



MINISTRY OF
INVESTMENT, TRADE AND INDUSTRY

**Comprehensive and Progressive Agreement for
Trans-Pacific Partnership (CPTPP)
and
Regional Comprehensive Economic Partnership Agreement (RCEP)**

Opportunities for Your Business

**Datuk Seri Isham Ishak, MITI Secretary General
8 August 2023 (Tuesday)
Perdana Hall, MITI Tower KL**

Structure of Presentation ...

1 Introduction: Malaysia's Participation in FTAs

2 Market Access of CPTPP and RCEP: New and Improved Opportunities for Malaysia

3 Utilisation of CPTPP and RCEP

4 Rules-based Chapters

5 Other Important Chapters

6 Preserving Rights

7 Dispute Settlement

8 Conclusion

Malaysia's Participation in FTAs...

16 FTAs ENCOMPASSING 23 COUNTRIES

9 REGIONAL FTAs

1993	AFTA
2003	ASEAN – CHINA
2006	ASEAN –KOREA
2009	ASEAN - JAPAN
2010	ASEAN – INDIA
2010	ASEAN – AUSTRALIA – NEW ZEALAND
2019	ASEAN – HONG KONG
2022	REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)
2022	COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP)

**16 FTAs
since 1993**

7 BILATERAL FTAs

2006	MALAYSIA - JAPAN
2008	MALAYSIA – PAKISTAN
2010	MALAYSIA – NEW ZEALAND
2011	MALAYSIA – INDIA
2012	MALAYSIA – CHILE
2013	MALAYSIA – AUSTRALIA
2015	MALAYSIA – TURKIYE

FTAs a Catalyst to Malaysia's Expansion into Global Trade...



- Integral part of **Malaysia's trade policy**
- Sets of **rules and disciplines**
- **Concessions** in goods and services
- **Cooperation** elements
- **Lower or zero tariff** on exports and imports of goods

Enhance Malaysia's **competitive advantage**, strengthen **investors confidence** and build **economic growth** and **sustainability**

* **Data from 2020 until Jun 2023**

* *Source: DOSM*

MALAYSIA'S TOTAL TRADE WITH FTA PARTNERS
RM5.51 trillion
(67.2% of total trade)

EXPORT

RM3.1 trillion
(69.1% of total exports)

IMPORT

RM2.4 trillion
(65.9% of total imports)

Major Export Destinations

- ASEAN: RM1.3 trillion (28.6% of Malaysia's total exports)
- China: RM653 billion (14.6% of Malaysia's total exports)

Major Source of Imports

- ASEAN: RM868 billion (23.7% Malaysia's total imports)
- China: RM799 billion (21.8% Malaysia's total imports)

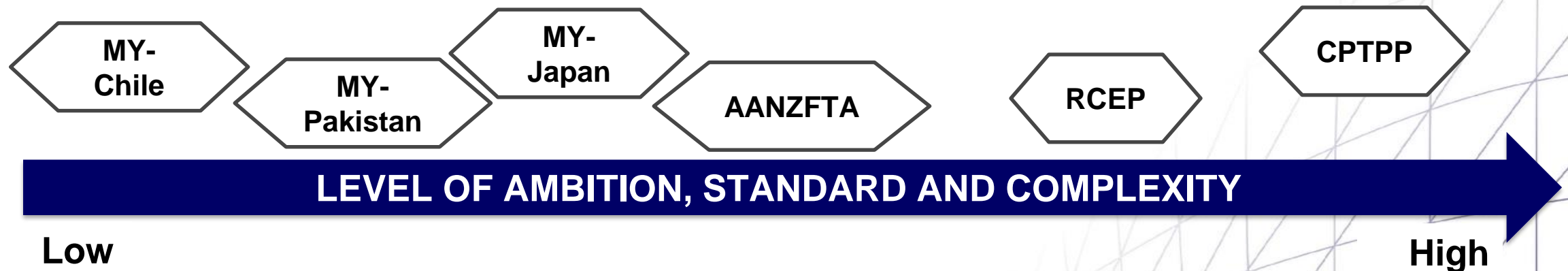
Traditional vs Modern FTAs...

