (not Malaysians of Chinese or other ethnic origin) also are favored in receiving permits to import or distribute motor vehicles.

The government has, however, begun to dismantle some of its protections in order to meet its commitments to the WTO and the ASEAN Free Trade Agreement. In January 2004, the government completely eliminated local content requirements that were inconsistent with its obligations under the WTO, but government policies (particularly its excise taxes on automobiles) continue to block open trade in the automotive sector. Malaysia imposes 30% tariffs on assembled vehicles from outside the ASEAN region and up to 10% on completely knocked-down vehicle kits. Excise taxes on both assembled vehicles and kits are 80-200% on automobiles, 55-160% on multipurpose vehicles, and 10-50% on motorcycles.[38]

During negotiations, Malaysia is likely to raise the issue of U.S. measures protecting domestic automobile industry. For example, the United States currently maintains a special 25% tariff on imports of pickup trucks. In a May 2006 hearing, a representative of the U.S. Automotive Trade Policy Council (representing the U.S. big three automakers) said the Council supports the proposed FTA and sees it as an opportunity to break into a market that has historically protected domestic producers and discriminated against foreign manufacturers.[39]

Services

Financial services also appear to be a difficult issue to resolve in the negotiations. Malaysia limits foreign ownership to 30% of commercial banks and 49% of investment banks. Foreign commercial banks also are allowed to open new branches only if they also add other branches as directed by Bank Negara, Malaysia's central bank. Malaysia maintains a 51% cap on foreign ownership of insurance companies already established in Malaysia prior to 1998 as well as a foreign ownership limit of 30% for new entrants seeking access. Apparently Malaysia has not actually enforced the 51% cap except in cases of companies who seek the right to establish branches.[40]

In the lead-up to the launch of the FTA negotiations, Malaysia reportedly attempted to keep financial services, a sensitive sector for the nation, out of the negotiations completely, but the country did agree to include such services in the FTA talks. Malaysia, however, has lifted requirements that foreign banks obtain 50% of their credit from local banks, has allowed them to seek any amount of ringgit (domestic currency) credit without approval, has allowed the ringgit exchange value

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[38] U.S. Trade Representative. *2006 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2006. Section on Malaysia.

[39] "Administration Hears Industry Input on Priorities for Malaysia FTA," *Washington Trade Daily* (Online edition), May 5, 2006.

[40] U.S. to Face Difficulties on Financial Services in Malaysia FTA Talks, *Inside U.S. Trade*, March 10, 2006.

to float rather than be strictly pegged to the dollar, and allowed foreign banks to open four additional branches in 2006.[41]

In telecommunications, foreign companies are allowed to acquire up to a 30% equity stake in existing fixed line operations. Value-added telecommunications service suppliers likewise are limited to 30% foreign equity. These restrictions arguably benefit the government-controlled firm, Telekom Malaysia.[42]

Licensed professionals, such as lawyers and architects, also are restricted in Malaysia. Foreign lawyers may not practice Malaysian law nor affiliate with local firms. Foreign law firms may take an operating stake of up to 30% in a local law firm. A foreign architectural firm may operate in Malaysia only as a joint venture participant in a specific project, and foreign architects may not be licensed in Malaysia. Foreign engineers may be licensed only for specific projects. Foreign accounting firms must work through Malaysian affiliates.[43]

In services, the United States has used the *negative list* approach in determining which sectors are excluded from the agreement.[44] However, Malaysia prefers to use a *positive list* approach in which service sectors are excluded unless listed in the agreement.

Government Procurement

Malaysia is not a signatory of the WTO Government Procurement Agreement. As part of its "New Economic Program," Malaysia seeks raise the participation of *bumiputera* (ethnic Malays) in the economy. Foreign companies, in many cases, are required to take on a local partner before their bids are considered. The awarding process for procurement contracts also is considered to be non-transparent.[45]

After the second round of negotiations in July 2006, it became apparent that Malaysian government procurement restrictions that reserve a certain share of Malaysian business for ethnic Malays were emerging as a major sticking point in the negotiations. Malaysian negotiators reportedly had not been authorized by the Malaysian cabinet to agree to an opening of the government procurement market.[46]

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[41] U.S. Trade Representative. *2006 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2006. Section on Malaysia.

[42] Ibid.

[43] Ibid.

[44] The negative list of sectors closed to foreign investment, for example, may include airports, social insurance, or other sectors that are run by governments or have special security requirements.

[45] Ibid.

[46] Government Procurement Emerging as Major Problem in U.S.-Malaysia FTA. *Inside US Trade*, September 1, 2006.

Capital Controls

Malaysia has lifted most of the controls on capital it imposed during the 1997-98 Asian financial crisis. The purpose of the controls was to keep capital, particularly funds invested in securities or in businesses from being taken out of the country (or converted to dollars) during the crisis. Concern remains, however, with respect to a future crisis and whether a U.S. investor would be able to repatriate capital. Both the U.S.-Singapore and U.S.-Chile FTAs have provisions that address this issue primarily by allowing an investor who is harmed by such controls to sue for damages.

