

## Despite Trump, all is not lost with the TPPA

**DATUK Seri Mustapa Mohamed (pic) readily admits that the Trans Pacific Partnership Agreement (TPPA) has been his most difficult task as International Trade and Industry Minister.**

Faced with domestic and international criticism and suspicion over the huge free trade deal, Mustapa and his team of TPP negotiators persevered and got the TPP motion approved. For Malaysia and the 10 TPP partners, the deal now lies in tatters with US President-elect Donald Trump likely to withdraw the United States from the deal.

Mustapa remains hopeful that the pact can be salvaged. Here are excerpts of the interview:



### Is the TPPA dead with President-elect Donald Trump's latest announcement that the US is out of the deal?

Not necessarily. We should be prepared for any eventuality as anything can happen between now and the first day of Donald Trump's Presidency on Jan 20 next year, and probably for a few months after that. On the surface, we cannot deny that it seems like an uphill battle for the TPPA to be ratified by the US, especially after Trump's Nov 21 statement. It is now up to the incoming Administration whether they want to go ahead with the TPPA.

It is not a clear-cut rejection of the TPPA in the US as key business groups have come out to urge him to reconsider his position. In fact, some prominent congressional leaders have also indicated that they are in favour of the TPPA with slight adjustments. The dynamics might change within the next few months. As they say, even a week is an eternity in politics.

Great achievement: Mustapa (centre) with TPPA chief negotiator Datuk J. Jayasiri (left) and the team of lead negotiators after the Senate approved the motion in January for Malaysia to participate in the free trade deal.

Great achievement: Mustapa (centre) with TPPA chief negotiator Datuk J. Jayasiri (left) and the team of lead negotiators after the Senate approved the motion in January for Malaysia to participate in the free trade deal.

**Prime Minister Datuk Seri Najib Tun Razak said in Peru that Malaysia will only look at other options if the US decides against the TPPA. What are these "other options"?**

Our domestic market of 30mil people

is limited. With or without TPPA, we will continue to expand and diversify our trade with the world. The TPPA will provide us with preferential access to four countries with which we do not have an FTA with, namely the US, Mexico, Canada and Peru.

One of our options then would be to negotiate bilateral FTAs with these countries. The other option, is whether to go ahead with the TPPA without US participation. This course of action would depend on further consultation and collective decision-making by the remaining TPP members.

Malaysia too will continue to push for an early conclusion of the on-going negotiations to establish the Regional Comprehensive Economic Partnership (RCEP), involving 10 Asean countries and six major trading partners, including China. Considerable progress – especially on narrowing the gap on key issues surrounding Goods, Services and Investment – were made during our last RCEP Ministerial Meeting in Cebu, earlier this month. We need to continue building on this momentum as we surge ahead.

**MITI has overcome domestic political objections and held many rounds of engagements and townhalls. And as Singaporean Prime Minister Lee Hsien Loong has said: "If at the end, waiting at the altar and bride doesn't arrive, I think that people are going to be very hurt." Do you, as the Minister largely responsible for the TPPA, feel hurt and frustrated that it may not become reality?**

Honestly, it will be disappointing if the TPPA does not materialise in its current configuration. I was involved right from the start when the TPP members unanimously agreed to include Malaysia as the ninth member back in 2010.

It was not an easy, straight path to get to where we are now. The Cabinet, Government ministries and agencies, as well as various stakeholders were consulted throughout the entire process. It was a joint effort by practically the whole Government. We spent a lot of time and resources throughout the five-year long intense negotiations. We decided to enter into the negotiations on our own will, as the benefits of being in the TPPA outweighed the costs.

We fought hard in every round of negotiations and in the end we secured a good deal. Our interests – including the Bumiputera agenda – remain protected, with numerous other concessions obtained. Major research houses and think tanks have also singled out Malaysia and Vietnam as the clear winners of the TPP.

Personally, the TPPA has been the **biggest challenge I have faced in my career as a Minister. The end of this trade agreement will be unfortunate, but if that is the case, it is imperative that we acknowledge the many positives we have gained.**

Firstly, the controversy over the TPPA in the US shows that Malaysia's negotiating team was able to secure real concessions. This was despite certain parties accusing them of "selling the country", when in fact they fought tooth and nail at every single intense negotiating round to ensure that our interests are defended. Malaysians

should and must take comfort in knowing that we have a highly capable negotiating team ready to defend our interests in future trade negotiations.

Secondly, the TPPA is more than a trade agreement, as it is also about promoting good governance and enhancing transparency which Malaysia has emphasised in our Economic Transformation Programme (ETP). The TPPA is also a very comprehensive trade agreement that addresses new issues including the development of the digital economy, and the role of state-owned enterprises in the global economy. In this context, the TPPA could potentially be used as a guide if we were to enter into any other future trade agreements.