Traditional FTAs:

- Trade in Goods
- Trade in Services
- Investment
- Rules of Origin
- Customs Administration and Trade Facilitation
- Sanitary & Phytosanitary (SPS)
- Technical Barriers to Trade (TBT)
- Dispute Settlement Mechanism
- Economic & Technical Cooperation (ECOTECH)

Modern FTAs (New Issues):

- Labour
- Environment
- E-Commerce
- Government Procurement (GP)
- Competition Policy
- Intellectual Property Rights (IPR)
- SME Capacity Building
- Supply Chains
- Good Regulatory Practice
- Transparency and Anti-Corruption



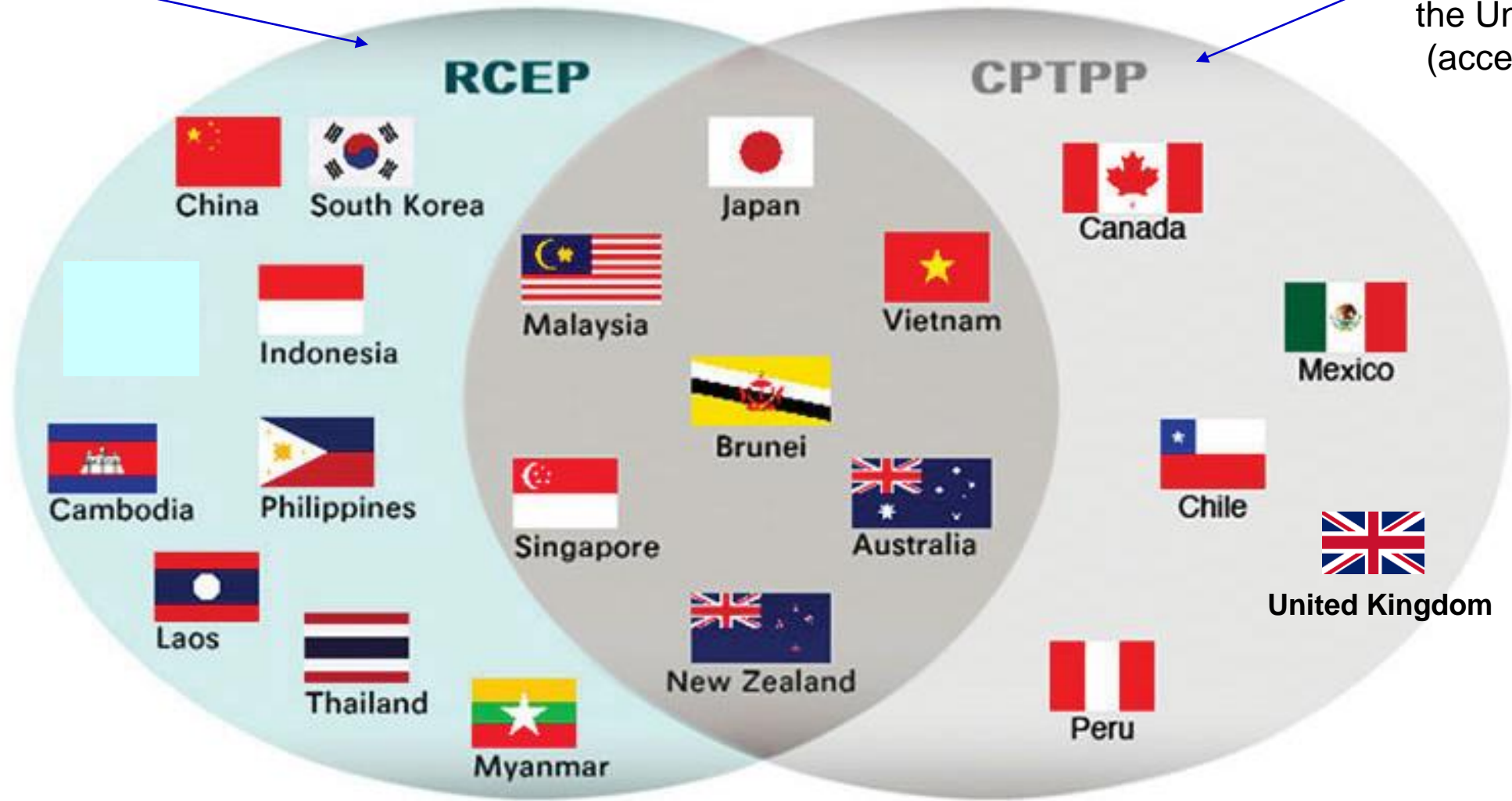
CPTPP and RCEP - Modern, Comprehensive and Inclusive ...