Trade Flows

FTAs usually have several distinct effects on trade flows. They tend to divert export and import trade toward the countries involved, but they also can create more trade overall by lowering tariffs and other trade barriers. For example, the North American Free Trade Agreement (NAFTA) has tended to divert some trade from Asia to North America. Certain U.S. importers have turned to suppliers in Mexico rather than buying from Asia, and some manufacturers from Asia have relocated to Mexico to take advantage there of tariff-free access to the North American market. At the same time, the existence of a barrier-free North American market has tended to generate business efficiencies as companies gain from economies of large-scale production and distribution. This has tended to create more trade overall.[47] FTAs also can cause a substitution effect as imports are substituted for domestic production. In that case, import-competing industries may suffer and may require assistance to adjust to increased competition from imports.

Table 4 shows U.S. exports to, imports from, and the balance of merchandise trade with Malaysia from 2000 to 2006, according to the U.S. Department of Commerce. U.S. exports to Malaysia remained steady at about $10 billion per year from 2000 to 2005, but rose to over $11 billion in the first 11 months of 2006. U.S. imports grew by more than 34% over the same period. This has caused the U.S. figure for the trade deficit with Malaysia to rise from $14 billion in 2000 to nearly $23 billion so far in 2006.

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[47] For further information, see CRS Report RL31356, *Free Trade Agreements: Impact on U.S. Trade and Implications for U.S. Trade Policy*, by William H. Cooper.

Table 4. U.S. Trade with Malaysia, 2000 to 2006

(Million Dollars; U.S. trade figures)

Year	U.S. Exports	U.S. Imports	U.S. Balance
2000	10,957.48	25,568.20	-14,610.72
2001	9,357.69	22,340.35	-12,982.66
2002	10,343.65	24,008.94	-13,665.29
2003	10,914.06	25,440.20	-14,526.14
2004	10,921.72	28,178.87	-17,257.15
2005	10,460.83	33,685.16	-23,224.33
2006*	11,637.08	34,298.80	-22,661.72

Source: Data from U.S. Department of Commerce
* through November

As shown in **Table 5**, the United States is Malaysia's top export market, according to Malaysian export data. Singapore is second, Japan is third, and China is fourth. The United States is a steady market for Malaysia. In 2004, 18.8% of Malaysia's exports went to the United States. In 2005, the U.S. share of Malaysia's exports rose to 19.7%. For the first nine months of 2006, 19.0% of its exports were shipped to the United States.

Table 5. Malaysia's Merchandise Exports by Top 10 Trading Partners

Partner	2004		2005		2006	
	Ringgits (Billions)	U.S. $ (Billions)	Ringgits (Billions)	U.S. $ (Billions)	Ringgits	U.S. $ (Billions)
World Total	480.722	137.349	533.790	152.511	436.479	124.708
United States	90.182	25.766	105.033	30.009	82.761	23.646
Singapore	72.176	20.622	83.333	23.809	69.306	19.802
Japan	48.553	13.873	49.918	14.262	38.217	5.658
China	32.143	9.184	35.225	10.064	30.939	8.840
Thailand	22.954	6.558	28.723	8.207	23.061	6.589
Hong Kong	28.686	8.196	31.205	8.916	22.300	6.371
South Korea	16.839	4.811	17.945	5.127	15.799	4.514
Netherlands	15.752	4.501	17.452	4.986	15.214	4.347
Taiwan	17.763	5.075	14.813	4.232	11.913	3.404
Indonesia	11.677	3.336	12.580	3.594	10.534	3.010

Source: Department of Statistics, Malaysia.
Note: 2006 figures through September; U.S. dollar equivalent calculated using exchange rate of 3.5 ringgits = 1 U.S. dollar

As shown in **Table 6**, Japan is Malaysia's top source of imports, while the United States is second with China and Singapore competing for third. Malaysia already has an FTA with Singapore and is negotiating one with Japan. The proposed FTA with the United States would place U.S. exporters on the same footing as exporters from Singapore, Japan, and other nations that have FTAs with Malaysia, and may increase U.S. exports to Malaysia.

Table 6. Malaysia's Merchandise Imports by Top 10 Trading Partners

Partner	2004		2005		2006	
	Ringgits (Billions)	U.S. $ (Billions)	Ringgits (Billions)	U.S. $ (Billions)	Ringgits (Billions)	U.S. $ (Billions)
World	399.648	114.185	434.030	124.009	358.917	102.548
Japan	63.693	18.198	63.000	18.000	48.007	13.716
United States	57.752	16.501	55.918	15.977	46.609	13.317
China	39.279	11.223	49.879	14.251	43.027	12.293
Singapore	44.437	12.696	50.831	14.523	41.640	11.897
Thailand	21.992	6.283	22.889	6.540	19.596	5.600
South Korea	19.844	5.670	21.604	6.173	18.928	5.408
Taiwan	21.630	6.180	23.973	6.849	18.743	5.355
Germany	17.798	5.085	19.265	5.504	15.055	4.301
Indonesia	15.936	4.553	16.566	4.733	14.055	4.016
Hong Kong	10.850	3.100	10.797	3.085	9.280	2.651

Source: Department of Statistics, Malaysia.
Note: 2006 figures through September; U.S. dollar equivalent calculated using exchange rate of 3.5 ringgits = 1 U.S. dollar

The United States already is Malaysia's top export market. A U.S.-Malaysia FTA would likely reinforce this relationship. The United States, however, already has low tariff rates for Malaysia exports, so eliminating U.S. tariffs may have little effect on U.S. imports of Malaysian products.

