Potential Economic Impacts of the Malaysia-US Free Trade Agreement

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Abstract: This study provides a quantitative economy-wide and sectoral assessment of the likely economic effects of a potential Malaysia-US Free Trade Agreement (MUFTA) on Malaysia and the US economies. The study employed a comparative static, multiple country general equilibrium model, namely the GTAP model. The model simulates the economic impact of the full elimination of bilateral import taxes and export subsidies for Malaysia and the US in the light of proposed MUFTA. Simulation results indicate that the bilateral Malaysia-US FTA is likely to induce an increase in GDP and net welfare for both parties of trade. Additionally, overall trade between Malaysia and the US is poised to expand, while trade with the Rest of the World (ROW) aggregate may decline. Our findings suggest that a bilateral Malaysia-US FTA in merchandise trade can be desirable. However, we emphasis the importance of taking strong caution and wisdom in treating and negotiating the plethora of non tariff, policy impediments instituted by Malaysia so as not to jeopardize her national socio-economic restricting agenda.

Keywords: Malaysia-US Free Trade Agreement; Trade liberalization; Computable General Equilibrium Model; GTAP

JEL Classification: D58, F11, F13, F15

1. Introduction

Free trade Agreements (FTA) seek to remove a policy distortion that affects the free flows of goods and services between the contracting countries with the aim of improving trade and welfare among them. In recent years, there has been a proliferation of bilateral and multilateral Free Trade Agreements (FTAs) across the globe. A number of FTAs which affects Malaysia and the US are also looming. Malaysian and the US are proposing the removal of tariff barriers and expansion of trade between the two nations. The MUFTA aims at further liberalizing Malaysia and the US markets and consequently encourage the trade between them and increase their well being. However, to our understanding, no work has been done to estimate the extent to which such trade agreement affects the economy of Malaysia and the US taking account of impacts on aggregate and economic sectors as well as assessing the implications on gross domestic product, welfare, trade, investment, employment, and natural resources when tariff barriers and enhancement measures are being entirely dismantled. The purpose of this study is to provide a quantitative general macroeconomic and sectoral assessment of economic effects for Malaysia and the US of a potential MUSFTA, in order to assist policy makers in defining its practically, and designing its scope. This study applies the computable general equilibrium (CGE) modeling approach using the Global Trade Analysis project (GTAP) model and the accompanying V8

database for a quantitative analysis of the economic effects of a free trade arrangement between the contracting countries. A full-fledge trade liberalization of tariff barriers is examined.

2. State of Trade between Malaysia and the USA

Table 1 depicts the state of bilateral trade levels between Malaysia and the USA in comparison with the Rest of the World (ROW) in aggregate. It clearly indicates that the trade between Malaysia and the US has been large. Almost 20 percent of Malaysian export found its market in the USA and this is relatively higher than the share of the ROW export to the US. In addition, Malaysia market constituted 1.2 percent of the USA total merchandise exports. This is slightly higher relative to that of ROW, which is accounted for only 1 percent.

3. Methodology

3.1. The GTAP Model

The framework used in this study is the GTAP (The Global trade analysis Project) model developed by the Center for Global Trade Analysis, Purdue University to appraise the economic wide impact of free trade among Malaysia and the US. The GTAP model is a multi regional, comparative static, exogenous policy, and applied general equilibrium (AGE) model based on neoclassical assumptions and equilibrium condition that follows Walras' law. The model to date has been the most widely used tool for the ex ante analysis of economy-wide trade effects of multilateral or bilateral trade agreement. The GTAP database is also widely used in a number of multi-country CGE models such as MIRAGE.

The demand side of the GTAP model assumes that national income is allocated based on constant value shares among three types of final demand- government, private households, and saving- using an aggregate Cobb-Douglass utility function. The representative household in each region maximize a non homothetic constant difference of elasticity expenditure (CDE) function.

Bilateral trade in the model uses the Armington assumption, which distinguishes imports by origins. Production in each country and all sectors assume constant return to scale technology and competitive markets. A Leontief, multi level production function, represents the production for each sector in each country. It involves value added and intermediate inputs sourced from country input-output tables. A nested CES function models the demand for factors and intermediate inputs. Firm use a mix of domestically produced and imported goods, in which the optimal max of both goods is determined given domestic and import prices.

Labor is assumed to be mobile across sectors but not across countries. However, capital is mobile across both sectors and countries. Saving and capital is determined endogenously through a fictitious Global Bank. The Global Bank allocates investment across regions such that it equates the changes in the expected returns across countries.

The ratio of market price to world price gives the magnitude of trade policies (taxes or subsidies). Specifically, in the case of import tax, market prices are higher than CIF price so that

the power of the ad valorem tax is greater than one. Likewise, for export subsidy market price is greater than FOB price.