CPTPP		RCEP	
<u>12 Countries</u> Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Viet Nam, United Kingdom (acceding country)		<u>15 Countries</u> 10 ASEAN Member States + 5 ASEAN FTA partners (Australia, China, Japan, Korea and New Zealand)	
30 CHAPTERS		20 CHAPTERS	
<ul style="list-style-type: none"> • Initial Provisions and General Definitions • Administrative & Institutional Provisions • Dispute Settlement • Exceptions • Final Provisions • Cooperation and Capacity Building • Market Access/Trade in Goods 	<ul style="list-style-type: none"> • Rules of Origin • Customs Administration • Sanitary and Phyto-sanitary • Trade Remedies • Government Procurement • Investment • Cross Border Services • Competition 	<ul style="list-style-type: none"> • Technical Barriers to Trade/ Standards • Financial Services • Temporary Entry • Intellectual Property Rights • Telecommunications • E-Commerce • SMEs 	
<ul style="list-style-type: none"> • Competitiveness / Business Facilitation • Textiles and Apparel • Labour • SOE 	<ul style="list-style-type: none"> • Environment • Development • Regulatory Coherence (GRP) • Transparency and Anti Corruption 		

Composition of RCEP and CPTPP Countries ...

15 countries

12 countries, including the United Kingdom (acceding country)



MARKET ACCESS: CPTPP AND RCEP

Coverage of Market Access in CPTPP and RCEP ...

1

Trade in Goods

2

Trade in Services

3

Investment

4

Temporary Entry for Business Persons

5

Government Procurement

6

State-Owned Enterprises

CPTPP and RCEP Modalities on Market Access ...

CPTPP
<p>COMPREHENSIVE for all Parties, with <u>limited</u> EXCEPTION.</p> <p><u>Exceptions for Malaysia</u> 3 TRQ products i.e. live poultry, meat and eggs</p>
<p>Maximum period of 16 years</p> <p>Malaysia: 16 years (year 2033)</p>
<p><u>Catch-up Approach</u> Cuts from original date of EIF i.e. 30 December 2018</p> <p>Malaysia's EIF: 29 November 2022 (Year-5 cut) This year, 2023, Malaysia's import duties are at Year-6 cut</p>

	RCEP
SCOPE	<p>NOT comprehensive for all Parties, with EXCEPTIONS <u>allowed.</u></p> <p><u>Exceptions for Malaysia</u> Exclusion List, TRQ and Highly Sensitive List (1,200 products)</p>
GRACE PERIOD	<p>ASEAN Parties - maximum period of 23 years ASEAN FTA Partners - maximum period of 21 years</p> <p>Malaysia : 23 years (year 2045)</p>
MECHANISM	<p><u>Catch-up Approach</u> Not applicable</p>

Duty Elimination by CPTPP Parties at EIF ...

	Country	Percentage of Tariff on Import Duty Elimination (%)
		CPTPP Entry into Force (2018)
1	Australia	93
2	Brunei	92
3	Canada	95
4	Chile	95
5	Mexico	77
6	New Zealand	95
7	Peru	81
8	Singapore	100
9	Viet Nam	66
10	Japan	87
11	Malaysia	85

Additional market access to CPTPP Parties ...

Increased market access to Japan and Viet Nam

- The reduction and elimination of import duties **increase price competitiveness**
 - Currently, Japan and Vietnam impose import duties on Malaysia's processed food and beverage products
 - In addition, Japan also imposes import duties (0 - 21.3%) on Malaysia's chemical products – duties will be eliminated

Example

Sector	MFN Import Duty	
	Japan	Vietnam
Processed Food and Beverage	0 - 50%	0 - 5%

CPTPP Provides Wider Sourcing Options of Raw Materials including Imports ...