Outcomes from Recent Bilateral Negotiations

The United States and Malaysia held their fourth round of bilateral negotiations regarding the FTA in San Francisco from January 8 to 12, 2007. The chief U.S. negotiator, Assistant Trade Representative for Asia and the Pacific Barbara Weisel, indicated that she expects a fifth and final round of talks will be held in early

February in Malaysia, thereby completing the negotiations before the March deadline.[48]

However, Malaysia's International Trade and Industry Minister Datuk Seri Rafidah Aziz had a less optimistic appraisal of the negotiation's progress and the prospects of finishing the FTA in time for the Bush Administration's March 31 deadline. In a press interview on January 18, 2007, Minister Aziz said, "I doubt it very much because July is only a few months away and we are not negotiating every week. This is a serious broad-based discussion. I am not very optimistic."[49]

For the U.S. delegation, the key issues for the San Francisco talks were IPR protection in Malaysia, Malaysia's "New Development Policy" that gives preferential employment and contract treatment to ethnic Malays, market access for key U.S. merchandise exports, and liberalization of key service sectors. For Malaysia, the chief issues were safeguards against a surge in U.S. imports and market access, particularly in the service sectors.

Market access for U.S. merchandise exports continues to be an issue. During the third round of talks, there was an exchange of initial offers for agricultural access that one U.S. official termed "a solid basis for continued negotiations."[50] However, according to Malaysia's Agricultural Minister, Tan Sri Muhyiddin Yassin, rice and tobacco are on Malaysia's exclusion list in its negotiations, indicating Malaysia's desire to keep its trade barriers against these two agricultural imports. The minister reported said, "Whatever happens, if rice is the cause for the FTA not to be signed, then let it be because the government will not compromise on anything that can affect the interests of our farmers."[51] Besides agricultural goods, there are still issues to be resolved regarding trade in textiles and automobiles.

Another continuing issue is finding a common approach to negotiating market access for services. The United States wishes to use a "negative approach" under which all service sectors would be covered by the FTA unless explicitly excluded from the agreement. Malaysia wishes to base the talks on a "positive approach" where only those sectors explicitly mentioned in the agreement are covered by the FTA. Observers indicate that Malaysia is particularly concerned about the impact of U.S. access to Malaysia's financial services market.

Regarding Malaysia's "New Development Policy," sources indicate little flexibility from Malaysia. According to Minister Rafidah, Malaysia is "standing

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[48] "U.S., Malaysia in Bay Area Talks over Trade Pact," by David Armstrong, *San Francisco Chronicle*, January 12, 2007. The dates for the fifth round of talks — February 5-9, 2007 — were set soon after her interview.

[49] "Rafidah: Malaysia-US FTA Talks Unlikely to be Completed by July 2007," *FTA Malaysia*, January 18, 2007.

[50] "US Sees 'Real Interest' in Free Trade Deals with Malaysia, South Korea," *Agence France Presse*, January 9, 2007.

[51] "Tobacco, Rice Excluded in FTA Negotiations with the US," by Mergawati Zulfakar, *The Star*, January 15, 2007.

firm" on this issue, and it is an area where [Malaysia] could not compromise and this is known by the U.S. side."[52] However, Assistant Trade Representative Weisel indicated that while the United States recognizes that Malaysia will not completely eliminate its preference policy, it still believes that there are ways of opening some key sectors — such as telecommunications, financial services, express delivery, computers, and energy distribution — to U.S. companies.[53]

Conditions for the fifth round of talks were complicated at the end of January with the news of a $16 billion energy development deal between Malaysia's SKS Group and the National Iranian Oil Company that would develop Iranian gas fields and build liquefied natural gas plants.[54] During a House Committee on Foreign Affairs Hearing on January 31, 2007, Chairman Tom Lantos (Democrat, California) called the deal "abhorrent," and sent a letter to U.S. Trade Representative Susan Schwab requesting the suspension of negotiations on the proposed FTA until Malaysia renounced the deal with Iran.[55] U.S. Trade Representative Schwab indicated that she intended to continue the negotiations with Malaysia.[56]

Malaysia sharply rejected the call to revoke the energy deal with Iran. Malaysia's Minister of International Trade and Industry Seri Rafidah Aziz reportedly said that the United States has no right to block Malaysia trading with any country, even after the conclusion of the proposed FTA.[57] Malaysia's Prime Minister Badawi also was firm on the issue, "We reject the pressure being inflicted upon us.... Do not bring any political matters into trade."