During MITI's engagements with business stakeholders, they were promised a certain percentage of market access to the US. If the TPPA goes through without US participation, how will it still be beneficial and fair to the companies when the largest market for goods and services is no more in the TPP?

Indeed, market access to the US was one of our main considerations prior to joining the TPPA. We have graduated from the US Generalised System of Preferences (GSP) and no longer enjoy the preferential duty-free treatment for our products. Our products are less competitive in the US compared to other GSP recipients such as Thailand, Indonesia and the Philippines. TPPA is meant as a way to reverse this and allows us to be more competitive in the huge US market. Preferential access will also make Malaysia's export more competitive vis-a-vis countries that do not have free trade agreements with the US.

As far as market access is concerned, assuming it will be a TPPA without the US, I must stress that both Canada and Mexico still represent a huge market to be explored. We could leverage on Peru and Chile as gateways for us to enter the Latin American market.

There are other tangible benefits to the TPPA besides market access. For instance, the TPPA puts a particular emphasis on e-commerce, a vital component of the digital economy and key area which we need to rapidly develop to move up the value chain.

The TPPA is also the first FTA which has a dedicated chapter on SMEs. There are numerous opportunities to be tapped by our SMEs, especially when it comes to knowledge-sharing and collaboration with SMEs from other TPPA countries.

Will Malaysia go ahead and table amendments to related laws in Parliament? If so, why, when Malaysia will not be able to gain better access to the US which is our primary target?

There are 18 laws and regulations to be amended as part of our TPPA ratification process, covering several areas including labour and intellectual property rights. The changes to some of these laws are not just to comply with the TPPA, but are a result of our ongoing domestic review to strengthen and update legislations to facilitate

trade and fulfil our international obligations. For those laws, we are using the TPPA as an instrument to push through the amendments.

With or without the TPPA, we may go ahead with some amendments to make our laws and regulations relevant in current times. However, the final decision on the amendments will be made by the Cabinet.

Japan and Australia, Washington's closest allies in Asia, pledged after Trump's announcement to push TPPA ahead without the US. Would Malaysia support it?

As I've said earlier, this is one option to be considered. Malaysia's participation in the TPPA is a national matter and any future decision on it will not be made by MITI alone. As the Minister responsible for it, I will continue to consult the Cabinet on the next course of action. We will need to assess the benefits and costs of the TPPA without US participation before deciding to go ahead.

Similar to previous practice, we will also continue to engage with the relevant stakeholders on this proposal.

In any negotiations, a lot of gains are made, and compromises as well. Can you specify what compromises Malaysia made during the negotiations and how we will re-position these compromises should the US withdraw from the TPPA?

TPPA is a comprehensive trade agreement that includes issues Malaysia had not negotiated for in previous free trade agreements. These include issues such as State-Owned Enterprise (SOE), Government Procurement, Environment, Labour and higher commitments on Intellectual Property Rights (IPR).

Malaysia has to comply with the final provisions in all chapters, and some of them require amendments to our existing laws. In agreeing to the provisions in these new issues, Malaysia had negotiated flexibilities such as longer transition periods, different levels of commitments and carve-outs. These compromises allow Malaysia to continue with our current policies while minor adjustments are made at a gradual pace.

These commitments were not negotiated with the US alone but were collectively negotiated by the 12 Parties and consensus reached as part of the overall package. Even without the US, we should not expect major repositioning on these compromises.

Would renegotiations of the TPPA be feasible for Malaysia? Which areas are we looking to improvise and make further compromises?

In all FTAs, the mandate is for the negotiating team to get the best deal for Malaysia. We believe that the final TPPA text reflects the best possible package for Malaysia – including the endorsement of our Bumiputera policy – for the first time in any free trade agreement. Renegotiations of the TPPA will mean

another round of negotiations to be held among existing members.

It is quite premature at this juncture to confirm whether the TPPA will be renegotiated or not. For sure, Malaysia will only be part of any agreement if we believe we can get ultimate benefits without jeopardising our people and our sovereignty.

Trump mentioned after withdrawing from the TPPA that the US will negotiate bilateral FTAs. What are the key differences between the TPPA and the latest US FTA that was concluded?

Generally speaking, multilateral trade deals like the TPPA are much broader compared to generic bilateral FTAs.

The latest US FTA is the US-Korea FTA which came into force in 2012. The US-Korea FTA is almost similar to the TPP but the differences lie in the coverage and scope. The TPPA is more extensive in areas like IPR with the inclusion of pharmaceutical products and medical devices, disciplines on State-Owned Enterprises (SOEs), promoting SMEs in the global supply chain, business facilitation and cooperation.

