



TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPP)

INTRODUCTION

5 November 2015



Scope of Presentation

1. WTO and Trade Liberalization
2. The Rise of the Market Economy - Collapse of Berlin Wall 1989
3. China's Model
4. FDI vs DDI
5. Malaysian Companies at TPP Countries
6. Globalization has winners and losers
7. TPP: Transparency, Governance and Standards
8. Confidence
9. ISDS & SMEs
10. Flexibilities we have obtained
11. FAQs
 - ✓ Issues & Responses
 - ✓ What if we are not part of TPP?
 - ✓ Way Forward for Malaysia



WTO and Trade Liberalization

- WTO was established in 1993. Currently, WTO has 163 members countries. Kazakhstan and Liberia are the latest.
- Role of WTO: as a guardian for multilateral trading system
- Uruguay Round (1986-1994)
- Doha Development Round (DDA) was launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001.
- Early harvest of the DDA - Bali Package 2013
- Lack of progress in WTO -> countries started to opt for bilateral and regional agreements

The Rise of the Market Economy

- Collapse of Berlin Wall in 1989
- Examples of post-socialist countries: China, Vietnam, Soviet Union, Cambodia, Myanmar
- Democracy is about openness and free market.



China's Model of Liberalization

- Chinese economic reform, also known as the "socialist market economy,"
- Political Model - Communism
- Economic Model – Free Enterprise

“We mustn't fear to adopt the advanced management methods applied in capitalist countriesThe very essence of socialism is the liberation and development of the productive systems...Socialism and market economy are not incompatible”



Deng Xiaoping (1904-1997)



DIA vs FDI

Petronas - LNG Export Terminal in Canada
USD36Billion

USA
1. Genting
2. Supermax Corporation (Property & Healthcare)

Mexico
Petronas and PEMEX JV on explorations

Singapore
1. IHH
2. Maybank
3. CIMB
Many more...

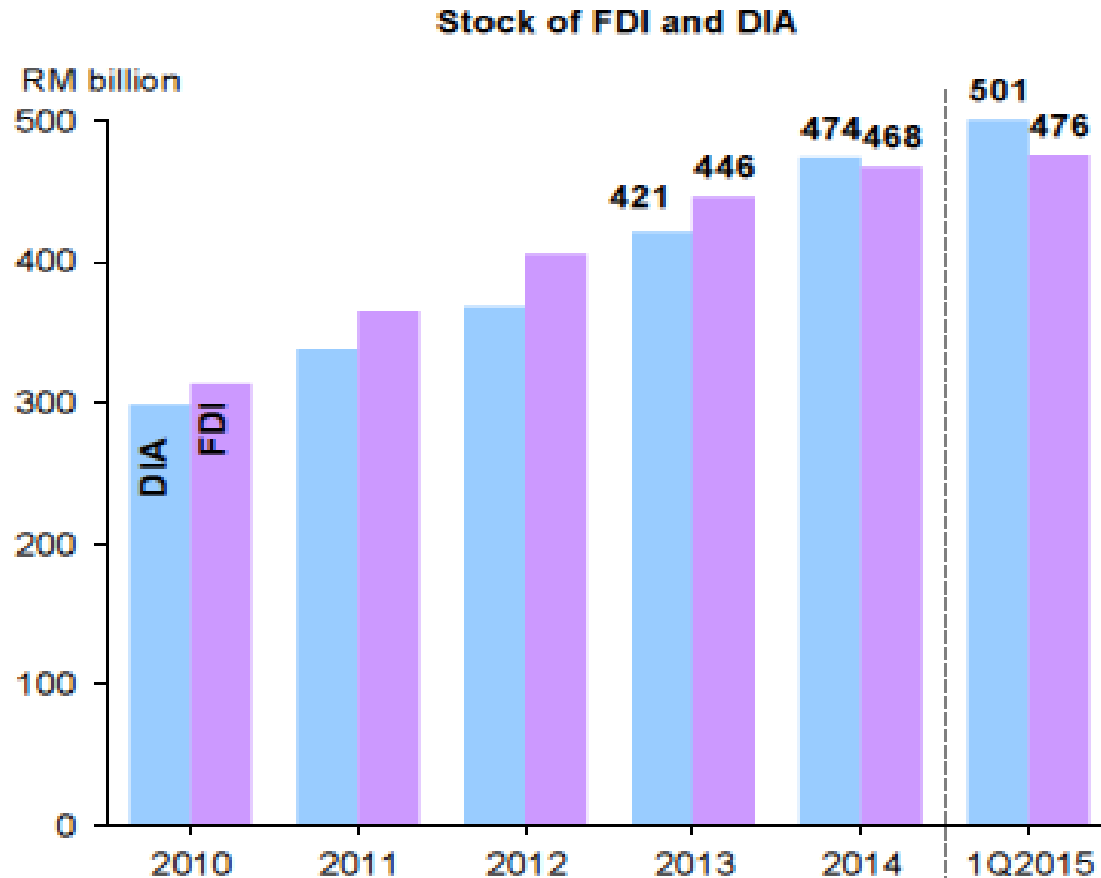
Vietnam
1. Petronas Carigali O&G Activities
2. Gamuda Property Development
USD3 billion