Legislative Requirements

Free trade agreements normally are considered by Congress under expedited procedures. These provisions are contained in the act providing Trade Promotion Authority to the President (P.L. 107-210) and other trade laws. The requirements include the following:[58]

- before entering into any agreement, the President is required to consult with certain Congressional bodies and to submit a report on

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[52] "Rafidah: Malaysia-US FTA Talks Unlikely to be Completed by July 2007," *FTA Malaysia*, January 18, 2007.

[53] "U.S.-Malaysia Trade Deal Possible by March: USTR," by Doug Palmer, *New York Times*, January 12, 2007.

[54] "Malaysia Stands by Iranian Gas Deal," *BBC News*, February 2, 2007.

[55] "Remarks by Congressman Tom Lantos, Chairman, House Committee on Foreign Affairs, at Hearing, 'Understanding the Iran Crisis,'" January 31, 2007.

[56] Reported in *Washington Trade Daily*, February 5, 2007.

[57] "Malaysia Defends State Despite U.S. Threat to Halt FTA Talks," *Bernama - Malaysian National News Agency*, February 2, 2007

[58] For detail, see CRS Report RL32011, *Trade Agreements: Procedure for Congressional Approval and Implementation*, by Vladimir N. Pregelj.

the possible effect of the agreement on U.S. trade remedy laws; at least 90 calendar days before entering into a trade agreement, the President must notify Congress of the intent to enter into the agreement.[59]

- at least 90 calendar days before entering into the trade agreement, the President must notify the revenue committees of possible changes to U.S. trade remedy laws (report submitted on December 27, 2006);[60] no later than 30 days after the President notifies Congress of the intention to enter into a trade agreement, private sector advisors must submit their reports on the agreement;

- within 60 days of entering into a trade agreement, the President must submit to Congress a description of changes to existing laws; not later than 90 days after the President enters into an agreement, the International Trade Commission must submit a report assessing the likely impact of the agreement;[61]

- after entering into an agreement, the President is required to submit to Congress the final legal text of the agreement[62] together with a draft of the implementing bill, a statement of any administrative action proposed to implement the agreement, and sundry supporting information; since the implementing bill is not amendable, the relevant committees in Congress hold hearings and "mock" mark-ups on the draft bill for changes reflecting congressional concerns regarding the agreement and the final language of the legislation to be transmitted to Congress formally for legislative action;

- if a committee to which the bill has been referred has not reported it within 45 days after its introduction, such committee is automatically discharged from its further consideration, and the bill is placed on the appropriate calendar; in both houses, floor debate on the bill is limited to 20 hours; and

- the vote by simple majority on final passage of the bill must be taken on or before the 15th day after the bill has been reported.

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[59] Since the President's Trade Promotion Authority expires on July 1, 2007, the President arguably must notify the Congress of his intent to enter into an FTA with Malaysia before April 2, 2007 (unless the Trade Promotion Authority is extended).

[60] U.S. Trade Representative. Report on Proposals Advanced in Negotiations on a Free Trade Agreement with Malaysia That May Require Amendments to United States Trade Remedies Laws. December 27, 2006.

[61] On March 24, 2006, the U.S. International Trade Commission announced that it was instituting investigations (TA-131-33 and TA-2104-22) entitled: U.S.-Malaysia Free Trade Agreement: Advice Concerning the Probable Economic Effect of Providing Duty-Free Treatment for Imports.

[62] After negotiations are complete, the "legal scrubbing" of the text usually takes a certain amount of time before the final legal text is submitted to Congress.

Policy Options

Until the negotiations with Malaysia on the proposed FTA are complete, the legislative policy options include consultations with the Executive Branch, holding oversight hearings on pertinent U.S. trade policy and relations with Malaysia and other nations, and working with interest groups that either support or oppose the proposed agreement. Public Law 107-210 (Section 2104) provides for close consultations with the Executive Branch during and following the negotiations (as noted above). Such consultations may lead to changes in the draft agreement before it is signed.

Once the treaty is negotiated and the Executive provides Congress with draft implementing legislation, the House Ways and Means and Senate Finance Committees may hold mock markup hearings on the draft implementing legislation and, if approved, may include non-binding amendments. The White House may consider adding such amendments to the final version of the implementing bill.

In the FTA with Central America and the Dominican Republic, for example, the House Ways and Means Committee voted to approve the draft legislation but also added a non-binding amendment requiring the Administration to report on activities conducted by countries in question to build capacity on labor issues and to monitor the effects of the FTA on U.S. service industries. The final implementing bill included such reporting requirements.[63]

The U.S.-Singapore FTA contained an Integrated Sourcing Initiative [Article 3.2(1-2)] that allowed certain information technology and medical products to be treated as being of Singapore origin under specific conditions even if they were manufactured in neighboring Indonesian areas. Critics of the initiative as originally drafted pointed out, however, that the provision potentially could have been used by exporters from other nations, such as China, by shipping their goods through Singapore. In response to this concern, some draft language was deleted from the agreement. The implementing legislation also established the need for congressional approval for the expansion of the list of products covered under the Initiative.[64]

Congress also may choose not to approve the FTA implementing legislation. Congress also may consider the proposed agreement in conjunction with other FTAs and the Doha Round of trade negotiations under the WTO — now stalled but which may be restarted. The U.S. Trade Representative seems confident that all negotiations can go forward concurrently, but in April 2006, House Ways and Means Committee Chairman Bill Thomas reportedly called on the Bush Administration to take its focus off the Doha trade negotiations and instead focus its energies on completing ongoing bilateral FTAs.[65]

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[63] See CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck.