Limitations of the GTAP model include the constant returns to scale assumption and competitive markets. Some sectors of economy might exhibit imperfect competition and economics of scale. The Armington assumption does not allow relocation of firms across countries. This assumption also presumes every country has market power and is able to affect its terms of trade. The comparative static feature of the model may also lead to problems in appraising the timing of the FTA. While the GTAP model has a distinct strength in examining the impact of trade policies on merchandise flow, the model is clearly lacking in bilateral trade of FDIs and ownership data. Furthermore, trade in services sector is viewed from the perspective of balance of payments, not from the "modes of supply" framework as defined by General Agreement on Trade in Services (GATS). There is also no explicit treatment of public expenditures, short term investment flows (domestic and foreign), barrier to services trade, as well as non tariff barriers (NTBs) and technical barriers to trade (TBTs). Given the above limitations, the use of GTAP may underestimate the true impacts of an FTA.

The GTAP model is by no means perfect but it is capable to provide meaningful inside to policy makers on the general equilibrium economy-wide and cross country repercussions of a free trade scenario between Malaysia and the US.

3.2. The GTAP Database

This study uses the latest GTAP8 database which carries a snapshot of the 2007 world economy. The database has 129 regions (aggregate of 226 countries) and 57 sectors. The database is formatted as an input-output structure within each country with bilateral international trade values expressed in USD million. Granularity of the bilateral trade data extends down to the sector level in order to analyze the effects of trade policy change on the sector level. The sectoral definitions in the database follow the Central Product Classification (CPC) for agricultural & food processing and International Standard Industrial Classification (ISIC) for all others. While the database is rather old, we presume that is would still be relevant to reflect the policy context in this study, as the major changes in tariff structure prior to 2007 had been captured in the database. There was also no attempt to benchmark the database to reflect the various changes in current international trade relation, including FTAs such as ASEAN Free Trade Agreement. We suppose that such trade frameworks have not made substantial inroads in terms of changing the course of trade flows such that it becomes incoherent with the structure (internal consistency) of 2007 database. Moreover the focus of our analysis will be on percentage change or order of magnitude, rather than the fine tune absolute numbers of trade figures.

3.3. Sectoral and Regional Aggregation

In this study, the world economy was modeled to comprise of Malaysia, the US and the rest of the world (ROW) aggregated. In addition, all original 57 sectors are aggregated to 8 new sectors. Table 2 shows the sectoral aggregation. The description of each sectoral aggregate is shown in Appendix 1.

Table 3 indicates the bilateral state of export between Malaysia and the USA in sectoral details. It obviously indicates that the most outstanding sector in terms of export demand share in the US market is textiles and wearing apparel sector. Malaysian export of this commodity to the US is accounted for the 25.7 percent of its export to the world. Another outstanding sector in terms of export demand share in the US market is manufacturing sector. Malaysian export of these commodities stood for the 21.8 percent of export to the world. The USA market accounts for 13 percent of Malaysian processed food and services exports on average while other sectors have found relatively smaller market share. On the Other hand, Malaysia herself stands for 1.5 percent of the export of the USA from manufacturing products. Malaysian market accounted for a small share for the exports of the US in other sectors.

Table 4 indicates the state of bilateral state of export between Malaysia and the USA in sectoral details. It reveals that almost 13 percent of Malaysian import comes from the USA and Malaysia herself contributing to 1.8 percent of the USA total import. Malaysian import of services from the USA is 16 percent of her total imports of services. Furthermore, 13 percent of Malaysian total import of the manufacturing products and agricultural sector from the USA stands for 12 percent of total Malaysian agricultural imports while other sectors' import from the USA have a relatively minute share. On the other hand, the Malaysian manufacturing and vegetable oil are two outstanding sectors in terms of their importance in import basket of the US from this product. The US total import of vegetable oil and manufacturing products from Malaysia are respectively 7.4 and 2.4 percent of its total respective imports. As noted at the outset, it will be interesting to examine whether removals of trade impediments, particularly tariff barriers will enhance bilateral trade among contracting countries substantially.

3.4. Decomposition of Import and Export Taxes/Subsidies

Tables 5 and 6 depict the baseline levels of trade policies among Malaysia, the US and ROW economies. Table 4 shows that import taxes instituted on FOOD (40 percent) have been the heaviest in Malaysia. The RAWAG sector (30 percent) in Malaysia is the second most protected sector, followed by TEXT (14 percent). Malaysia levied the higher import levy on all products (except animal product) relative to the US. On the other hand, the US also protected highly its TEXT (21 percent). The FOOD is the second most protected sector in the US followed by animal product and RAWAG. For export subsidies, generally they have been very low across countries and commodities (Table 5).

4. Simulation Results

This study considers a fully-fledged liberalization of tradable commodities, which is the elimination of bilateral trade policies, including protectionism policies (import tariffs) and enhancement policies (export subsidies) on tradable good between Malaysia and the US from the 2007 base year, while other trade distortions in other countries remained unchanged. The following subsections are presented and discussed in details and the results obtained from the empirical analysis of impacts on growth, trade and welfare effects on selected economic variables on the economy of Malaysia and the USA.