Australia
UEM – Property Development. **A\$320** million in Melbourne



Stock of FDI vs DIA

On a stock basis, DIA had exceeded FDI as at end-2014



Malaysian Investments in TPP Countries

UEM Sunrise lancar Aurora Melbourne

22 Oktober 2015 12:57 AM

Like 0 Share 0 Tweet 0 Google+ 0



UEM Sunrise @ Australia (22 October 2015)

PETRONAS

JANA PROJEK WAWASAN JAUH

» Perkuh kedudukan dalam industri masa depan

Oleh A Jali Hamid dan Mustapha Kamil Mohd Janor @biztab.com.my

PETRONAS menyandarkan tiga projek mega berwawasan jauh dalam industri minyak dan gas (O&G) untuk mengukuhkan kedudukannya dalam jangka panjang sebagai syarikat multinasional O&G bersepadu.

Projek berkenaan adalah projek gas asli cecair (LNG) Pacific NorthWest di Kanada ber-

nilai AS\$36 bilion, projek Pembangunan Bersepadu Penapisan dan Petrokimia (RAPID) di Pengerang, Johor bernilai RM60 bilion, dan projek kemudahan LNG terapung PFLNG1 (AS\$1.9 bilion) dan PFLNG2 (AS\$2.6 bilion).

Presiden dan Ketua Pegawai Eksekutif Kumpulannya Datuk Wan Zulkiflee Wan Ariffin, berkata projek LNG Kanada adalah projek berdaya maju yang dijana pelaburan tepat serta bersifat jangka panjang untuk syarikat berdasarkan kedudukannya sebagai peserta LNG ketiga terbesar dunia.

Miliki sumber besar

Katanya, kedudukan jangka panjang bergasi minyak negara itu akan dikukuhkan lagi sebagai syarikat multinasional O&G bersepadu menerusi dua projek mega - RAPID Pengerang serta kemudahan PFLNG1 dan PFLNG2 yang kini dalam pembinaan di Korea Selatan.

"Ini adalah projek yang tepat untuk PETRONAS. Memang terdapatnya 'suarama' kurang menyuarakan, namun secara jangka panjang kami kini memiliki sumber yang besar. Kami kini peserta yang besar dalam LNG, dan kami berjaya menjamin kedudukan kami di pasaran," kata Wan Zul-

kepada Business Times dalam satu temu bual eksklusif di Kuala Lumpur, baru-baru ini.

"PETRONAS kini adalah antara pengeluar utama LNG dunia. Kami yang ketiga ketika ini. Kami juga ada tapak pengeluaran (LNG) di Bintulu, Mesir dan Australia.

"Kami adalah peserta yang kukuh di pasaran Timur Jauh. Di Jepun sahaja, kami ada 18 pelanggan. Kami juga ada pelanggan di Korea Selatan, Taiwan dan China. Maka, penting untuk kami mengekalkan kedudukan ini untuk menjadi peserta yang menerajui pasaran LNG global LNG pada masa depan.

PETRONAS kini memiliki 62 peratus dalam saham projek Pacific NorthWest LNG di Kanada, yang mana beberapa akhir negara itu cuba mewujudkan kontroversi dengan menonjolkan rekod keselamatan PETRONAS dan isu berkaitan.

Wan Zul menguak terdapat beberapa keraguan diterima daripada rakyat Kanada.

"Dari segi keselamatan, seperti mana syarikat O&G, kami turut melaksanakan audit. Audit ini dilaksanakan pada tahun 2013. Bagi sebarang penemuan, kami akan ambil tindakan untuk menyelesaikannya. Pada pendapat saya apa

yang mereka tertibkan adalah hasil daripada audit terbahari. Kami ada membuat audit dan ia adalah usaha yang berterusan.