[64] See CRS Report RL31789, *The U.S.-Singapore Free Trade Agreement*, by Dick K. Nanto.

[65] "Thomas Urges USTR to Shift From Lagging Doha Round to Completing FTAs." *Inside*
(continued...)

Legislation

110th Congress

At the time this report was updated, there were no bills introduced directly related to Malaysia and/or negotiations of a free trade agreement with Malaysia.

However, there is proposed legislation, **H.R. 294**, that would "prohibit the entry into any bilateral or regional trade agreement, and to prohibit negotiations to enter into any such agreement, for a period of 2 years." The bill was introduced by Representative Dale E. Kildee (D-MI) and co-sponsored by Representative Walter B. Jones, Jr. (R-NC). The bill was referred to the House Ways and Means Committee.

[65] (...continued)
U.S. Trade, April 7, 2006.

Appendix A. Chronology[66]

2007

February 5 Fifth Round of negotiations scheduled begin in Kota Kinabalu, Sabah, Malaysia.

January 8 Fourth Round of negotiations begin in San Francisco.

2006

December 27 The Administration reported that it was not likely to ask Congress to substantially change U.S. import laws (trade remedies laws) due to negotiations on a free trade agreement with Malaysia.

October 30 Third Round of negotiations commenced in Malaysia. Government procurement was a major point of contention.

September 18 Third Round of negotiations scheduled for September were postponed to October 30.

July 17-21 The second round of negotiations were held. Twenty-two negotiating groups met and discussed issues and draft texts.

June 12-14 The First Round of the Malaysia-US FTA talks held in Malaysia.

May 3 The interagency Trade Policy Staff Committee convened a public hearing to seek public comment to assist the USTR in amplifying and clarifying negotiating objectives for the proposed U.S.-Malaysia FTA and to provide advice on how specific goods and services and other matters should be treated under the proposed agreement.
The U.S. International Trade Commission began hearings on the proposed U.S. Malaysia FTA.

April 4 The U.S. Trade Representative sent a letter to the Committee on Ways and Means transmitting a report on the intent to initiate negotiations for a free trade agreement between the United States and Malaysia.

March 31 The Trade Policy Staff Committee gave notice that the U.S. Trade Representative and the Department of Labor are initiating a review of the impact of a proposed free trade agreement between the United States and Malaysia on U.S. employment, including labor markets.

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[66] This chronology is based on various news reports, press releases, and notifications.

March 30	The U.S. International Trade Commission announced that it had instituted (as of March 24) investigation [Nos. TA-131-33 and TA-2104-22] entitled U.S.-Malaysia Free Trade Agreement: Advice Concerning the Probable Economic Effect of Providing Duty-Free Treatment for Imports. The request for the investigation was received from the USTR on March 17, 2006.
March 8	The U.S. Trade Representative announced and notified Congress of the Bush Administration's intent to negotiate a free trade agreement between the United States and Malaysia.

Appendix B. U.S. Exports of Merchandise to Malaysia by Two-Digit Harmonized System Codes, 2004-2006

(Million U.S. Dollars)

HS	Description	2004	2005	2006*
	Total Exports to Malaysia	10,921.22	10,450.92	11,637.08
01	Live Animals	0.61	2.26	2.23
02	Meat	2.15	3.35	1.82
03	Fish and Seafood	2.97	3.05	5.69
04	Dairy, Eggs, Honey, etc	24.13	33.48	45.00
05	Other of Animal Origin	0.08	0.17	0.24
06	Live Trees and Plants	0.01	0.00	0.01
07	Vegetables	3.91	5.51	5.77
08	Edible Fruit and Nuts	105.48	117.62	86.02
09	Spices, Coffee and Tea	0.54	0.80	0.73
10	Cereals	15.61	29.80	21.94
11	Milling; Malt; Starch	1.96	1.52	1.42
12	Misc Grain, Seed, Fruit	61.41	26.24	57.19
13	Lac; Vegetable Sap, Extrct	1.76	2.08	1.73
14	Other Vegetable	0.02	0.00	0.01
15	Fats and Oils	2.04	1.66	1.67
16	Prepared Meat, Fish, etc	0.33	1.04	0.79
17	Sugars	6.68	7.23	8.42
18	Cocoa	3.35	4.93	3.16
19	Baking Related	4.34	5.22	4.19
20	Preserved Food	23.58	23.15	22.19
21	Miscellaneous Food	41.30	46.68	44.71
22	Beverages	5.09	4.04	4.39
23	Food Waste; Animal Feed	33.75	37.24	36.80
24	Tobacco	35.16	27.90	18.16
25	Salt; Sulfur; Earth, Stone	8.53	4.46	7.84
26	Ores, Slag, Ash	3.78	3.99	4.29
27	Mineral Fuel, Oil Etc	28.54	30.29	41.37
28	Inorg Chem; Rare Earth metals	48.98	61.95	66.63
29	Organic Chemicals	147.82	113.10	95.72