How do you think Malaysia would fare in bilateral negotiations with the US under Trump's administration, given that we stalled our FTA negotiations with the US in the past?

The TPPA has issues which were not part of the discontinued bilateral FTA negotiations. These include issues such as State-Owned Enterprises (SOEs), e-commerce, and SMEs. The TPPA also provided for country-specific flexibilities in areas such as SOEs and government procurement. Furthermore, the TPPA recognised our affirmative action policy or the Bumiputera agenda and collectively endorsed halal requirements.

We have higher commitments under the TPPA than what would have been under the previous bilateral FTA negotiations with the US.

Malaysia will be better prepared to renegotiate a bilateral FTA with the US if it ever comes to that.

At the same time, it will also depend on the new administration's trade policy. We are keenly following developments in the US, including who will be appointed members and advisors of the trade team under Trump's presidency.

We want good ties with the US, but we must also consider what is best for our country. Trump should know that all good deals have elements of give-and-take.

MITI Minister II said Malaysia and 10 other TPP countries can carry on without the US, if a requirement clause is amended. Could you elaborate on the basis of this statement and the rationale of doing so as most compromises were made to cater to US requests?



This was a similar message conveyed by New Zealand Prime Minister John Key at the recently held Apec Summit. Should there be confirmation that the US will not be part of the TPP, the remaining members must discuss the way forward. Going ahead without the US is certainly one option but it would require an amendment to the clause on Entry into Force.

Not all compromises were done to cater to the US alone but were collectively negotiated by the 12 Parties and consensus reached as part of the overall package. There are many other aspects of the TPPA which benefit our business stakeholders, some of those were never covered or discussed extensively in any FTA that we had signed before. For instance, the TPPA writes rules on e-commerce, SOEs and provides for capacity building, trade and investment facilitation, development, economic and technical cooperation as well as a platform for internationalisation of SMEs.

**In cases of renegotiation or in the event the TPPA proceeds without the US, will MITI provide the same due process such as open day and consultation with stakeholders?**

We have been very open and transparent with regard to the TPPA.

The full text was released to the public as promised. At the same time, over 300 engagement and outreach sessions were held with various stakeholders to obtain the feedbacks, which were instrumental in guiding our negotiations. I personally travelled throughout the country for an open dialogue with various parties involved.

A bipartisan Parliamentary Caucus was also formed, in which we updated then on the progress of negotiations from time to time. This was unprecedented, and it was a reflection of our commitment to uphold transparency throughout the entire process. It is premature to talk of renegotiations at this stage. However, if we ever take that option, you have my word that we will continue to engage all stakeholders and adopt similar practise as we did last time.

**Other US FTA partners such as South Korea reorganised their internal organisation to ensure correct priorities and systematic implementation and monitoring of their trade agreement with the US. Since the signing of the TPPA, what are the efforts taken by the Government to ensure each ministry will reorganise to ensure they will be**

**ready to implement and monitor the required standards?**

As part of our preparations to implement the TPPA, we have established a National Implementation Committee comprising all the ministries and agencies responsible for the different issues. The different ministries have established focal points for the implementation of TPP commitments as well as to monitor compliance of other TPP Parties.

In addition, we have established a committee on SMEs and a separate Bumiputra committee with the objective of facilitating the SMEs and Bumiputra businesses to take advantage of the opportunities and prepare them to meet the challenges and be more competitive.

Throughout this process, we have been providing ample room for the parties involved to voice their concerns. We have also been working hand-in-hand with them to identify and implement necessary measures to prepare the relevant groups so that they are in a better position to reap the benefits of the TPPA once it is officially implemented.

## RESPONSE TO THE ANNOUNCEMENT BY PRESIDENT-ELECT DONALD TRUMP ON THE US' INTENTION TO WITHDRAW FROM TPP

The 12 Leaders of TPP countries met in Lima on 19 November to review developments and update on their respective domestic processes towards ratification. All the TPP countries, except for the US, are in various stages of obtaining their domestic legislative approvals. New Zealand has completed its Parliamentary process. Japan's Lower House has approved the TPPA which is now in the Upper House of the Japanese Parliament.

All the leaders reaffirmed their commitment towards the TPPA because of the benefits it brings to their respective economies, as well as to the Asia-Pacific region, in boosting trade and investment and creating jobs and at the same time pursuing good environmental and labour standards. They were also convinced of the role of the TPPA in further

enhancing the internationalisation of small and medium sized enterprises. The TPPA also creates the enabling environment for the future growth of e-commerce in the region. In Peru, TPP leaders also acknowledged that the TPPA is a balanced and high quality agreement that should not be abandoned.