- **Local companies** will have **wider sourcing options of raw materials**, including **imports for finished goods**
- For sectors such as:
 - **E&E**
 - **Plastics**
 - **Machinery and Equipment**
 - **Optical and Scientific Equipment**

For the **Plastics Sector**

Product	Malaysia's MFN Import Duty
Polyacetals, other polyethers and epoxide resins	Up to 15%
Polymers of ethylene, in primary forms	Up to 10%
Polymers of propylene or of other olefins, in primary forms	Up to 10%
Polymers of styrene, in primary forms	Up to 10%

For the **E&E Sector**

Product	Malaysia's MFN Import Duty
Metals (aluminium)	Up to 30%
Wire coated with plastics	Up to 30%
Inorganic Materials	Up to 30%

Immediate Duty-Free Access into CPTPP Parties ...

Destination	Example of Products	Year 2023 (CPTPP Duty Elimination)
Australia and Singapore	All products	100%
Canada	<ul style="list-style-type: none"> - Appliances and consumer electronics - Edible oils used for cooking - Palm oil - Furniture - Textiles 	97%
Mexico	<ul style="list-style-type: none"> - Automotive parts and components - Textiles - Footwear 	80%
Peru	<ul style="list-style-type: none"> - Cocoa-based products - Rubber products - Palm oil - Plastics 	86%

Malaysia already eliminated 89% import duty

E.g. sugar and chocolate confectionary, food preparations products, fish and seafood products (duties between 5 and 15%)

Duty Elimination by RCEP Parties at EIF and Final Year...

ASEAN	Percentage of Tariff on Import Duty Elimination (%)	
	Entry into Force	Final Year
Brunei	77	98
Cambodia	30	87
Indonesia	65	91
Lao PDR	30	86
Malaysia	70	90
Myanmar	30	86
Philippines	83	91
Singapore	100	100
Thailand	66	90
Viet Nam	65	89
Partners		
Australia	75	98
China	70	89
Japan	73	88
Korea	64	88
New Zealand	65	92

Malaysian Exports will Enjoy Duty Reduction in RCEP ...

Destination	Example of Products	MFN Import Duty	RCEP
Australia Japan Korea	Wood & wood products (both upstream and downstream)	55% 10% 13%	5% 6% 8%
Australia Japan Korea	Chemicals	30% 7% 310%	5% 3.1% 8%
Australia Japan Korea	Textiles	40% 12.5% 35%	5% 10% 13%

Services and Investment Opportunities in CPTPP and RCEP ...

CPTPP and RCEP provide:

**Before CPTPP and RCEP:
Positive list for Services, progressive liberalisation**

Liberalisation commitments for both investment and services utilising a **negative list approach (Non-Conforming Measures (NCMs))** including investment protection



A better investment ecosystem enhances Malaysia's attractiveness as a preferred business destination

Improved protection, predictability and transparency for Malaysians to do business in CPTPP and RCEP countries

New and improved market access for Malaysian service suppliers

CPTPP

- **Professional Services (Mexico), CRS (Australia, Chile, Mexico), R&D and Construction Services (Mexico)**

RCEP

- **Professional Services (Thailand), CRS, R&D and Environmental Services (Philippines)**

Opportunities for Malaysian Business Persons in CPTPP and RCEP ...

CPTPP and RCEP:

- **Categories committed by Malaysia** include, business visitors, intra-corporate transferees, contractual service suppliers and independent professionals
- **Examples:** accounting, architectural, engineering, R&D, financial analyst and economists
- **Increase talent pool** and **specialisation** into Malaysia

EXTERNAL OPPORTUNITIES

Access into CPTPP and RCEP markets for **business visitors, intra-corporate transferees, contractual service suppliers and independent professionals**

Professionals' ability to export services through the Mutual Recognition Agreements (MRA)

E.g. accounting, engineering, architectural, legal and medical services

CPTPP: Spouses of Malaysian professionals will be able to work in CPTPP markets such as **Australia, Chile, Japan and Viet Nam**

RCEP: Spouses of Malaysian professionals will be able to work only in **Australia, China and Japan**

CPTPP is the First FTA with Government Procurement Market Access ...

- The GP process is to be undertaken in a fair, transparent, and non-discriminatory manner.