HS	Description	2004	2005	2006*
30	Pharmaceutical Products	24.99	29.93	37.50
31	Fertilizers	6.60	5.96	5.14
32	Tanning, Dye, Paint, Putty	16.84	20.29	15.89
33	Perfumery, Cosmetics, etc	32.21	29.73	33.94
34	Soap, Wax, etc; Dental Prep	25.56	27.74	30.08
35	Albumins; Mod Starch; Glue	9.20	8.03	9.64
36	Explosives	5.94	3.57	3.41
37	Photographic/Cinematography	3.20	4.55	4.07
38	Misc. Chemical Products	67.02	76.79	68.84
39	Plastic	217.22	222.21	192.12
40	Rubber	16.04	34.11	42.30
41	Hides and Skins	0.15	0.11	0.08
42	Leather Art; Saddlery; Bags	1.92	2.55	2.78
43	Furskin+ Artificial Fur	0.00	0.00	0.01
44	Wood	38.80	30.13	26.86
45	Cork	0.05	0.11	0.04
46	Straw, Esparto	0.16	0.00	0.00
47	Woodpulp, Etc.	24.95	26.39	25.01
48	Paper, Paperboard	63.43	71.67	62.13
49	Book+ Newspaper; Manuscript	15.94	20.11	16.47
50	Silk; Silk Yarn, Fabric	0.45	0.32	0.39
51	Animal Hair+ Yarn, Fabrc	0.03	0.01	0.00
52	Cotton+ Yarn, Fabric	7.20	5.41	7.22
53	Other Veg Textile Fiber	0.01	0.01	0.01
54	Manmade Filament, Fabric	3.92	4.00	2.49
55	Manmade Staple Fibers	3.27	2.47	2.48
56	Wadding, Felt, Twine, Rope	9.90	14.73	6.56
57	Textile Floor Coverings	0.62	0.17	0.42
58	Spcl Woven Fabric, Etc	1.17	0.50	0.97
59	Impregnated Text Fabrics	3.27	3.86	2.67
60	Knit, Crocheted Fabrics	0.18	0.27	0.09
61	Knit Apparel	0.64	0.81	0.29
62	Woven Apparel	1.67	2.38	1.26
63	Misc Textile Articles	3.41	6.97	8.86
64	Footwear	0.44	0.81	0.64

HS	Description	2004	2005	2006*
65	Headgear	0.09	0.33	0.13
66	Umbrella, Walk-sticks, Etc	0.00	0.00	0.00
67	Artif Flowers, Feathers	0.00	0.00	0.02
68	Stone, Plaster, Cement, Etc	6.32	11.65	14.39
69	Ceramic Products	11.67	9.54	3.88
70	Glass and Glassware	25.04	27.00	27.51
71	Precious Stones, Metals	37.22	37.08	43.94
72	Iron and Steel	96.20	121.28	192.50
73	Iron/steel Products	28.79	28.00	30.43
74	Copper+ Articles Thereof	29.76	27.39	27.65
75	Nickel+ Articles Thereof	3.23	3.02	3.52
76	Aluminum	44.65	43.46	40.12
78	Lead	3.01	4.43	2.94
79	Zinc+ Articles Thereof	0.13	0.56	1.52
80	Tin + Articles Thereof	0.67	0.05	5.84
81	Other Base Metals, Etc.	6.40	7.84	13.81
82	Tool, Cutlery, of Base Metals	19.64	22.48	24.31
83	Misc Art of Base Metal	29.04	8.57	9.07
84	Machinery	1,376.21	1,744.84	1,551.72
85	Electrical Machinery	6,501.82	5,985.67	6,614.87
86	Railway; Trf Sign eq	8.18	5.48	3.22
87	Vehicles, Not Railway	12.21	15.76	12.37
88	Aircraft, Spacecraft	580.89	255.76	789.58
89	Ships and Boats	0.64	10.52	1.21
90	Optic, Not 8544; Medical Instr	637.54	567.78	766.51
91	Clocks and Watches	1.00	1.27	0.84
92	Musical Instruments	0.77	1.20	1.79
93	Arms and Ammunition	1.11	1.25	2.09
94	Furniture and Bedding	11.04	29.79	12.68
95	Toys and Sports Equipment	15.27	19.25	18.20
96	Miscellaneous Manufactures	3.40	2.53	5.99
97	Art and Antiques	0.14	0.17	0.34
98	Special Other	208.76	201.45	213.25

Source of data: U.S. Dept. of Commerce, Bureau of Census.
***Note:** 2006 data through November

Appendix C. U.S. Imports of Merchandise from Malaysia by Two-Digit Harmonized System Codes, 2004-2006

