



Market Access

5 November 2015

Objectives



The provisions in Market Access Chapter:

- **promote trade** among TPP Parties **through elimination/reduction** of import duties,
- **address non-tariff barriers** that related to export/import procedures and customs issues;
- **reduce bureaucracy** and **provide transparency**, thus all originating industrial goods/agriculture products and commodities will be more competitive within the TPP region.



Structure of Chapter

Negotiations in the market access chapter are divided into two main areas, namely:

- i. **Text negotiations** - cross cutting market access provisions/disciplines on industrial goods and agriculture; and
- ii. **Bilateral tariff negotiations** - guided by the comprehensive liberalisation principle as agreed by Leaders in Honolulu in 2011.

Key Provisions



- **National Treatment**
 - Includes a commitment for all Parties to provide each other's goods with “national treatment” once they enter a TPP market, with limited and specific exceptions.
- **Elimination of Customs Duties**
 - Parties' obligations with respect to tariff liberalization, including provisions that could allow for the acceleration of tariff elimination.
- **Import and Export Restrictions**
 - Contains enhanced transparency provisions for import and export licensing procedures.

Key Provisions (cont...)



- **Remanufactured Goods**
 - More comprehensive duty-free movement of remanufactured goods.
- **Import Licensing**
 - Enhanced transparency provisions on export licensing procedures.
- **Export Duties, Taxes or Other Charges***
 - Only **Malaysia** and Vietnam are allowed to **maintain export taxes/export charges** in TPP region (exception Annex).
- **Agriculture State Trading Enterprise**
 - Includes a commitment to work together at the WTO on obligations related to export state trading enterprises.



Key Provisions (cont...)

- **Agriculture Export Subsidies/Export Credits**
 - Includes a **prohibition on using export subsidies in TPP markets**, and a commitment for TPP Parties to work together to discipline the use of export credits at the World Trade Organization (WTO).
- **Annex on Trade of Products of Modern Biotechnology**
 - Includes provisions based on the principles of **transparency, cooperation** and **exchange of information**. This obligation does not require TPP Parties to adopt or modify its policies and laws for the control of products of modern biotechnology.

Key Obligations: Tariff Rate Quota (TRQ)



- **Tariff Rate Quota (TRQ) Administration:**
 - TPP Parties including Malaysia must ensure that TRQs are administered in a **transparent manner**.
 - Malaysia will also need provide **clear process and timelines** which enables exporting Parties to apply and utilize the quota.
 - However, these new obligations **does not require amendment** to Malaysia's laws and regulations related to TRQ Administration.

Market Access - Outcomes



- Malaysian companies will benefit from preferential access (most import duties to be eliminated at entry into force) in new FTA markets: **US, Canada, Mexico and Peru**
- Malaysian manufacturers will gain competitive advantage over regional competitors by:
 - **enjoying preferred import duty** when exporting to TPP region; and
 - **saving imports cost** for raw material/inputs from TPP region as Malaysia will also be reducing/eliminating its import tariff
- Currently Malaysian companies (including SME) are mainly competing with producers and exporters from China and ASEAN region.

Commitments



	Country	Offers on Import Duty Elimination (%)			
		Entry into force	≤5 years	5≤10 years	More than 10 year/ tariff-caps
1	Australia	93.04	6.82	0	0.13
2	Brunei	92.03	0.34	7.52	0.10
3	Canada	94.86	2.45	1.45	1.26
4	Chile	95.07	2.19	2.63	0.10
5	Mexico	76.99	2.62	18.14	2.25
6	New Zealand	94.61	1.82	3.13	0.44
7	Peru	80.72	4.91	5.52	8.85
8	Singapore	100	0	0	0
9	United States	89.64	4.27	2.72	3.36
10	Vietnam	65.83	23.79	8.16	2.23
11	Japan	87.40	3.16	5.40	4.04
12	Malaysia	84.71 (MFN: 65%)	8.55	5.84	0.90

Import Duty Elimination on Malaysia's Sensitive Products



- Malaysia will eliminate import duty for highly sensitive products - **alcoholic beverages and tobacco products** - within 15 years. However, Malaysia is allowed to maintain or adjust excise duties for these products.
- Import duty for **rice** will be eliminated within 10 years. However, **Malaysia reserved its rights to maintain the current importation and distribution system.**
- 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 to 10 years. Import duties for ASEAN has been eliminated and will be eliminated for Japan and Australia in 2016.
- Import duty for sensitive **iron and steel products** will be eliminated within 10 years. Other products will be eliminated between 5 to 7 years.