4.1. Impact on Trade

The most important examination in this study is whether complete removals of trade impediments between Malaysia and the US would enhance trade between them. Table 7 below shows the expected share of trade across the three aggregated regions following the removals of such impediments. To appreciate the magnitude of changes, the figures should well be contrasted to that of the baseline levels as in Table 1. Trade between Malaysia and the US is expected to increase. The export share of Malaysian to the US is expected to increase to 20 percent and the export share of the US to Malaysia is expected to increase to 1.5 percent. This represents a microscopic increase from the baseline level of 19 percent and 1.2 percent (Table 1). However, it is projected that the global share of trade for both parties will decrease.

Table 8 shows the change in export in terms of absolute values as compared to the baseline levels. As shown, following a free trade, the Malaysia's export to the USA would increase by USD 30984 million or 7 percent and the US export to Malaysia would increase by USD 16051 million(22 percent). The substantial increase in the volume of export between two countries is due to removal of trade barriers. The higher increase in the US export to Malaysia relative to the Malaysia export to the US is because Malaysia currently has a higher tariff than the US.

Further, the export of Malaysia and the US to the world is expected to decline by 0.8 percent and 0.1 percent respectively. The results suggest that if increasing the bilateral trade is an important objective of the MUFTA, then very likely it would success. However, the total trade of parties of agreement will be decreased.

4.2. Effect on Real GDP and Sectoral Output

As shown in Table 9, the impact on removal of all bilateral trade policies (import tariff and export subsidies/taxes) on goods trade between Malaysia and the US on real GDP are highly insignificant as the changes in countries total trade is very small. Malaysian GDP is expected to gain albeit dreadfully minute. The GDP of ROW may, however, see a minute decrease while the US GDP would remain unchanged. Hence, the change in the US GDP is smaller than that of Malaysia because the USA is the first Malaysian major trade partner while the Malaysian market constitutes 1.2 percent of the USA export (Table 1). Apart from this, Malaysian economy is far smaller than the US economy and her economy is expected to be affected more than the US.

Among the economic sectors in Malaysia, the output of TEXT is projected to boost remarkably by 33 percent. The output of ANIMAL and FOOD are poised to generate some small benefits to Malaysia. However, the product of RAWAG, VEG OIL, MANU, EXTRACTION and SVCS would experience a small fall in output. On the other hand, the RAWAG in the US would experience a larger output increase relative to the FOOD while the product of other sectors is projected to decline (albeit the decline is very small). Moreover, the share of each component in GDP in post simulation result remained unchanged compared to the pre simulation results.

The impact of changes in output will affect the demand for primary factors of production. As it is indicated in Table (10) the RAWAG sector is likely to reduce its demand for every primary factor. Reduction in demand for primary factors is due to contraction in production of RAWAG

products. On the other hand, ANIMAL, FOOD, and TEXT sector are expected to employ more of primary factors of production. In addition, EXTRACTION, MANU and SVCs sector is expected to demand less for labor (skilled and unskilled labor), and capital while these sectors are expected to increase land demand.

4.3. Effects on Trade Balance

As depicted in table 11, the overall trade balances for both parties of trade moves in the negative direction while the ROW trade balance would increase. However, the direction of trade balance is different across the sectors. In Malaysia the TEXT and ANIMAL products cannot cover the negative trade balance from MANU, SVCS, RAWAG, VEG OIL, EXTRACTION and FOOD. Appendix 2 provides the details of percentage change estimates in Malaysian exports and imports by her partner and sectors. The US also is expected to experience the negative change in trade balance and in a higher magnitude relative to Malaysia. In the US, the trade balance for FOOD and RAWAG is projected to improve. However, this improvement is not capable of covering the negative trade balance from TEXT, ANIMAL, MANU, SVCS, ANIMAL EXTRACTION, and VEG OIL.

4.4. Impact on Welfare

In similar to theoretical literature, applied general equilibrium models typically focus on welfare measures of policy changes. There are several indexes that can be employed to provide a measure of welfare change, including equivalent variation, compensating variations, equivalent surplus, and compensating surplus.

The effect of a change in trade policies on the welfare of a region depends on the efficiency gains associated with output changes, and the impact of changes in world prices on the welfare of the trading country. Huff and Hertel (2000) decompose the welfare effect for the equivalent variation, a measure of absolute welfare gain expressed in the USD million, in order to trace major factors that cause welfare change. The equivalent variation due to a policy shock is equal to the difference between the required expenditure to obtain new level of utility at initial prices, and initial expenditure.

Changes in welfare pursuant to trade liberalization could be due to changes in terms of trade, better use of existing resources (allocative efficiency) and others, i.e. fewer costly imports and scale effects. There are two main factors or components among these components. The first important welfare component is the allocation efficiency gains when they remove trade distortion. The second important welfare component is the terms of trade effect.

The welfare measure in the analysis employs the Equivalent Variation (EV) criterion. As shown in Table 12, free trade agreement between US and Malaysia would carry the welfare gains to both sides of the trade agreement.