(Million U.S. dollars, customs values)

HS	Description	2004	2005	2006*
	Total Imports from Malaysia	28,178.87	33,703.16	34,298.80
01	Live Animals	0.15	0.15	0.12
02	Meat	0.00	0.00	0.00
03	Fish and Seafood	119.03	124.08	138.35
04	Dairy, Eggs, Honey, etc	0.69	0.77	0.26
05	Other of Animal Origin	0.06	0.05	0.11
06	Live Trees and Plants	0.49	0.61	0.75
07	Vegetables	0.20	0.28	0.11
08	Edible Fruit and Nuts	0.02	0.03	0.00
09	Spices, Coffee and Tea	1.36	1.69	2.47
10	Cereals	0.05	0.04	0.10
11	Milling; Malt; Starch	0.09	0.12	0.03
12	Misc Grain, Seed, Fruit	0.05	0.14	0.28
13	Lac; Vegetable Sap, Extract	0.04	0.14	0.26
14	Other Vegetable	0.02	0.05	0.02
15	Fats and Oils	263.23	319.93	398.72
16	Prepared Meat, Fish, etc	26.35	17.64	17.58
17	Sugars	0.28	0.94	0.54
18	Cocoa	110.04	112.26	106.59
19	Baking Related	8.15	9.68	10.52
20	Preserved Food	8.44	7.77	8.05
21	Miscellaneous Food	5.07	8.95	19.13
22	Beverages	1.87	3.59	6.37
23	Food Waste; Animal Feed	0.60	0.55	3.59
24	Tobacco	1.78	0.93	0.00
25	Salt; Sulfur; Earth, Stone	0.16	0.10	0.18
26	Ores, Slag, Ash	5.36	8.99	10.29
27	Mineral Fuel, Oil Etc	573.69	507.04	441.27
28	Inorg Chem; Rare Earth mt	4.33	14.07	3.58
29	Organic Chemicals	100.59	96.54	85.53
30	Pharmaceutical Products	1.71	1.09	2.43

HS	Description	2004	2005	2006*
31	Fertilizers	4.70	12.26	14.71
32	Tanning, Dye, Paint, Putty	8.27	17.08	14.14
33	Perfumery, Cosmetic, etc	4.01	3.45	4.14
34	Soap, Wax, Etc; Dental Prep	16.56	18.92	22.76
35	Albumins; Mod Starch; Glue	0.95	0.70	0.61
36	Explosives	0.00	0.00	0.00
37	Photographic/Cinematography	6.44	1.48	3.18
38	Misc. Chemical Products	156.12	170.24	187.00
39	Plastic	93.28	138.90	172.60
40	Rubber	609.66	680.64	786.12
41	Hides and Skins	0.35	0.14	0.27
42	Leather Art; Saddlery; Bags	2.89	5.15	11.67
43	Furskin+ Artificial Fur	0.00	0.00	0.00
44	Wood	341.91	340.96	412.95
45	Cork	0.05	0.01	0.02
46	Straw, Esparto	0.16	0.17	0.03
47	Woodpulp, Etc.	0.00	0.00	0.00
48	Paper, Paperboard	12.02	17.53	18.57
49	Book+ Newspaper; Manuscript	16.93	20.95	19.73
50	Silk; Silk Yarn, Fabric	0.01	0.00	0.00
51	Animal Hair+ Yarn, Fabric	1.13	0.58	0.28
52	Cotton+ Yarn, Fabric	22.29	12.40	11.66
53	Other Vegetable Textile Fiber	0.01	0.01	0.02
54	Manmade Filament, Fabric	15.29	16.43	17.38
55	Manmade Staple Fibers	3.87	2.99	10.17
56	Wadding, Felt, Twine, Rope	13.06	11.66	12.04
57	Textile Floor Coverings	0.05	0.05	0.18
58	Special Woven Fabric, Etc	1.48	2.05	3.28
59	Impregnated Text Fabrics	0.31	0.53	0.60
60	Knit, Crocheted Fabrics	0.20	0.03	0.11
61	Knit Apparel	436.05	437.03	426.88
62	Woven Apparel	294.87	262.44	261.66
63	Misc Textile Articles	5.11	7.73	5.57
64	Footwear	1.66	1.68	2.69
65	Headgear	4.64	3.36	2.96