Commitments by Malaysia

- **Obligations** only applicable to **covered procurement** at the **Federal Government**
- **State/ Municipal Governments** excluded from the Chapter
- **G1 to G6 category contractors will not be affected** (tendering capacity **below RM10 million**)
- **Transitional measures** include:
 - gradual elimination of offsets within 12 years
 - exemption on economic stimulus package for 25 years

Malaysia			
Areas	Initial Threshold	End Threshold	Transition Period (Years)
Goods	~ RM 8 mil	~ RM 766, 957	7
Services	~ RM 11 mil	~ RM 766, 957	9
Construction	~ RM 370 mil	~ RM 82 mil	20

Government Procurement Opportunities in CPTPP Parties ...

IMMEDIATE access to CPTPP Parties with **lower threshold**

Australia, Canada, New Zealand, Singapore

Areas	Initial Threshold	End Threshold	Transition Period (Years)
Goods	~ RM 767,000	-	-
Services	~ RM 767,000	-	-
Construction	~ RM 29 mil	-	-

The regional level commitments are based on reciprocity

RCEP Government Procurement Chapter ...

Promotes more **transparent** procurement processes

Contains **cooperation provisions**, mechanism to facilitate consultation and exchange of information

NO market access commitments

RCEP is significant as it is the **first time** that **major ASEAN countries** such as Indonesia, Thailand and Philippines have commitments on GP

The First State-Owned Enterprise Chapter in Malaysia's FTA ...

The Chapter aims to **promote fair competition** among SOEs and **prevent market distortion** by Governments

Malaysia's Safeguards

Preferences maintained up to **40%** of SOE's annual budget for purchases

MARA, TERAJU and EKUINAS – **excluded from 40% maximum threshold**

Additional preferences may be accorded by **PETRONAS** and **FGV**

There is **NO SOE Chapter** in RCEP

Non-Commercial Assistance (**NCA**) – **allowed** for **Bumiputera enterprises**

PNB and Lembaga Tabung Haji – **excluded from SOE Chapter obligations**

Transition period of 5 years - Reduce threshold from SDR 500 million (annual revenue) to SDR 200 million

Rules of Origin, Passport to Obtaining Preferential Duties ...

To **determine** whether a **good is entitled** to receive **preferential tariff treatment** under the FTA

Only goods that are **originating from**, have **undergone sufficient production** within, the CPTPP or RCEP, is **eligible** for **preferential tariff treatment**

Allows for manufacturers to **source raw materials** from all CPTPP and RCEP countries including from Malaysia - to fulfil the ROO requirements

Goods that **do not satisfy** the FTA ROO are **not eligible** for preferential tariff treatment under the CPTPP or RCEP

CPTPP

- Facilitating ROO compliance - **multiple Regional Value Content (RVC)** calculation methods
- **Self declaration by producer/ exporter** – to be implemented latest by 29 December 2030
- **Self declaration by importer** - latest by 28 November 2027