The results suggest that most of the welfare gains to both parties of trade come due to the increase in terms of trade followed by the aggregate of other effects. The improvement in the effective use of a resource seems to have a small positive effect on the welfare in the US and

Malaysia. However, the decline in terms of trade followed by deterioration in effective use of the resource and other aggregated effects are expected to decrease the ROW's social welfare.

The increase in the US and Malaysian GDP results in the decline of dead welfare loss and this implies that the US and Malaysian aggregate supply before trade liberalization have been inefficient.

Table 13 illustrates the allocative efficiency effects by sectors and by regions. It clearly shows that for Malaysia the Text and RAWAG are the most outstanding sectors in terms of improvement in better use of resources while manufacturing sector is expected to use the resources in a more inefficient way. The MANU sector is the first outstanding sector in terms of improvement in allocative efficiency for the US economy. The second most important sector in terms of contribution to the allocative efficiency in the US economy is the TEXT sector while other sectors will experience small change in allocative efficiency in different directions.

Table 14 illustrates the term of trade effects by sectors and by regions. It clearly shows that the manufacturing sector is the first outstanding sector contributed to an increase in the terms of trade. The second most important sector is the SVCS, followed by VEG OIL, while FOOD and TEXT sectors negatively affected the terms of trade. Changes in terms of trade in other sectors do not seem to affect welfare significantly in Malaysia. On the other hand, in the US all sectors have contributed to the increase in the terms of trade (except for extraction).

5. Conclusion

Malaysian and the US are proposing the removal of tariff barriers between the two nations in order to enhance the trade among them and enhance their well being. An important aim of the study was to appraise whether there will be significant gains in bilateral trade between the US and Malaysia and their overall well being when tariff barriers and enhancement measures are being entirely dismantled. In assessing the economic impact of the MUFTA , the study estimated the likely benefits for both economics with reference to aggregate and sectoral impact of trade levels, expected GDP gains, use of natural resources and employment of primary factors of production including land, labour (skilled and unskilled labour) and capital. Using the computable general equilibrium modeling framework (GTAP model), the following results deserves special attention.

(i) A bilateral FTA between Malaysia and US is expected to result in a larger increase in the US and Malaysia's GDP albeit the changes in the GDP are extremely minute. Malaysia GDP increases more relative to the US and the direction of sectoral growth expectedly varies across sectors in both countries. The Malaysian economic sectors which are more likely to be affected are the TEXT sector followed by the Animal sector. The changes in output of other sectors in Malaysia seem to be very small. Moreover, the changes in sectoral output within US economy are projected to be insignificant due to their small changes.

(ii) The bilateral Malaysian –US free trade would pose negative impact on trade balance of both the US and Malaysia. However, if increasing bilateral trade between the US and Malaysia is an important objective, very likely it would succeed. The proposed bilateral trade is likely to

have a different effect on the natural resources and primary factors of production within diverse economic sectors.

(iii) Although the US overall welfare is expected to show higher gain relative to Malaysia, overall national welfare of both countries is projected to increase. For both parties of trade, the most of gains are a result of improvements in terms of trade, followed by fewer costly imports, while the role of allocative efficiency changes in the increase of welfare is very small. The direction and magnitude of impacts for each sector across countries are projected to be considerably different.

This study considers a FTA between Malaysia and the US only. More inclusive studies warrant considering the effects of a number of policy scenarios such as a FTA within ASEAN combined with FTA between Malaysia and the US; and a FTA within ASEAN combined with that of ASEAN and the US. The future studies would also be warranted employing alternative methodologies in order to discover further the repercussions of free trade on the individual disaggregated commodity.

Endnote

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Table 1: Decomposition of Trade Among Malaysia, the US and ROW (percentage)

Reporter Country	Partner Country	USA	Partner Country	USA	USA	Malaysia	ROW	USA	Malaysia	ROW	USA	Malaysia	ROW	Total
USA	USA	0		0.0123	0.9877	1								
	Malaysia	0.1904		0	0.8096	1								
	ROW	Total		ROW	Total									
	USA	0		Total										
				USA	0	0.0123	Total							
							USA	0	0.0123	0.9877	1			
								USA	0	0.0123	0.9877			
											USA	0	0.0123	0.9877
												1		
								Malaysia	0.1904	0	0.8096	1		
											0	0.0123	0.9877	1
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											Malaysia	0.1904		

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Source: GTAP database V8

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Table 2: Regional and Sectoral Aggregation

Regions		**Regions**	**Code**	**Sectors**
Code	**Sectors**	1	The USA	RAW
1	The USA	RAW	AG	Agriculture
AG	Agriculture	2	Malaysia	ANIMAL
2	Malaysia	ANIMAL	Animal products	3
ANIMAL	Animal products	3	**Code**	**Sectors**
Code	**Sectors**	1	The USA	RAW
1	The USA	RAW	AG	Agriculture
AG	Agriculture	2	Malaysia	ANIMAL
2	Malaysia	ANIMAL	Animal products	3
ANIMAL	Animal products	3	**Sectors**	1
1	The USA	RAW	AG	Agriculture
AG	Agriculture	2	Malaysia	ANIMAL
2	Malaysia	ANIMAL	Animal	
ANIMAL	Animal	3		