However, in view of the uncertainty over US participation in the TPPA, the other countries including Malaysia agreed to wait for greater clarity from the new US administration before considering any future options. Despite the latest statement by president-elect Donald Trump on 21 November, that one of the first tasks as the President would be to withdraw the US from the TPPA, Malaysia would wait for greater clarity from the US Administration when the new President takes office on 20 January 2017. Malaysia will take the next course of action only when there is official confirmation that the US will not participate in the TPPA.

Meanwhile Malaysia will continue its work in amending the relevant legislations. The changes to some of these laws are not just to comply with the TPPA but are a result of the ongoing domestic review meant to strengthen and update a number of laws to facilitate trade and fulfil our international obligations. The final decision on the proposed amendments will



however be made by the Cabinet. As I have indicated before, the TPPA under the present conditions for entry into force cannot take place without US participation, as the US accounts for about 60% of the combined GDP of the 12 members. Under the agreement, a minimum of 6 countries accounting for 85% of the combined GDP of the 12 members must ratify before the TPPA can enter into force.

The TPPA members agreed in Lima, Peru to be in close contact and update each other on developments in their respective countries. Once there is certainty from the new US Administration after 20 January 2017, the chief negotiators may meet to consider options and the way forward. I would like to reiterate our earlier view that free and fair trade has benefited Malaysia. While globalisation and liberalisation may not be perfect, free trade agreements complemented with appropriate domestic policies and support measures can spread the benefits of development in favour of the poor and marginalised segments of society. As a trading nation Malaysia will continue to pursue preferential trading arrangements that are fair and bring benefits to our country in terms of trade, investment, income and employment.

Dato' Sri Mustapa Mohamed  
Minister of International Trade and Industry  
24 November 2016