Projek mula menjelang suku pertama 2016

"Kami sudah menjelaskan kedudukan kami kepada Kerajaan Kanada dan juga kepada pemerintahan wilayah British Columbia, mereka memahami sepenuhnya situasi itu. Kami sangat telus. Kami percaya tujada apa yang perlu disembunikan."

Wan Zul berkata, terdapat satu syarat yang masih bergantung iaitu keluasan alam sekitar.

"Sebaik sahaja kami memperoleh kelulusan, usaha sama ini akan diteruskan dengan pelaksanaan projek. Ia bukan usaha PETRONAS secara berseorangan. Kami berharap dapat memulakannya menjelang suku pertama 2016."

Wan Zul berkata, RAPID Pengerang juga dalam laluan yang tepat dengan 11 peratus siap, iaitu hanya satu peratus di belakang jadual.

"Ia adalah projek mega. Cabarannya sangat besar. Mungkin kemuncak bagi pembangunannya adalah sekitar tahun 2017 yang mana kita akan menerima 55,000 pekerja di tapak terbahari. © **Bisnes 82**



Wan Zulkiflee Wan Ariffin
Presiden dan Ketua Pegawai Eksekutif Kumpulan PETRONAS

“PETRONAS kini adalah antara pengeluar utama LNG dunia. Kami yang ketiga ketika ini. Kami juga ada tapak pengeluaran (LNG) di Bintulu, Mesir dan Australia. Kami adalah peserta yang kukuh di pasaran Timur Jauh. Di Jepun sahaja, kami ada 18 pelanggan. Kami juga ada pelanggan di Korea Selatan, Taiwan dan China. Maka, penting untuk kami mengekalkan kedudukan ini untuk menjadi peserta yang menerajui pasaran LNG global LNG pada masa depan”

PETRONAS @ Canada



Malaysian Companies in TPP



PETRONAS



BERJAYA



KHAZANAH
NASIONAL

UMW

SINCE 1955

SapuraKencana





TPP Countries Investment in Malaysia (2014)

- Stock of foreign investment in Malaysia: (US, Japan, Singapore)
- U.S. and Japan are existing big investors.
- Currently, there are a total of **330 U.S. companies**, and **680 Japan** companies in Malaysia.
- In 2014, Japan was the largest investor with 55 projects amounting to RM10.87 billion and employment of 6,708. US was the 6th largest investor with 23 projects amounting to RM1.35 billion and employment of 2,897.
- First Solar and Infineon in Kulim High Tech, Citibank, Intel, Flextronics, AIG, Dell among others.

Japan
RM10.8 billion

Singapore
RM7.8 billion

**United States of
America**
RM1.3 Billion



US Companies in Kulim Hi-Tech Park

Companies	Sector	Investment	Employment
First Solar Malaysia	Solar Panel	RM4.7 bilion	2,405
Intel	Semiconductor devices	RM2.6 bilion	6,244
Entegris (Malaysia)	Plastic Products	RM313 juta	192



Japanese Companies in Kulim Hi-Tech Park



Companies	Sector	Investment	Employment
Fuji Electric	Hard disk drive	RM4.75 billion	2,430
Panasonic Energy	Solar panel, cell and wafer	RM4.55 billion	3,400





Globalization has winners and losers...

- **Joseph Stiglitz (Nobel Prize Winner):**
 - The need for government to regulate, for it to be beneficial.

- **Thomas Picketty (French Economist) :**
 - Wealth inequality is currently much less extreme than a century ago.
 - Possible remedy: **Tax on wealth (Government's Intervention)**



Globalization and Malaysia

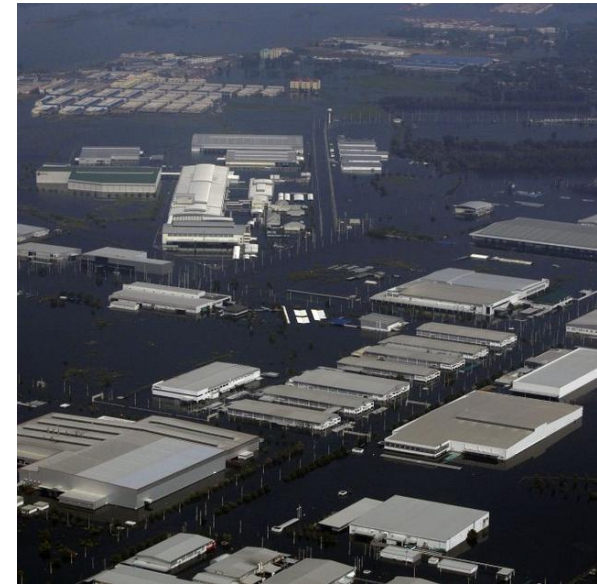
- In countries like Philippines and Bangladesh, foreign remittance as major income of their countries.
- Tourism – 27.44 million tourists arrival in 2014
- Promoting growth and equitable development
- GLCs, to spearhead the socio-economic agenda
- Bumiputera Policies
- Regional Development
- Policy for B40 and M40 (in the recent 2016 Budget Announcement)