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Source: Sectoral and regional

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Table 3: Decomposition of exports by partner countries and by Sector Among

	Malaysia, the US and ROW (percentage)	Total export of Malaysia	Total export of USA	USA	ROW	Total Malaysia	Total export of Malaysia	Total export of USA	USA	ROW	Total Malaysia	Total export of USA	USA	ROW	Total Malaysia	Total export of USA	USA	ROW	Total Malaysia	USA	ROW	Total	Malaysia	ROW	USA	ROW	Total	Malaysia	ROW	Total	
RAWAG	0.0277	0.9723	1	0.0063	0.9937	1	ANIMAL	0.0411	0.9589	1																				

Total Malaysia ROW Total
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Malaysia ROW Total
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62 1 0.002
8 0.9972 1
0.0338 0.9662
1 0.0028
0.9662 1 0.
0028 0.9972
1 0.0028 0.

9972 1
FOOD 0.1255
0.8745 1
0.0028 0.99
72 1
FOOD 0.1255
0.8745 1
0.0028 0.9972
1
FOOD 0.1255
0.8745 1
0.9972 1
FOOD 0.1255
0.8745 1
1
FOOD 0.1255
0.8745 1

FOOD 0.1255
0.8745 1

FOOD 0.1255
0.8745 1
0.1255 0.8745
1 0.008 0
.992 1 *TEX*
T 0.2575 0.7
425 1 0.00
22 0.9978 1
MANU 0.2
184 0.7816 1
0.0152 0.9
848 1 SVC
S
0.1243 0.87
57 1 0.007
7 0.9923 1
0.8745 1 0.
008 0.992 1
TEXT 0.25
75 0.7425 1
0.0022 0.9
978 1 MAN
U 0.2184 0.7
816 1 0.01
52 0.9848 1

SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
1 0.008 0.9
92 1 *TEXT*
0.2575 0.74
25 1 0.002
2 0.9978 1
0.008 0.992
1 *TEXT* 0.
2575 0.7425
0.008 0.992
0.992 1 *TE*
XT 0.2575 0.
7425 1 0.0
022 0.9978 1
MANU 0.2
184 0.7816 1
0.0152 0.9
848 1 SVC
S
0.1243 0.87
57 1 0.007
7 0.9923 1
1 *TEXT* 0.2
575 0.7425 1
0.0022 0.9
978 1 MAN
U 0.2184 0.7
816 1 0.01
52 0.9848 1
SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
TEXT 0.2575
0.7425 1
TEXT 0.2575
0.7425 1
0.2575 0.7425
1 0.0022
0.7425 1 0.
0022 0.9978
1 0.0022 0.
9978 1 MA

NU 0.2184 0
.7816 1 0.0
152 0.9848 1
SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
0.0022 0.99
78 1 MAN
U 0.2184 0.7
816 1 0.01
52 0.9848 1
SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
0.0022 0.9978
1 MANU
0.9978 1 M
ANU 0.2184
0.7816 1
1 MANU 0.
2184 0.7816
MANU 0.21
84 0.7816 1
0.0152 0.9
848 1 SVC
S
0.1243 0.87
57 1 0.007
7 0.9923 1
MANU 0.218
4 0.7816 1
0.2184 0.7816
1 0.0152
0.7816 1 0.
0152 0.9848
1 0.0152 0.
9848 1 SV
CS
0.1243 0.87
57 1 0.007
7 0.9923 1
0.0152 0.98
48 1 SVCS
0.1243 0.87

57 1 0.007
7 0.9923 1
0.0152 0.9848
1 SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
0.9848 1 S
VCS
0.1243 0.87
57 1 0.007
7 0.9923 1
1 SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
SVCS
0.1243 0.87
57 1 0.007
7 0.9923 1
0.1243 0.8757
1 0.0077
0.8757 1 0.
0077 0.9923
1 0.0077 0.
9923 1
VEG
OIL 0.0266
0.0077 0.99
23 1 VEG
OIL 0.0266
0.0077 0.9923
1 VEG
OIL 0.0266
0.9923 1
VEG
OIL 0.0266
1 VEG
OIL 0.0266
VEG
OIL 0.0266
VEG

OIL 0.0266
0.0266 0.9734
1 0.0008
0.9734 1 0.
0008 0.9992
1 0.0008 0.
9992 1 TO
TAL 0.1903
0.0008 0.99
92 1 TOTA
L 0.1903 0.8
097 1 0.01
24 0.9876 1
Source:
GTAP
database V8

0.0008 0.9992
1 TOTAL
0.1903 0.80
97 1 0.012
4 0.9876 1
0.9992 1 T
OTAL 0.1903
0.8097 1
1 TOTAL 0
.1903 0.8097
1 0.0124
TOTAL 0.19
03 0.8097 1
0.0124 0.9
876 1 Sourc
e: GTAP
database V8

