



Trans-Pacific Partnership Agreement from Malaysia's Perspective

MR. MOHD HAFIZ ABDUL JALIL
Trade Commissioner, MATRADE Mexico City
Embassy of Malaysia in Mexico (Trade Office)

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OUTLINE OF PRESENTATION



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1. THE MALAYSIAN ECONOMY

**2. TRANS-PACIFIC PARTNERSHIP AGREEMENT
(TPPA) - MALAYSIA'S PERSPECTIVE**



Malaysia

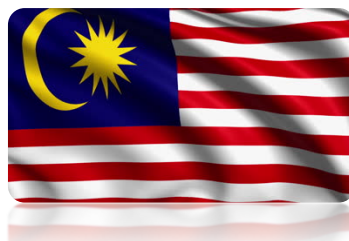


31 million population GDP 2015: USD296.2 Billion

13 states Merchandise Trade 2015: USD375.8 Bil.



KEY ECONOMIC DATA (2015)



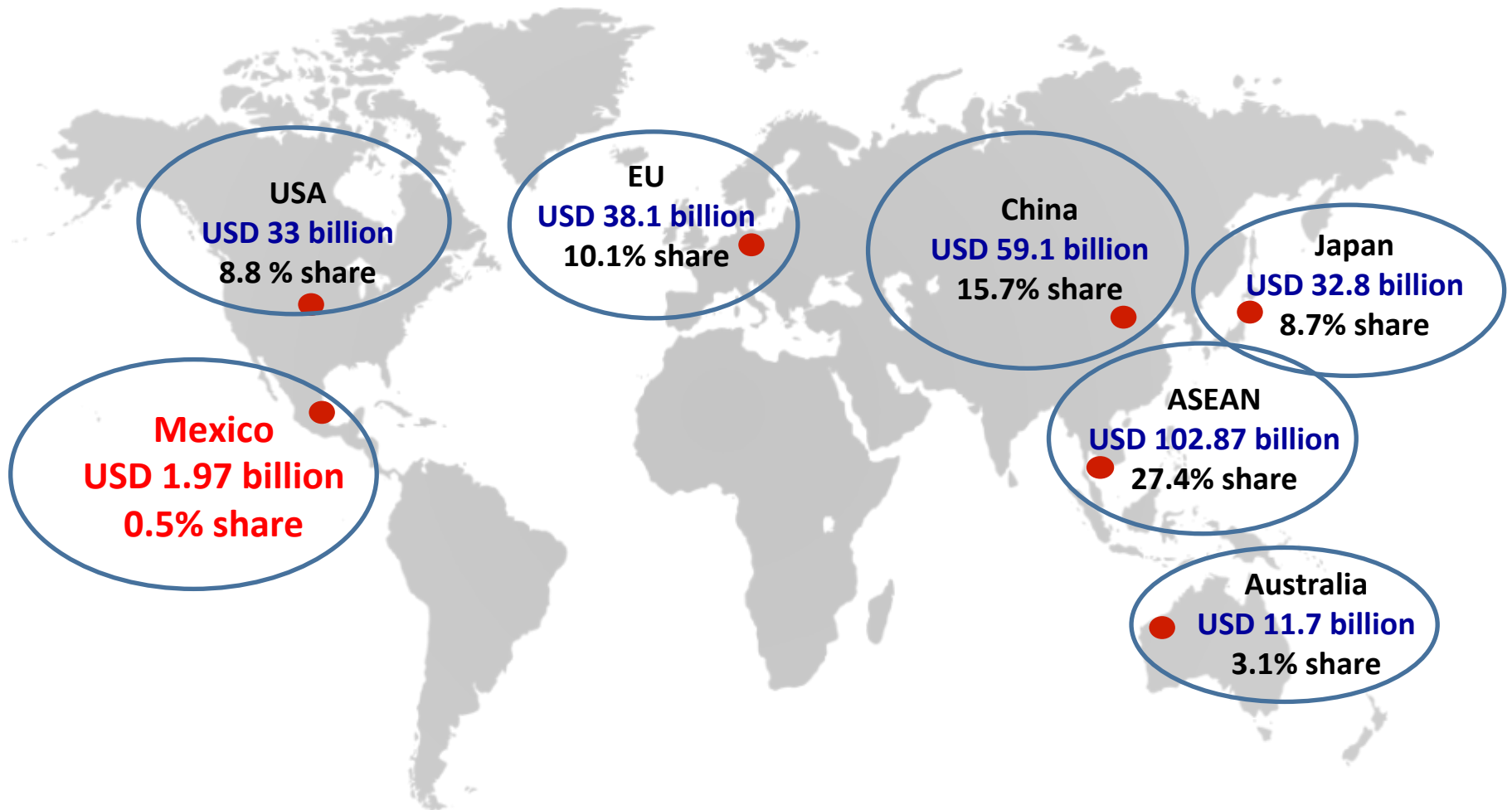
MALAYSIA

MEXICO

Capital	Kuala Lumpur	Mexico City
Land Area (sq km)	330,396	1,943,945
Population	31 million	121.7 million
GDP	USD 296.2 billion	USD 1.14 trillion
GDP Growth	5.0 %	2.5 %
Per capita Income	USD 10,000	USD10,000
	USD 375.8 billion	USD 775.9 billion



Malaysia's Major Trading Partners in 2015



Malaysia's Trade with Mexico in 2015

TOTAL TRADE
USD 1.97 BIL

Total exports
USD 1.59 BIL

Total imports
USD 383.1 MIL



Within Latin America, Mexico was Malaysia's:



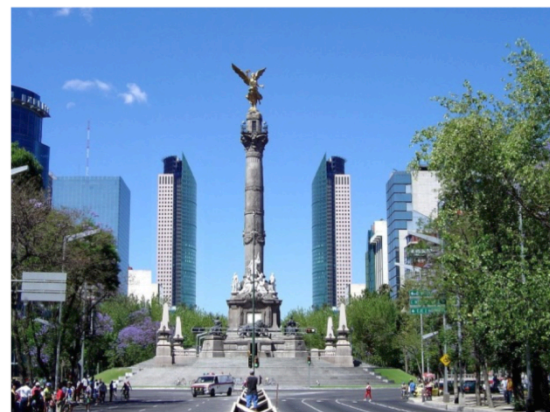
2nd *largest trading partner*

**after Brazil*

1st *export destination*

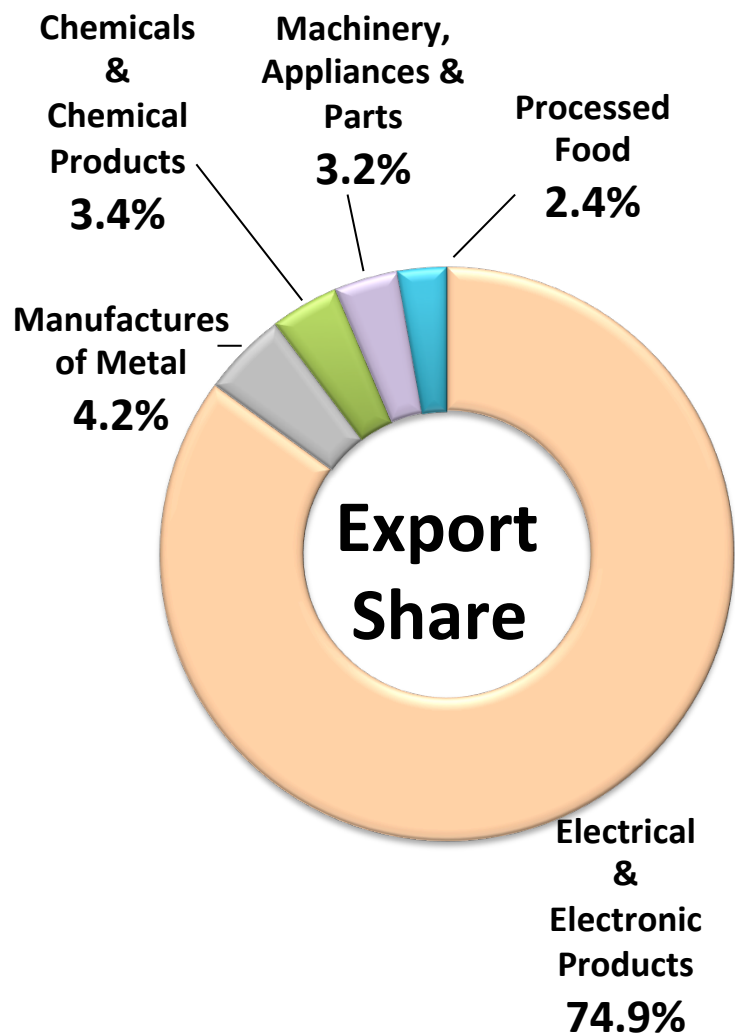
4th *source of imports*

**after Brazil, Argentina, Venezuela*





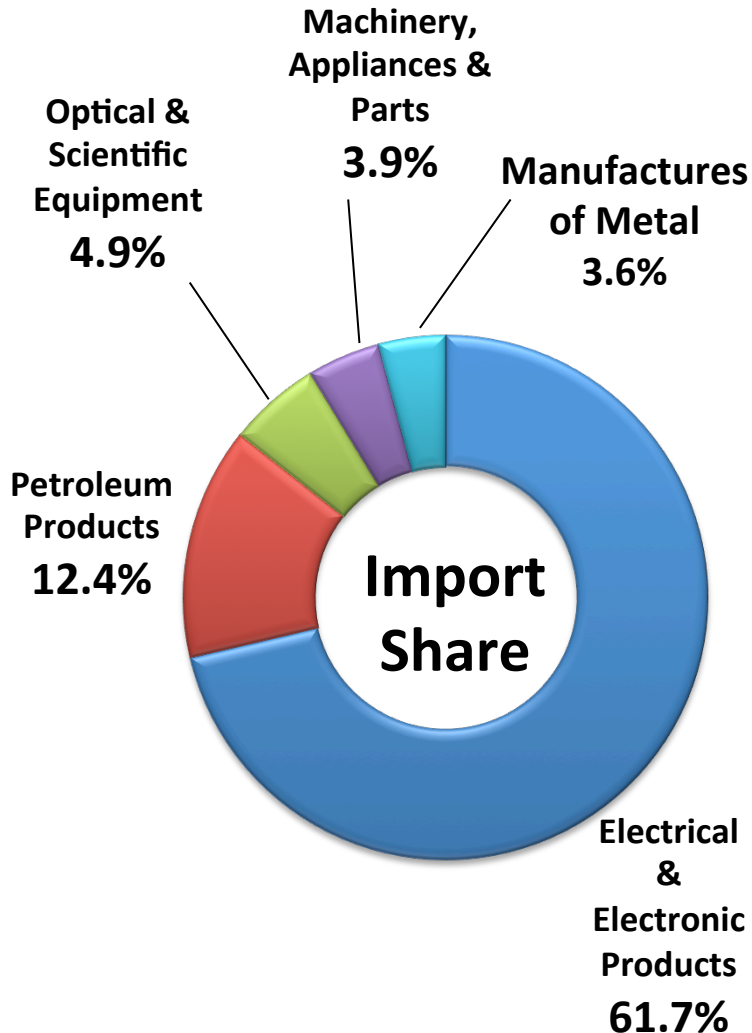
MAJOR EXPORTS TO MEXICO 2015



- **Electrical and Electronics Products** **USD1,190.1Mil**
Machines for reception , Automatic data processing equipment
- **Manufactures of Metal** **USD66.3Mil**
Pipes and Tubes, Refined Copper, Aluminum unwrought sinks and wash basins
- **Chemicals and Chemical Products** **USD54.2Mil**
Glycosides & their salts, industrial fatty alcohols, methionine, palmitic acid
- **Machinery, Appliances & Parts** **USD51.6 Mil**
Parts for taps, cocks, calves or similar appliances, air conditioning machines window.
- **Processed Food** **USD37.7 Mil**
Sweetened Milk and Cream, green tea in packages exceeding 3 kg, cocoa butter



MAJOR IMPORTS FROM MEXICO 2015



- **Electrical and Electronics Products** **USD236.5 Mil**
Machines for reception , Automatic data processing equipment
- **Petroleum Products** **USD47.5 Mil**
Light petroleum distillates
- **Optical & Scientific Equipment** **USD18.6 Mil**
Prisms, mirrors, instruments & appliances used for medical or veterinary sciences
- **Machinery, Appliances & Parts** **USD14.9 Mil**
Parts for machines & mechanical appliances, parts for taps, cocks, and valves
- **Manufactures of Metal** **USD13.9 Mil**
Copper cathodes sections of cathodes unwrought, razors including safety razors