Globalization & Interconnected World

- Manufacturing is outsourced around the world, with each component made in locations chosen for expertise and low costs.
- Global supply chain is more efficient but can result in significant supply shocks

Examples:

- 1) Flooding in Bangkok in 2011
 - Halt in production of electronics
 - Production of cars affected globally
- 2) Earthquake in Fukushima in 2011
 - Halt in production of electronics





Globalization & Interconnected World

Downside:

- Spread of communicable diseases
- MERS, SARS and Ebola

- Ebola outbreak in 2014 – 11,000+ deaths, mainly in Liberia, Guinea, Sierra Leone
- Also cases reported in Nigeria, USA, Spain, UK and Italy
- All previous cases have less than 300 deaths



Globalization & Interconnected World

- **Overview:**
Win-Win, Trade, Investment, Tourism..
- **BUT need intervention, eg. B40, poverty...**



TPP: Transparency, Governance, and Standards

- TPP promotes transparency and good governance practices
- Curb corruption
- Sustainable trade and development



Confidence

- Outstanding Malaysian companies – PETRONAS, Khazanah, Maybank, CIMB
- Malaysians working abroad (Professionals)
- Built the longest highway in Indonesia (116km at Cikopo, Palimanan Toll Road Project)
- Built Bahrain International Circuit
- IOI's high-end development in Singapore's Sentosa Cove
- UEM in Melbourne
- Malaysian pilots in the Middle East countries



Automotive Industry Pre & Post TPP

Currently

Import duties for ASEAN have been eliminated and will be eliminated for Japan and Australia in 2016.

Post-TPP

- Import duty (30%) for sensitive automotive products - e.g. CBU vehicles - will be eliminated within 12 years.
- Other automotive products will be eliminated between 5 and 10 years.

SME Pre & Post-TPP

Currently

Market Access

- 65% of import duties have been eliminated under WTO
- >90% import duties have been eliminated under various implemented FTAs (ASEAN, ASEAN+1 and Bilateral FTAs covering 19 countries)

Post-TPP

- 84.71% import duties will be eliminated upon entry into force (EIF) of TPP
- 93.21% import duties will be eliminated in 5 years from EIF
- 99.1% import duties will be eliminated in 10 years from EIF
- Impact on SMEs is minimum as they are already competing since the liberalization under ASEAN and other FTA platforms

ISDS and TPP

Currently

- 74 Bilateral Investment Treaties (BITs)
- 8 FTAs (Malaysia-Japan, Malaysia-India, Malaysia-Pakistan, Malaysia-New Zealand, ASEAN-China, ASEAN-Korea, ASEAN-Australia-New Zealand, ASEAN-India) which contain ISDS provisions.

ISDS in TPP (Safeguards Negotiated)

Provisions on mandatory consultation and mediation.

Transparency provisions – open hearing and documents made public.

Interpretation by governments on the TPP Agreement is binding on tribunals.

Frivolous claims investor pays.

Explicit mention of government right to regulate for public health.

For tobacco, Malaysia can deny the use of ISDS for tobacco control measures adopted by the country.



ISDS and TPP

In TPP:

- **Malaysia can DENY the use of ISDS for tobacco control measures.**

In TTIP (EU) (on-going negotiations):

- Commission proposes new Investment Court System for TTIP and other EU trade and investment negotiations
- Enhancing the transparency of the proceedings



It's NOT one size fits ALL!

Flexibilities that we have obtained in TPP...