TOTAL 0.190
3 0.8097 1
0.1903 0.8097
1 0.0124
0.8097 1 0.
0124 0.9876
1 0.0124 0.
9876 1 Sou
rce: GTAP
database V8

0.0124 0.98

76 1 Source : GTAP database V8

0.0124 0.9876 1 Source: GTAP database V8

0.9876 1 Source: GTAP database V8

1 Source: GTAP database V8

Source: GTAP database V8

Source: GTAP database V8

Table 4: Decomposition of Imports by partner countries and by Sector Among Mala

ysia,
the
US
and
RO
W
(perc
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e)

Total Import
of
Malaysia T
otal import of
USA ? USA
ROW Total
Malaysia
Total Import of
Malaysia T
otal import of
USA ? USA
ROW Total
Malaysia
Total import
of
USA ? USA
ROW Total
Malaysia
Total import of
USA ? USA
ROW Total
Malaysia
? USA ROW
Total Mal
aysia ROW
USA ROW
Total Mal
aysia ROW
USA ROW
ROW Total
Total Malay
sia ROW Tot
al ?
RAWAG 0.12
11 0.8789 1
0.0006 0.9

994 1 ANI
MAL 0.015
Malaysia R
OW Total
RAWAG 0.12
11 0.8789 1
0.0006 0.9
994 1 ANI
MAL 0.015
Malaysia RO
W Total
RAWAG 0.12
11 0.8789 1
0.0006 0.9
994 1 ANI
MAL 0.015
ROW Total
Total
RAWAG 0.12
11 0.8789 1
0.0006 0.9
994 1 ANI
MAL 0.015

RAWAG 0.12
11 0.8789 1
0.0006 0.9
994 1 ANI
MAL 0.015

RAWAG 0.12
11 0.8789 1
0.0006 0.9
994 1 ANI
MAL 0.015
0.1211 0.8789
1 0.0006
0.8789 1 0.
0006 0.9994
1 0.0006 0.
9994 1 ANI
MAL 0.015
0.0006 0.99
94 1 ANIM
AL 0.015 0.9
85 1 0.001

4 0.9986 1
0.0006 0.9994
1 ANIMA
L 0.015 0.98
5 1 0.0014
0.9986 1
EXTRACTION
0.015 0.985
1 0.0022
0.9994 1 A
NIMAL 0.015
0.985 1 0
.0014 0.9986
1
EXTRACTION
0.015 0.985
1 0.0022
1 ANIMAL
0.015 0.985
1 0.0014
ANIMAL 0.
015 0.985 1
0.0014 0.9
986 1
EXTRACTION
0.015 0.985
1 0.0022
ANIMAL 0.0
15 0.985 1
0.015 0.985
0.985 1 0.0
014 0.9986 1
EXTRACTION
0.015 0.985
1 0.0022
1 0.0014 0.
9986 1
EXTRACTION
0.015 0.985
1 0.0022
0.0014 0.99
86 1
EXTRACTION
0.015 0.985
1 0.0022

0.0014 0.9986
1
EXTRACTION
0.015 0.985
1 0.0022
0.9986 1
EXTRACTION
0.015 0.985
1 0.0022
1
EXTRACTION
0.015 0.985
1 0.0022

EXTRACTION
0.015 0.985
1 0.0022

EXTRACTION
0.015 0.985
1 0.0022
0.015 0.985
0.985 1 0.0
022 0.9978 1

FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
1 0.0022 0.
9978 1
FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
0.0022 0.99
78 1
FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
0.0022 0.9978
1

FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
0.9978 1
FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
1
FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809

FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809

FOOD 0.069
0.931 1 0
.0074 0.9926
1 *TEXT* 0.
0191 0.9809
0.069 0.931
0.931 1 0.0
074 0.9926 1
TEXT 0.01
91 0.9809 1
0.0087 0.9
913 1 MAN
U 0.1321 0.8
679 1 0.02
42 0.9758 1
SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
1 0.0074 0.

9926 1 *TEXT* 0.0191 0.9809 1 0.0087 0.9913 1 MANU 0.1321 0.8679 1 0.0242 0.9758 1 SVCS 0.162 0.8381 0.006 0.994 1 VEGOIL 0.0028 0.0074 0.9926 1 *TEXT* 0.0191 0.9809 1 0.0087 0.9913 1 0.0074 0.9926 1 *TEXT* 0.0191 0.9809 0.9926 1 *TEXT* 0.0191 1 *TEXT* 0.0191 0.9809 1 0.0087 0.9913 1 MANU 0.1321 0.8679 1 0.0242 0.9758 1 SVCS 0.162 0.8381 0.006 0.994 1 VEGOIL 0.0028 *TEXT* 0.0191 0.9809 1 *TEXT* 0.0191 0.9809 1 0.0087 0.9809 1 0.0087 0.9913 1 0.0087 0.