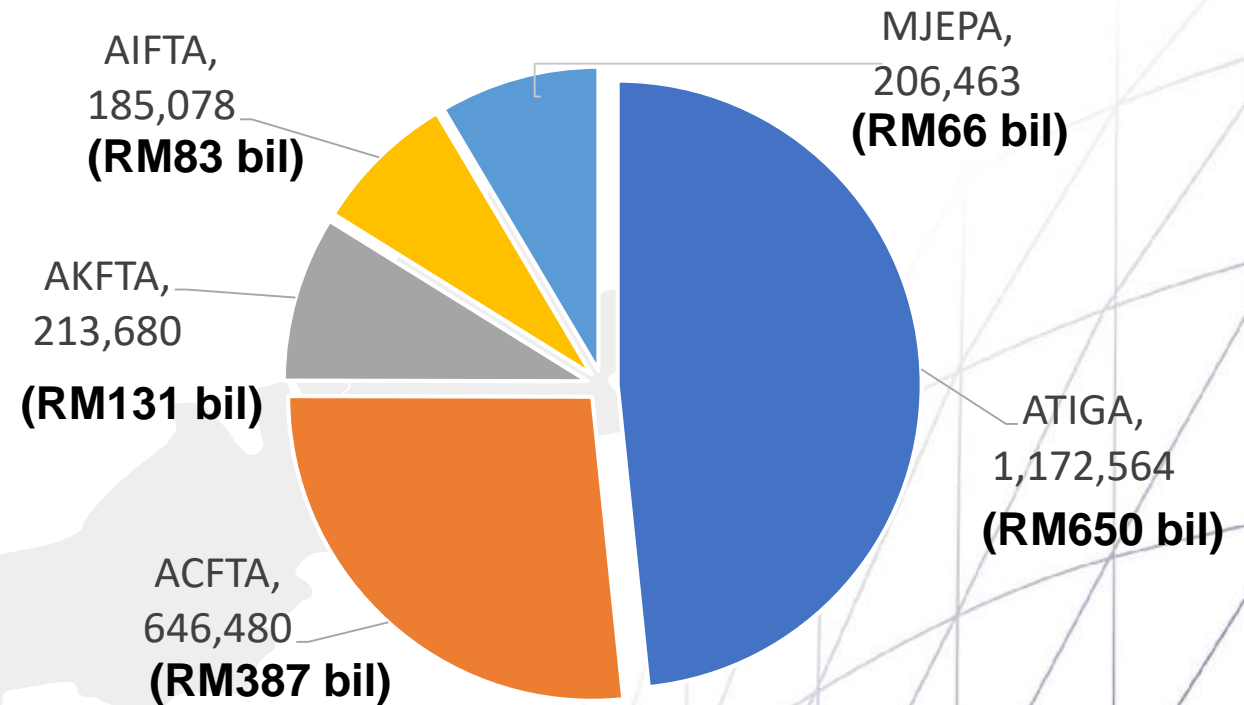
RCEP

- May allow **self-declaration by approved exporter**
- **Self declaration by producer/ exporter** – to be implemented latest by 29 November 2030

Overall FTAs Utilisation by Malaysian Companies ...