- Transition Period
- Threshold
- Non-Conforming Measures – Annexes
- Bumiputera Policies
- State Governments (ie. GP, GLCs, Environment, Land related matters)

Issues, Perception & Our Views

1. TPP has little to do with trade...

- TPP has various new trade chapters such as GP, SOE, IPR, Environment, Labor ...
- TPP is not just about trade regulation, but to ensure sustainable and responsible trade environment for our future generations
- Trade regime that adheres to global standards will attract FDI and promote greater technology transfer to Malaysia

Issues, Perception & Our Views

2. US will seize our wealth through their corporations – new form of colonization.

- Even without TPP, MNCs and western corporations have been operating in our country
- They generate investment, job opportunities, transfer technological know-how to us
- Malaysia as a trading nation – we can't close down our doors to MNCs
- TPP will strengthen Malaysia as a regional hub and our position in the global supply chain
- We aspire to produce high value added products and services

Issues, Perception & Our Views

3. Bumiputera rights under threat?

- Flexibilities & Exclusions Negotiated in Services & Investment, Government Procurement & State Owned Enterprises Chapters
 - ✓ High threshold
 - ✓ Transition Period
 - ✓ Covered Entities
 - ✓ 30% Set aside Policy for Bumiputera
 - ✓ **Preferential licences**
 - ✓ **Subsistence programmes and maintained and can be continued**
 - ✓ **PPP Projects**
 - ✓ **Regional & Rural Development**

Issues, Perception & Our Views

4. Loss of job opportunities due to influx of foreign workers?

- TPP provides avenue for skilled workers and professionals to work abroad (TPP Countries)
- Entrance of skilled workers and professionals is still subject to domestic regulations / requirements
- Labour Chapter in TPP is about upholding the workers welfare in Malaysia

Issues, Perception & Our Views

5. SMEs will be losing out due to influx of TPP products?

- Zero import duty for more than 65% products entering Malaysia under WTO;
- Zero import duty for >90% products entering Malaysia under various bilateral / ASEAN and ASEAN+1 FTAs covering 19 countries
- Continuous capacity building for SMEs

Issues, Perception & Our Views

6. TPP will affect good relations with our current FTA partners (ie.China, ASEAN)?

- TPP WILL NOT 'write-off' our current FTAs (Bilateral, ASEAN or ASEAN+1 FTAs)
- While pursuing TPP, ASEAN driven Regional Comprehensive Economic Partnership (RCEP/ASEAN+6) negotiations are ongoing
- TPP opens to participation from all APEC members including China
- Some economies have shown their interest to join TPP – Korea, Indonesia, Philippines

Issues, Perception & Our Views

7. TPP is a 'one-way' entrance?

- The TPPA allows for Parties to withdraw from this Agreement.
- Such withdrawal shall take effect 6 months after the Party provides written notice

Issues, Perception & Our Views

8. Will Malaysian culture be under threat?

- Exclusions Negotiated in which Malaysia has the right to ensure that Malaysian decency standards are met and the Guidelines on application for filming and performance by foreign artistes (PUSPAL) must be adhered by all foreign artists and film makers.
- In short, the **Government maintains the right to carry out censorship**
- **Pornography, lewd content products are prohibited under the Customs Act.**

Issues, Perception & Our Views

9. Will State Authorities lose their rights to regulate?

- Exclusions Negotiated whereby, every State authority maintains the right to regulate matters pertaining to types of businesses as well as land matters for commercial and non-commercial purposes i.e. buying, leasing, caveat etc .

4 November 2015 – Malaymail Online



The screenshot shows the Malaymail Online website interface. At the top, there is a navigation bar with links for 'FIND LOCAL SERVICES', 'ABOUT US', 'E-PAPER', 'SEARCH', and 'MOBILE'. A red banner below the navigation bar contains the text 'KLIK UNTUK PROJEKMMO DALAM BAHASA MELAYU'. The main headline is 'Abim, Malay groups seek court order to stop Putrajaya from signing TPP' by Shazwan Binetafa Kamal. The page includes a sidebar with 'MALAYSIA' and 'SCYBER' sections, and a 'MOST VIEWED' section on the right. The date is 'Wednesday, November 4, 2015 10:14 AM GMT+8'. The Windows taskbar is visible at the bottom.



What if we are not in TPP

- **WHAT IF we are not in ASEAN?**
- **Bigger challenge** to attract FDI and keep existing investors.
- **Trade Rules: More onerous commitment if join later. There will be no flexibilities as per what we have negotiated NOW for carve-outs (ie. Bumiputera policies), threshold, transition period...**
- **Lose out to new entrants joining TPP, example** Korea, Taiwan and other APEC economies
- **Viet Nam and Singapore** will have advantage over Malaysia through preferential access to TPP markets
- We will be **disadvantaged in the regional supply chain** due to loss of preferential treatment for raw materials and unfinished goods.



Going forward, we believe TPP will ...

- Further promote our trade and investment agenda
- Ensure Malaysia moves in tandem with regional and global development, especially in keeping abreast with our competitors
- Ensure Malaysia keeps pace with international standards – labour, environment



Thank you



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