9913 1 MA
NU 0.1321 0
.8679 1 0.0
242 0.9758 1
SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.0087 0.99
13 1 MAN
U 0.1321 0.8
679 1 0.02
42 0.9758 1
SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.0087 0.9913
1 MANU
0.9913 1 M
ANU 0.1321
0.8679 1
1 MANU 0.
1321 0.8679
MANU 0.13
21 0.8679 1
0.0242 0.9
758 1 SVC
S
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
MANU 0.132
1 0.8679 1
0.1321 0.8679
1 0.0242
0.8679 1 0.
0242 0.9758
1 0.0242 0.
9758 1 SV

CS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.0242 0.97
58 1 SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.0242 0.9758
1 SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.9758 1 S
VCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
1 SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
SVCS
0.162 0.838
1 0.006 0
.994 1
VEG
OIL 0.0028
0.162 0.838

0.838 1 0.0
06 0.994 1
1 0.006 0.9
94 1 VEG
OIL 0.0028
0.006 0.994
1 VEG
OIL 0.0028
0.006 0.994
0.994 1
VEG
OIL 0.0028
1 VEG
OIL 0.0028
VEG
OIL 0.0028
VEG
OIL 0.0028
0.0028 0.9972
1 0.0744
0.9972 1 0.
0744 0.9256
1 0.0744 0.
9256 1 TO
TAL 0.1272
0.0744 0.92
56 1 TOTA
L 0.1272 0.8
728 1 0.01
8 0.982 1
0.0744 0.9256
1 TOTAL
0.1272 0.87
28 1 0.018
0.982 1 S
ource: GTAP
database V8

0.9256 1 T
OTAL 0.1272
0.8728 1
1 TOTAL 0
.1272 0.8728
1 0.018 0
.982 1 Sour
ce: GTAP

database V8

TOTAL 0.12 72 0.8728 1 0.018 0.98 2 1 Source: GTAP database V8

TOTAL 0.127 2 0.8728 1 0.1272 0.8728 1 0.018 0 .982 1 Sour ce: GTAP database V8

0.8728 1 0. 018 0.982 1 Source: GTAP database V8

1 0.018 0.9 82 1 Source : GTAP database V8

0.018 0.982 1 Source: GTAP database V8

0.018 0.982 0.982 1 Sou rce: GTAP database V8

1 Source: GTAP database V8

Source: GTAP database V8

Source: GTAP database V8

Table 5: Import

Taxes by Sector	Import taxes by Malaysia	Import taxes by USA	USA ROW Total	Malaysia Import taxes by Malaysia	Import taxes by USA	USA ROW Total	Malaysia Import taxes by USA	USA ROW Total	Malaysia Import taxes by USA	USA ROW Total	Malaysia USA ROW Total	Malaysia ROW USA ROW Total	Malaysia ROW USA ROW ROW Total	Total Malaysia ROW Total	RAW AG 30.7556	Malaysia ROW Total	RAW AG 30.7556	Malaysia ROW Total	RAW AG 30.7556	ROW Total Total	RAW

AG 30.7556
 RAW
AG 30.7556
RAW
AG 30.7556
30.7556 11.13
96 41.8952
11.1396 41.89
52 1.8132
41.8952 1.8
132 3.1204 4
.9336 ANIM
AL 0.876 0.6
088 1.4847
1.8132 3.12
04 4.9336
1.8132 3.1204
4.9336 AN
IMAL 0.876
3.1204 4.9336
ANIMAL
4.9336 ANI
MAL 0.876
ANIMAL 0.
876 0.6088 1
.4847 1.212
6 3.9268 5.1
394 EXTRA
CTION 0.517
8 1.352 1.86
98 0.4028
ANIMAL 0.8
76 0.6088 1.
4847 1.2126
3.9268 5.13
94 EXTRAC
TION 0.5178
1.352 1.869
8 0.4028 0.
1922 0.5949
0.876 0.6088
1.4847 1.2
126 3.9268 5
.1394 EXTR
ACTION 0.51
78 1.352 1.8

698 0.4028
0.1922 0.59
49
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
0.6088 1.4847
1.2126 3.9
268 5.1394
1.4847 1.21
26 3.9268 5.
1394 EXTR
ACTION 0.51
78 1.352 1.8
698 0.4028
0.1922 0.59
49
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
1.2126 3.92
68 5.1394 E
XTRACTION
0.5178 1.35
2 1.8698 0.
4028 0.1922
1.2126 3.9268
5.1394 EX
TRACTION 0
.5178 1.352
3.9268 5.1394
EXTRACTI
ON 0.5178 1
.352 1.8698
5.1394 EXT
RACTION 0.