Mexican Investment in Manufacturing

CEMEX Concrete (Malaysia) Sdn Bhd – USD32 Million

- a leading ready-mix concrete producer in Malaysia



Source: MIDA



KIDZANIA IN MALAYSIA



Opened in June 2009

The Curve, Kuala Lumpur

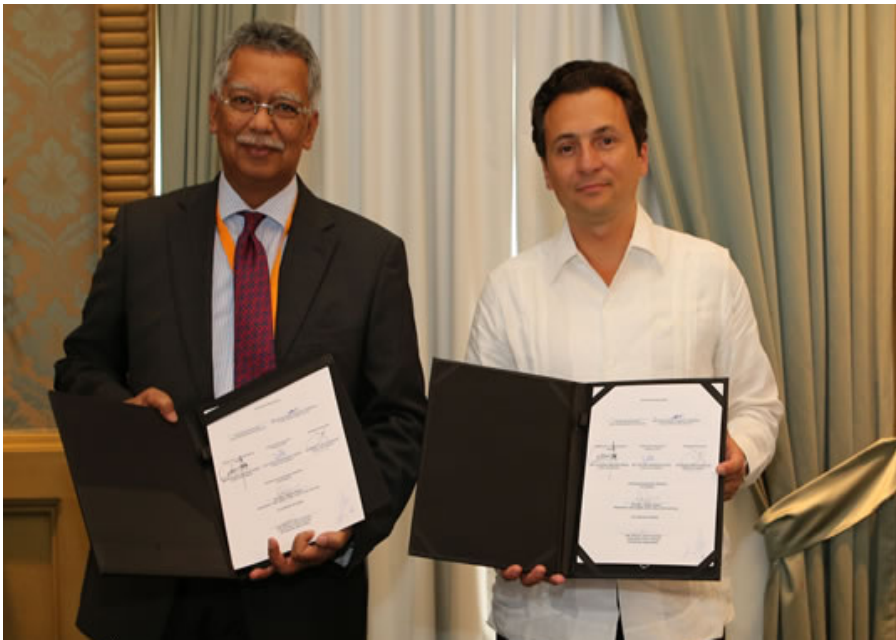
A JV company between Khazanah Nasional-owned Themed Attractions and Resorts Sdn. Bhd. and Boustead Curve Sdn. Bhd.





MALAYSIAN COMPANIES IN MEXICO

PETRONAS and PEMEX



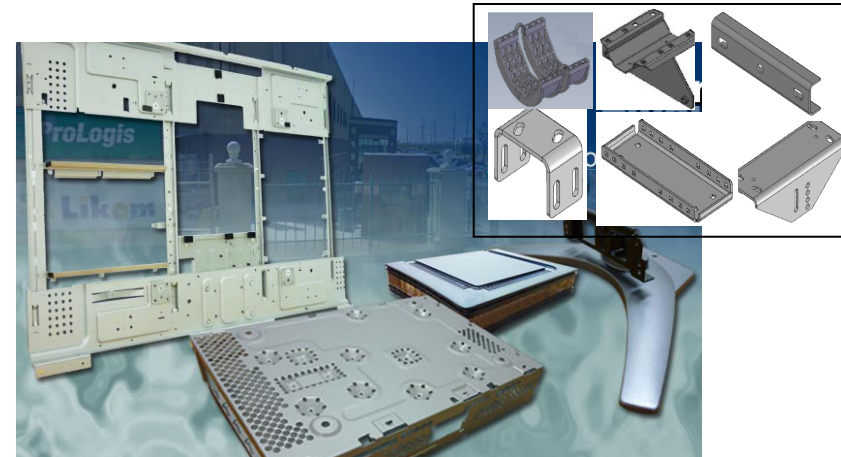
- On 20 May 2014, Secretary Ildefonso Guajardo and Minister Mustapa Mohamed had a conversation on linking PETRONAS and PEMEX to explore opportunities in O&G
- PETRONAS made visits to Mexico to gather information and maintain relationships with stakeholders in Mexico
- On 29 September 2014, PETRONAS and PEMEX signed an MOU to explore business opportunities and mutual cooperation in O&G sector
- PETRONAS Lubricants International



MALAYSIAN COMPANIES IN MEXICO



Products: Ready-to-drink beverages, health drinks and health supplements
Sales: USD18 mil, 120 thousand agents



Products: Metal stamping and plastic injection moulding for automotive and machinery, E&E
Sales: USD20.5 mil, 550 employees
Location: Ciudad Juarez, Chihuahua

A light blue world map is centered in the background. A large, thick purple circle is superimposed over the map, framing the text.