HS	Description	2004	2005	2006*
66	Umbrella, Walking-sticks, Etc	0.02	0.01	0.00
67	Artificial Flowers, Feathers	0.03	0.01	0.00
68	Stone, Plaster, Cement, Etc	2.76	3.49	2.65
69	Ceramic Products	34.14	30.48	33.11
70	Glass and Glassware	12.67	5.92	8.94
71	Precious Stones, Metals	23.89	30.08	29.55
72	Iron and Steel	125.97	133.33	312.14
73	Iron/steel Products	74.15	80.38	116.23
74	Copper+ Articles Thereof	38.67	55.52	84.71
75	Nickel+ Articles Thereof	0.08	0.00	0.42
76	Aluminum	52.85	51.26	36.55
78	Lead	0.06	0.01	0.03
79	Zinc+articles Thereof	1.27	1.55	0.89
80	Tin + Articles Thereof	57.40	16.03	4.09
81	Other Base Metals, etc.	0.22	0.05	1.57
82	Tools, Cutlery, of Base Metals	4.98	5.34	4.60
83	Misc Art of Base Metal	17.97	21.24	20.96
84	Machinery	11,415.15	12,920.13	13,779.11
85	Electrical Machinery	11,093.11	14,793.85	13,755.33
86	Railway; Trf Sign eq	0.75	0.44	0.89
87	Vehicles, Not Railway	29.88	28.11	30.36
88	Aircraft, Spacecraft	16.09	20.69	25.29
89	Ships and Boats	17.79	19.78	28.95
90	Optic, not 8544; Medical Instr	552.51	619.15	708.34
91	Clocks and Watches	7.64	6.87	1.79
92	Musical Instruments	1.39	2.15	1.96
93	Arms and Ammunition	0.30	0.40	0.41
94	Furniture and Bedding	650.83	758.94	913.30
95	Toys and Sports Equipment	101.96	102.81	90.03
96	Miscellaneous Manufactures	20.14	24.35	24.69
97	Art and Antiques	0.10	0.19	0.46
98	Special Other	307.91	296.95	348.63
99	Other Special Impr Provisions	208.03	247.88	251.57

Source of data: U.S. Dept. of Commerce, Bureau of Census.
***Note:** 2006 data through November

Appendix D. U.S. Merchandise Exports by State to Malaysia, 2004-2006

(U.S. Dollars)

State	2004	2005	2006*
U.S. Total	10,896,754,885	10,450,923,341	9,636,948,397
Alabama	27,160,270	24,425,479	23,030,889
Alaska	2,000,206	1,813,626	1,658,712
Arizona	744,014,007	778,635,471	643,246,707
Arkansas	15,263,079	12,050,640	6,750,175
California	2,002,388,800	1,942,191,137	1,836,705,489
Colorado	309,549,133	246,070,261	199,126,587
Connecticut	115,406,682	114,754,076	124,769,249
Delaware	8,580,453	12,072,472	7,712,813
District of Columbia	5,640,896	6,039,473	2,943,921
Florida	203,539,271	231,743,583	140,472,855
Georgia	85,386,931	84,660,541	48,408,085
Hawaii	96,903	7,930,844	2,655,724
Idaho	76,218,522	150,169,568	117,709,656
Illinois	261,480,753	233,014,823	240,210,407
Indiana	70,243,195	75,637,157	56,290,414
Iowa	31,229,324	34,417,553	24,664,812
Kansas	12,203,078	43,921,675	23,190,348
Kentucky	101,566,265	105,452,644	74,091,720
Louisiana	86,285,530	93,281,049	76,603,382
Maine	338,618,230	364,620,488	497,635,295
Maryland	21,166,814	20,541,456	16,246,256
Massachusetts	647,796,147	617,424,506	421,174,944
Michigan	107,150,107	76,433,815	44,719,331
Minnesota	125,381,273	185,478,087	149,116,584
Mississippi	6,050,965	7,761,611	6,558,527
Missouri	39,145,703	53,055,452	36,222,219
Montana	7,115,256	7,299,633	4,973,316
Nebraska	10,647,856	7,694,801	8,407,578
Nevada	20,619,915	36,558,369	43,925,350
New Hampshire	28,324,662	23,599,334	24,263,952

State	2004	2005	2006*
New Jersey	68,544,266	79,902,011	45,541,796
New Mexico	224,757,438	342,690,777	356,299,680
New York	262,615,745	239,089,398	202,971,187
North Carolina	224,306,679	182,297,150	106,631,033
North Dakota	1,693,282	1,042,341	612,687
Ohio	95,680,748	119,244,964	59,522,457
Oklahoma	10,676,189	16,839,087	10,756,640
Oregon	496,119,486	914,641,433	965,433,912
Pennsylvania	169,800,898	169,153,558	136,755,567
Puerto Rico	12,850,147	23,768,292	15,436,526
Rhode Island	10,376,932	15,151,515	7,058,785
South Carolina	53,346,819	71,598,593	53,981,605
South Dakota	5,570,883	6,527,987	3,789,855
Tennessee	77,969,653	128,416,941	120,587,248
Texas	2,552,312,853	1,755,128,948	1,499,430,772
Utah	39,977,110	49,548,407	23,380,976
Vermont	102,461,173	123,452,142	140,450,419
Virgin Islands	0	120,041	6,680,464
Virginia	146,447,729	86,692,347	45,293,645
Washington	559,023,402	214,293,330	686,136,327
West Virginia	12,735,157	23,059,667	6,850,720
Wisconsin	77,893,113	119,143,320	95,617,826
Wyoming	12,875,861	17,680,970	10,708,248
Unallocated	168,449,096	152,690,498	133,534,725

Source: U.S. Department of Commerce.
Note: 2006 figures through September.