Main Export Items to Enjoy Preferred Import Duty (mostly duty free at EIF)



Product		Current Import Duty	Export value in 2014 (US\$ mil)
Electrical & Electronic Products	US	3-5%	11,138.0
	Canada	5-11%	308.2
	Mexico	5-15%	1,148.7
	Peru	9%	39.0
Rubber Products	US	2.4-14%	1,238.2
	Canada	5-15.5%	84.6
	Peru	9%	8.5
Palm Oil	Canada	11%	17.9
	Mexico	4%	2.2
Transport Equipment	US	5%	292.9
	Mexico	5-15%	20.5
Wood Products <i>including</i> Plywood	Japan	6-10%	1,103.4



Rules of Origin and Procedures



Objectives

- To increase **transparency, predictability** and **consistency** in both the preparation and application of rules of origin.
- Provide simple rules of origin, promote regional supply chains, and help ensure the TPP countries rather than non-participants are the primary beneficiaries of the Agreement.



Key Provisions

- **Criteria for Originating Goods**
- **Treatment of recovered materials used in production of a remanufactured good**
- **Regional Value Content (RVC) and Accumulation**
- **Verification of Origin**
- **Product Specific Rules Schedule**



Key Provisions (cont...)

- **Origin Procedures: Certification of Origin by the Exporter, Producer or Importer**

Promote **transparent and effective origin procedures** to administer the rules of origin that facilitate compliance without creating unnecessary obstacles to trade, such as:

- certification by the exporter and verification of origin conducted after the good has been imported; and
 - allowing the producer or the importer to certify the origin of the good, in addition to certification by the exporter.
- Malaysia along with Brunei, Peru, Mexico and Viet Nam has been given five years transition period with respect to certification of origin by importer.
 - By allowing self-certification by exporter, producer or importer, the administrative burden of these obligations will be reduced on the part of Government.



Outcomes

- Agreed on percentage of auto inputs from TPP countries to qualify for preferential access to TPP markets:
 - (a) **Finished Vehicles** – agreed 55 per cent regional value content.
 - (b) **Tractors** - agreed 55 per cent regional value content.
 - (c) **Auto parts** –agreed RVC for 25 auto parts ranges between 45 to 55.
- Malaysian parts and component producers can benefit from this outcome and participate in the regional supply chain for auto-parts. In addition, the rules will also encourage investment from other TPP Parties to invest in Malaysia.



Textiles and Apparel



Objectives

- Provides for **clear rules of origin specifically on textiles and apparel** that will be familiar to Malaysian producers and that minimize administrative burden.
- **Elimination of tariffs** on textile and apparel exports to TPP countries.
- **Enhance customs cooperation and enforcement commitments** to prevent duty evasion, smuggling and fraud.
- Enhance the competitiveness of TPP producers in the Asia-Pacific region.



Key Provisions

- **Treatment of Short Supply List Materials**
A provision on “short supply” list, which allows fabrics, yarns, and fibers that are not commercially available in the TPP region to be sourced from non-TPP countries and used in the production of apparel in the TPP region without losing duty preference. Two sets of SSLs, permanent and temporary of 5 years.
- **Cooperation**
- **Monitoring**
- **Verification**
Provides for a streamlined approach to verification and enhanced cooperation amongst TPP countries.



Key Obligation (cont...)

- **Accepting the “yarn forward’ concept**
 - The chapter includes specific rules of origin that require use of yarns and fabrics from the TPP region, which **essentially discourages use of non-TPP inputs**.
 - This will encourage fabric and apparel producers in TPP countries to use materials from the region to produce goods for export to other TPP countries.
 - The rule also will promote regional supply chains and investment in this sector for Malaysia and provides for the accumulation of textile materials and production among TPP countries, which is especially important to Malaysia.

Flexibilities are however provided with:

- a “short supply list” mechanism that allows use of certain yarns and fabrics not widely available in the region. Two of Malaysia’s products are listed in the list.



Outcome

- **72.9% textiles tariff lines constituting 36.44% of total exports to US will see duty elimination upon entry into force.** Without TPP, only 11% of tariffs or 0.9% of total exports are duty free.
- Malaysia has been given certain flexibilities from the Yarn Forward Rule:
 - **2 major products (men's and women's shirts) have been listed in the Short Supply List** which allows Malaysian producers to source raw materials not commercially available within TPP countries.
 - **These 2 products are also offered duty free upon entry into force**, an offer given exclusively to Malaysia and Vietnam. With this offer, Malaysian producers will gain competitive advantage over regional competitors.



Import Duty Elimination for Textiles to United States

	Percentage of Tariff Eliminated Under TPP	Percentage of Total Exports to US
Entry Into Force	1,178 lines (72.9%)	36.7%
Duty free Year 5	117 lines (7%)	3.0%
Duty free Year 11	145 lines (8.97%)	46.86%
Duty free Year 13	177 lines (10.95%)	13.44%



Thank you



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