TPP

TRANS PACIFIC PARTNERSHIP

MALAYSIA'S PERSPECTIVE



Signing of TPPA, Auckland New Zealand 4 February 2016



Both the lower and upper houses have passed the motion to sign and ratify the TPPA on 27 January 2016, following a three-day special parliamentary meeting.

“Malaysia is the only country out of the 12 countries involved in the TPPA to seek endorsement from Parliament before it is signed”



Trans-Pacific Partnership Agreement (TPPA)

12 TPP Countries





Background

- **Negotiations concluded on 5 October 2015.**
- **A comprehensive FTA comprising binding rules and disciplines and market access commitments , reflected in chapter texts, annexes, schedules and side letters.**
- **Membership is open to all APEC economies but can consider non-APEC countries.**
- **Current membership: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and US.**
- **Interest shown by other APEC economies - Korea, Taiwan, Indonesia, Thailand and Philippines.**
- **Widely expected to be a building block towards the wider Free Trade Area of the Asia Pacific.**



Entry into Force

- Entry into force when all signatories ratify within 24 month.
- If not, when at least 6 countries accounting for 85 percent of combined GDP of 12 countries. The base year for the GDP calculation is 2013.

Country	GDP 2013 (USD millions)	Percentage (%)
Australia	1,563,950.96	6%
Brunei Darussalam	16,110.69	0%
Canada	1,838,964.18	7%
Chile	276,673.70	1%
Japan	4,919,563.11	18%
Mexico	1,258,773.80	4%
Malaysia	323,342.85	1%
New Zealand	187,937.18	1%
Peru	201,848.48	1%
Singapore	302,245.90	1%
United States	16,768,053.00	60%
Vietnam	171,222.03	1%
	27,828,685.88	



Current Status – in Malaysia

Domestic Ratification Process

- **Signing is an indication that the 12 countries accept the outcome of the negotiations (final texts) and will start their domestic process to ratify the Agreement in order to bring the Agreement into force.**
- **On-going TPP outreach and engagements – focusing on sectorial benefits, awareness creation and SMEs capacity building.**
- **AGC spearheads the task to amend 18 relevant laws & regulations in order to implement TPPA such as Customs act, Intellectual Property Right (IPR), Labour enforcement, Anti corruptions and Government procurement.**



Current Status – in Malaysia (cont...)

The Current Status of The Trans-Pacific Partnership Agreement (TPPA) in Malaysia post U.S. Presidential Election

- **Donald J Trump, Republican candidate has emerged as the winner of 2016 U.S. Presidential Elections held on 8 November 2016. Following the results of the U.S. Presidential Election, the fate of the TPPA will therefore depend on whether the new US Presidency will ratify the Agreement.**
- **The Malaysian Government holds the view that the TPPA, which had taken into account country specific concerns, has the potential to boost trade, investments and create jobs. It will also provide preferential access for Malaysia into four markets which we currently do not have a Free Trade Agreement (FTA) with namely the United States, Canada, Mexico and Peru.**



Current Status – in Malaysia (cont...)

The Current Status of The Trans-Pacific Partnership Agreement (TPPA) in Malaysia post U.S. Presidential Election

- **Should the US withdraw from TPPA, it will effectively mean that the Agreement cannot enter into force. The agreement requires ratification of at least 6 countries, accounting for 85% of the total GDP of the 12 countries, to bring it into force. The US' GDP alone constitutes about 60% of the total TPP Members' GDP. Hence, there will be no TPPA without the US' participation.**
- **As an open trading nation with a limited domestic market, Malaysia will continue its efforts to seek greater market access through preferential trading arrangements with countries we currently do not have FTAs.**



Current Status – in Malaysia (cont...)

The Current Status of The Trans-Pacific Partnership Agreement (TPPA) in Malaysia post U.S. Presidential Election

- In line with this aspiration, should there be a confirmation that the TPPA will not materialise, Malaysia will explore other available options, including negotiating bilateral FTAs with the TPPA members that we currently do not have an FTA.