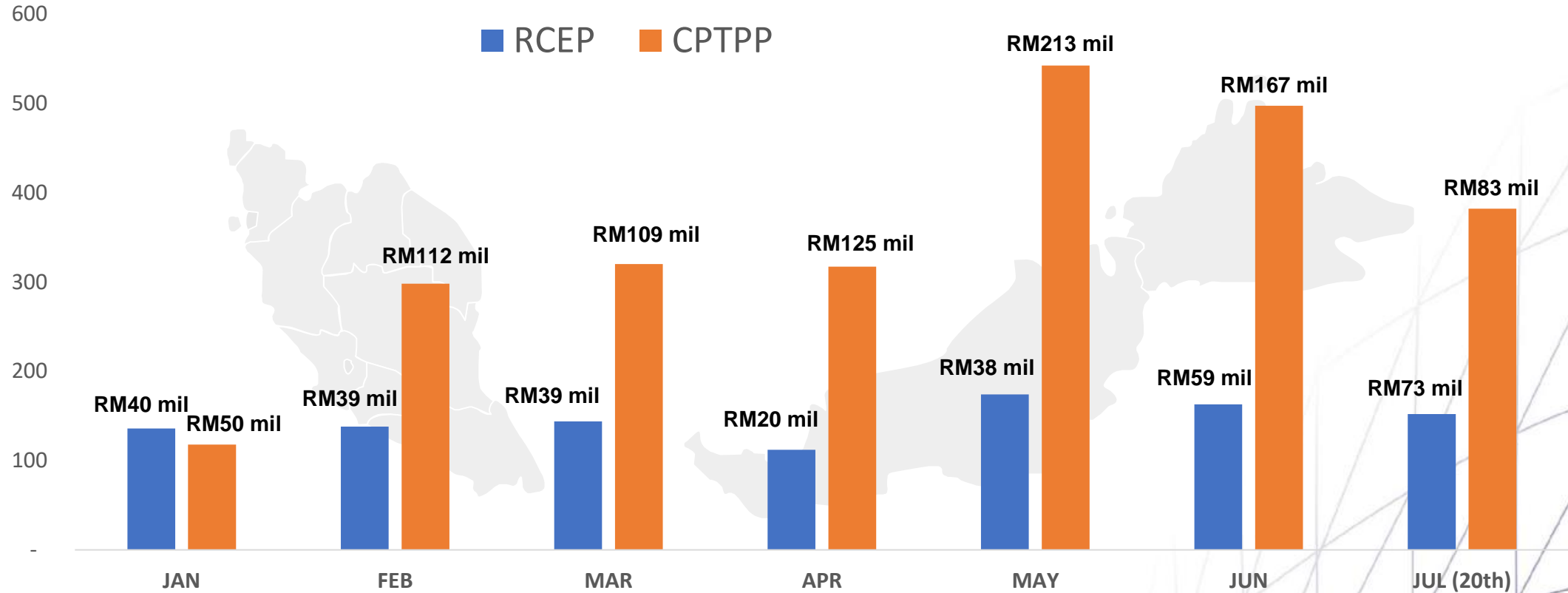
TOP 5 MOST UTILISED FTAS

Between **2018 until July 2023**, top 5 most utilised FTAs are **ATIGA, ACFTA, AKFTA, AIFTA** and **MJEPA** with total export accounted for more than **RM1.3 trillion**



CPTPP and RCEP Utilisation by Malaysian Companies ...

COs Issued in 2023 (Jan – Jul)



Breakdown of CPTPP and RCEP Utilisation by Malaysian Companies ...

Issuance of Certificate of Origin (CO) under CPTPP and RCEP - For Exports

CPTPP

	COs to CPTPP Markets (Dec 22- 20 July 23)	Total CO	Total FOB Value (RM)
New Markets	CANADA	846	166,850,743
	MEXICO	477	251,971,185
	PERU	57	24,319,536
Existing Market	JAPAN	1,119	439,181,916
TOTAL		2,517	884 million

RCEP

	COs to RCEP Markets (Apr 22- 20 July 23)	Total CO	Total FOB Value (RM)
Top 3 Markets	JAPAN	910	361,682,835
	CHINA	284	82,126,856
	KOREA	194	64,271,675
TOTAL		1,878	572 million

Main products exported include, processed food, wood and wood products, iron and steel, **electrical and electronics (E&E)**, rubber products, cocoa products, palm oil products, textiles and clothing, plastics, chemical and chemical products etc.

Note:

- Import duties for E&E reduced from **maximum of 9% for Canada, 20% for Mexico and 9% for Peru to 0% by 2029**

Rules-based Chapters ...

Technical Barriers to Trade

Reinforcing WTO obligations

CPTPP: 8 Annexes
(Pharmaceuticals, Medical Device)

Sanitary and Phytosanitary Measures

Enhancing animal and plant health and food safety trade

Customs Cooperation

Improve efficiency in trade processes and electronic systems to enhance ease of doing business

Telecommunications

Promote competitive access for telecommunications services

E-Commerce

Addresses customs duties in the digital environment, authentication of electronic transactions, and consumer protection

Intellectual Property Rights

Affirms the right to fully use the flexibilities of the TRIPS Agreement and Public Health

Additional Rules-based Chapters, Not Found in RCEP ...

Labour

Protection of labour rights

Environment

Addresses trade and environment challenges and enhances the nexus of trade and environment

Regulatory Coherence

Good Regulatory Practices (GRP), transparency and public consultation in the formulation of rules and regulations

Development

Mechanism to work together towards members' economic development priorities

Competitiveness and Business Facilitation

Enhancing SMEs supply chain

Other Important Chapters for Malaysia...

Cooperation and Capacity Building

- Establishing **new avenues** for **cooperation and capacity building activities** within the technology and innovation sphere

SMEs

- CPTPP and RCEP contain a **dedicated Chapter on SMEs**
- Ensuring **SMEs have good access to information**, dedicated programmes to collaborate with other Parties

Development (only in CPTPP)

- Empowering **women** in the economy

Based on the National Entrepreneurship Policy 2030, the Government's aspiration is for SMEs **to achieve**:

	Current As-Is (2020)	Target (2030)
Share of GDP	38%	50%
Share of employment	48%	80%
Share of total export	14%	30%

Malaysia has also Preserved Her Rights in the CPTPP ...

The Government can **continue to develop** both **local and Bumiputera companies**

Investment, including Manufacturing and Services

Preferential treatment can **continue** to be accorded to **Bumiputera investors and services providers** under **CPTPP**

Government Procurement

Malaysia is able to **set aside up to 30%** of the total annual value of construction contracts **above the threshold value**, for **Bumiputera**

State Owned Enterprises (SOEs)

Malaysia preserves **policy space** to implement the **socio-economic and development agenda**, particularly for Bumiputera

Small and Medium Enterprises (SMEs)

Malaysia has secured **concessions** which protect the **interests** of **Bumiputera companies and SMEs**

Can a Dispute be brought to the Government?