5178 1.352 1
.8698 0.402
8 0.1922 0.5
949
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
EXTRACTIO
N 0.5178 1.3
52 1.8698
EXTRACTION
0.5178 1.35
2 1.8698 0.
4028 0.1922
0.5178 1.352
1.8698 0.4
028 0.1922 0
.5949
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
1.352 1.8698
0.4028 0.1
922 0.5949
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
1.8698 0.40
28 0.1922 0.
5949
FOOD 40.746

3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
0.4028 0.19
22 0.5949
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
0.4028 0.1922
0.5949
FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
0.1922 0.5949

FOOD 40.746
3 25.5126 66
.2589 1.783
3 5.209 6.99
23 *TEXT* 14
.7777 14.0653
28.843 12.
7731 8.4442
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FOOD 40.746
3 25.5126 66
.2589 1.783
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23 *TEXT* 14
.7777 14.0653
28.843 12.
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FOOD 40.746 3 25.5126 66 .2589 1.783 3 5.209 6.99 23 *TEXT* 14 .7777 14.0653 28.843 12. 7731 8.4442

FOOD 40.746 3 25.5126 66 .2589 1.783 3 5.209 6.99 23 *TEXT* 14 .7777 14.0653 28.843 12. 7731 8.4442
40.7463 25.51 26 66.2589 25.5126 66.25 89 1.7833 66.2589 1.7 833 5.209 6. 9923 *TEXT* 1.7833 5.20 9 6.9923 *T EXT* 14.7777 14.0653 28. 843 12.7731 8.4442 21.2 173 MANU 2.0249 5.40 35 7.4284 1.7833 5.209 6.9923 *TE XT* 14.7777 5.209 6.9923 *TEXT* 14.7 777 14.0653 6.9923 *TEXT* 14.7777 14. 0653 28.843 *TEXT* 14.777 7 14.0653 28 .843 12.773

1 8.4442 21.
2173 MANU
2.0249 5.40
35 7.4284
TEXT 14.7777
14.0653 28.
843 12.7731
8.4442 21.2
173 MANU
2.0249 5.40
35 7.4284
14.7777 14.06
53 28.843
14.0653 28.84
3 12.7731
28.843 12.7
731 8.4442 2
1.2173 MAN
U 2.0249 5.4
035 7.4284
12.7731 8.4
442 21.2173
12.7731 8.444
2 21.2173
8.4442 21.217
3 MANU 2.
0249 5.4035
21.2173 MA
NU 2.0249 5
.4035 7.4284
0.5871 1.1
948 1.7819
MANU 2.02
49 5.4035 7.
4284 0.5871
1.1948 1.78
19 VEG OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
MANU 2.024
9 5.4035 7.4
284 0.5871
1.1948 1.78
19 VEG OIL
1.3311 0.56

98 1.901 0.
6182 1.6286
2.0249 5.4035
7.4284 0.5
871 1.1948 1
.7819 VEG
OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
5.4035 7.4284
0.5871 1.1
948 1.7819
7.4284 0.58
71 1.1948 1.
7819 VEG
OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
0.5871 1.19
48 1.7819
0.5871 1.1948
1.7819 VE
G OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
1.1948 1.7819
VEG OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
1.7819 VEG
OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
VEG OIL
1.3311 0.56
98 1.901 0.
6182 1.6286
VEG OIL
1.3311 0.56
98 1.901 0.
6182 1.6286

1.3311 0.5698
1.901 0.61
82 1.6286 2.
2468 Total
0.5698 1.901
0.6182 1.6
286 2.2468
1.901 0.618
2 1.6286 2.2
468 Total 9
1.0294 58.651
7 149.681
0.6182 1.62
86 2.2468 T
otal 91.0294
0.6182 1.6286
2.2468 Tot
al 91.0294 5
8.6517 149.68
1 19.1903
1.6286 2.2468
Total 91.02
94 58.6517 1
49.681 19.1
903 23.716 4
2.9063 Sourc
e: GTAP
database V8

2.2468 Total
91.0294 58.
6517 149.681
19.1903 2
3.716 42.9063
Source:
GTAP database
V8

Total 91.029
4 58.6517 14
9.681 19.19
03 23.716 42
.9063 Source
: GTAP
database V8

Total 91.0294

58.6517 149 .681 19.190 3 23.716 42. 9063 Source: GTAP database V8

91.0294 58.65 17 149.681 58.6517 149.6 81 19.1903 23.716 42.9 063 Source: GTAP database V8

149.681 19. 1903 23.716 19.1903 23. 716 42.9063 19.1903 23.71 6 42.9063 S ource: GTAP database V8

23.716 42.906 3 Source: GTAP database V8

42.9063 Sour ce: GTAP database V8

Source: GTAP database V8

Table 6: Export Subsidies by Sector

	Export subsidize by Malaysia			Export subsidize by USA		
	USA	ROW	Total	Malaysia	ROW	Total
Rawag	0	0	0	0	0	0
Animal	0	0	0	-0.0002	0	-0.0002
Extraction	0.4992	-0.3633	0.1358	-0.0144	-0.0239	-0.0383
FOOD	0	0	0	0.9182	0.2963	1.2145
Text	0	-0.8961	-0.8961	-0.0885	-0.0437	-0.1322
Manu	0	0	0	-0.6283	-0.3117	-0.94