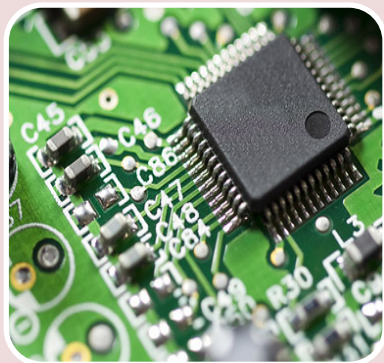


Key Benefits to Malaysia

- **Market access - preferred treatment in 4 new markets (Canada, Mexico, Peru and USA)**
- **Investment flows – job creation, technology**
- **New rules - standard bearer for global trade**
- **Rules of Origin – accumulation of inputs; self certification**
- **Enhancing digital trade**
- **Business facilitation – temporary entry; capacity building; customs procedures**
- **Integrating SMEs into global value chain**
- **Good governance - transparency; anti-corruption; enforcement of international environmental and labour laws**
- **Consumer choice**



Reduction of Tariff Rates on Imports from Malaysia to Mexico in TPPA



ELECTRICAL & ELECTRONICS

Current tariff rates:

5% - 15%

88.5% of products with **0%** duty upon entry into force

PALM OIL

Current tariff rates:

4%

75.4% of products with **0%** duty upon entry into force

RUBBER BASED PRODUCTS

Current tariff rates:

5%-15%

80.9% of products with **0%** duty upon entry into force

TRANSPORT EQUIPMENT

Current tariff rates:

5%-15%

79.7% of products with **0%** duty upon entry into force



Services

- **TPPA provide opportunities for service providers in Mexico to venture into Malaysian market where we do not have any services free trade agreements (FTAs).**
- **Malaysia offered services sectors in the Annex of the non-conforming measures (NCMs) where the following foreign service suppliers are permitted:**
 - **professional services covering legal, engineering, architectural services**
 - **communication services**
 - **education services**
 - **health services**
 - **distribution services**
 - **transportation covering maritime services and freight**
 - **oil& gas activities (on-going)**
 - **manufacturing related services**
 - **tourism and tourist related services**
 - **environmental services**



Main Export Items to Enjoy Immediate Import Duty Elimination

Malaysian Product	Countries	Current Import Duty
Electrical & Electronic Products	US	3-5%
	Canada	5-11%
	Mexico	5-15%
	Peru	9%
Rubber Products	US	2.4-14%
	Canada	5-15.5%
	Peru	9%
Palm Oil	Canada	11%
	Mexico	4%
Transport Equipment	US	5%
	Mexico	5-15%
Wood Products <i>including</i> Plywood	Japan	6-10%



Highlights of TPP between Malaysia & Mexico

- **Both Malaysia and Mexico have strong interest in automotive sector. Mexico will eliminate import duty for auto parts and component immediately (EIF) in TPP – current import duty 5-15%.**
- **Mexico will eliminate import duty for rubber products, including rubber gloves immediately (EIF) in TPP – current import duty 5-15%.**
- **Malaysia will eliminate import duty for alcoholic beverages within 15 years – first time (was excluded in all Malaysia's previous FTAs)**



Highlights of TPP between Malaysia & Mexico (cont...)

- **Another business prospect for Mexico is exporting agriculture products such as pork, poultry and beef into Malaysia.**
- **Malaysian and Mexican companies can explore potential collaboration in developing Halal Industry in the TPP region.**
- **In oil & gas sector, Mexico and PETRONAS are collaborating on few activities. Further to that, Malaysia has offered 12 high impact activities without any restrictions and this would be able to benefit TPP parties including Mexico, which could benefit through participation of Pemex in these activities in Malaysia.**



Way Forward

- **Amendments to Legislation and Ratification**
- **Intensive outreach to business community and other stakeholders**
- **Capacity building for SMEs and Bumiputera enterprises**
- **Implementation and Consultative Committees**



For more information:

- **Malaysia External Trade Development Corporation (MATRADE), Mexico City**
Embassy of Malaysia (Trade Office)
Paseo de Las Palmas #425
Torre Optima 3, Office 1102
Col. Lomas de Chapultepec, Del Miguel Hidalgo
C.P.11000, Mexico D.F.

Tel : +52-55-5201 4540

Email : hafiz@matrade.gov.my / mexicocity.bieyka@matrade.gov.my

Website : www.matrade.gov.my



Thank you
Terima Kasih
Gracias