YES

Government to Government

([CPTPP](#) Chapter 28: Dispute Settlement)
([RCEP](#) Chapter 19: Dispute Settlement)

- E.g., [CPTPP Environment Chapter](#) - provides for **multiple levels of consultations**:
 - Committee
 - Senior Representatives
 - Ministerialbefore a Party can **initiate dispute settlement** under the CPTPP.

Investors to Government

([CPTPP](#) Chapter 9: Investment, Investor-State Dispute Settlement (ISDS))

- ISDS for RCEP is still being negotiated under the [Work Programme](#) (RCEP can use **existing ISDS provisions** in the [ASEAN+1 FTAs](#))
- ISDS - **last resort** for **investors**.
- **Investors** must **strictly adhere** to the **procedures** outlined in the Investment Chapter.
- **ISDS provisions** under the CPTPP have **safeguards** in place, such as **six-month period** to resolve claims through **negotiations and consultations** before the ISDS mechanism is triggered

Conclusion

The **CPTPP** will **co-exist** with all other FTAs, including **RCEP**

Private sector to **determine which FTA best meets** the needs and provides **maximum benefits**

The **CPTPP** and **RCEP** are **platforms** negotiated by the Government. Private sector should **take advantage** of the FTAs.

Opportunities for Malaysian companies are multifold...

- representing almost 40% of the world's GDP;
- market access to nearly 2.8 billion population;
- intra-regional sourcing of raw materials at competitive prices;
- integrating supply chains within the CPTPP and RCEP regions;
- promoting greater transparency, information sharing, trade facilitation, economic cooperation, standardisation of rules relating to e-Commerce;
- providing certainty in protection of IPR; and
- supporting economic capacity building and capability of SMEs in the region.

UK's Entry into the CPTPP ...

16 July 2023

Signed accession protocol into the CPTPP

Next Steps

- UK to submit instrument of accession
- Anticipated EIF for the UK – 15 months or earlier from 16 July 2023

At this juncture, exporters and importers cannot enjoy the preferential duty treatment



Points to Remember ...

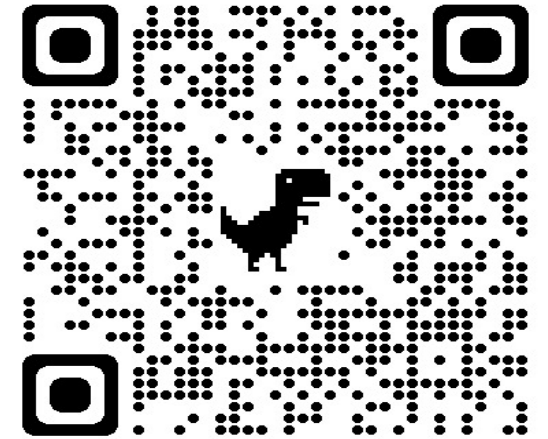
The CPTPP and RCEP have been **implemented**:

CPTPP : 29 November 2022

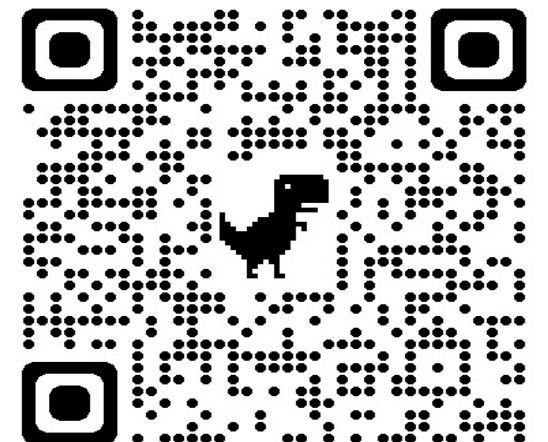
RCEP : 18 March 2022

All CPTPP (including TPP) and RCEP documents are available on MITI's Website.

CPTPP



RCEP



Thank you

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