# Malaysia

## Manufacturing Performance, Sept 2016

### Sales

Sept 2015: RM58.5bil.  
Sept 2016: RM59.1bil

▲ 1.1%

### Number of Employees

Sept 2015: 1,027,154 persons  
Sept 2016: 1,028,739 persons

▲ 0.2%

### Salaries & Wages

Sept 2015: RM3,026.0mil  
Sept 2016: RM3,251.8mil

▲ 7.5%

## Industrial Production Index (IPI), Sept 2016

### Manufacturing



Sept 2015: 133.1  
Sept 2016: 138.4

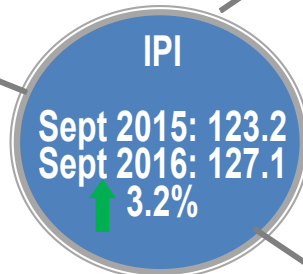
▲ 4.0%



### Electricity

Sept 2015: 121.4  
Sept 2016: 129.9

▲ 7.1%



### Mining

Sept 2015: 101.1  
Sept 2016: 101.0

▼ 0.1%



### Three major sub-sectors propelled the manufacturing sector

#### Electrical & Electronics



▲ 6.5%



▲ 4.4%

Petroleum, Chemical,  
Rubber & Plastic

#### Non-metallic Mineral Products, Basic Metal and Fabricated metal

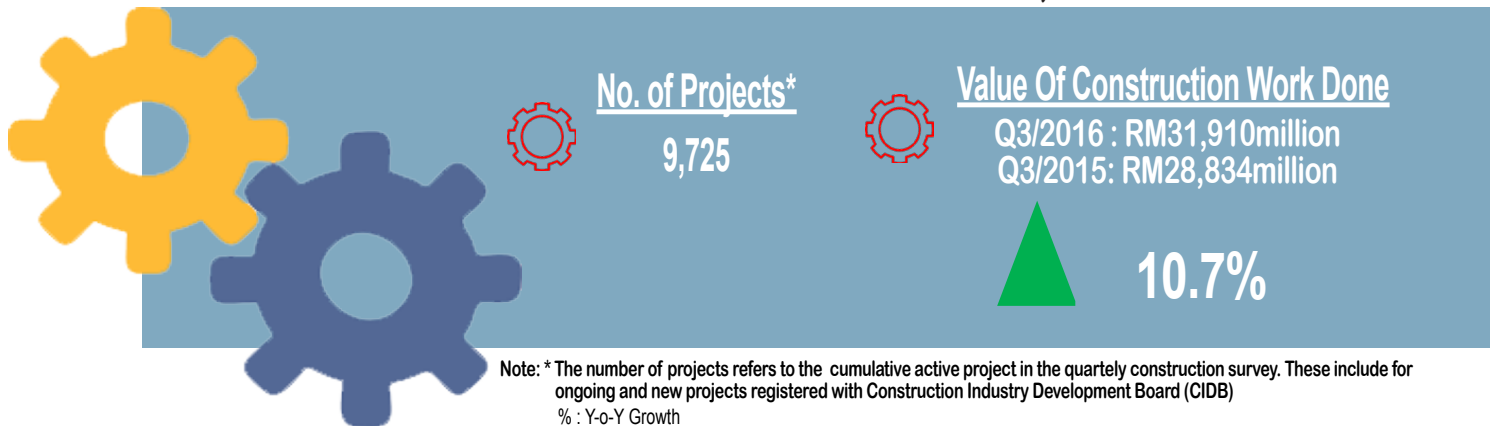


▲ 3.2%

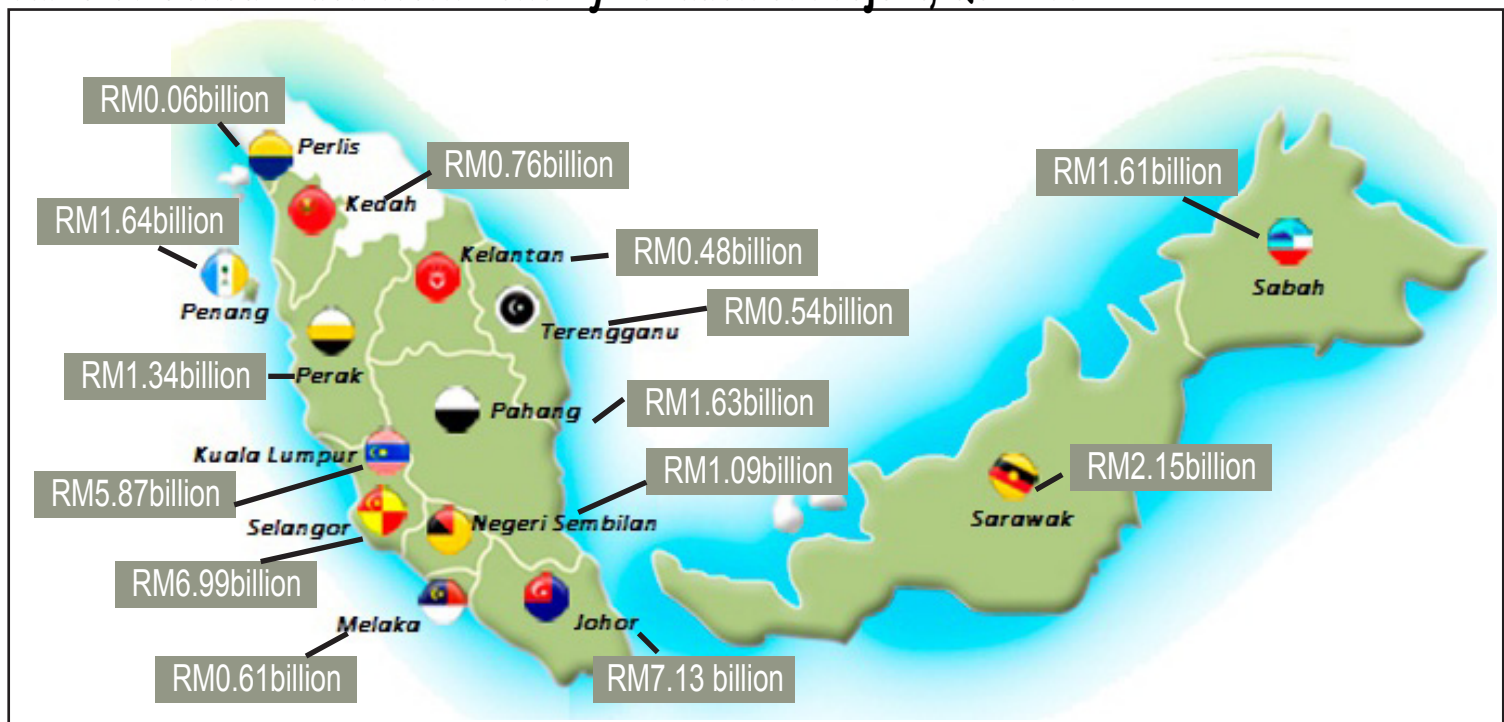
Source : Department of Statistics, Malaysia



# Performance of the Construction Sector, Q3 2016



## Value Of Construction Work Done By Location of Project, Q3 2016



## Value of Work Done and Annual Percentage Change, Q1 2014 - Q3 2016

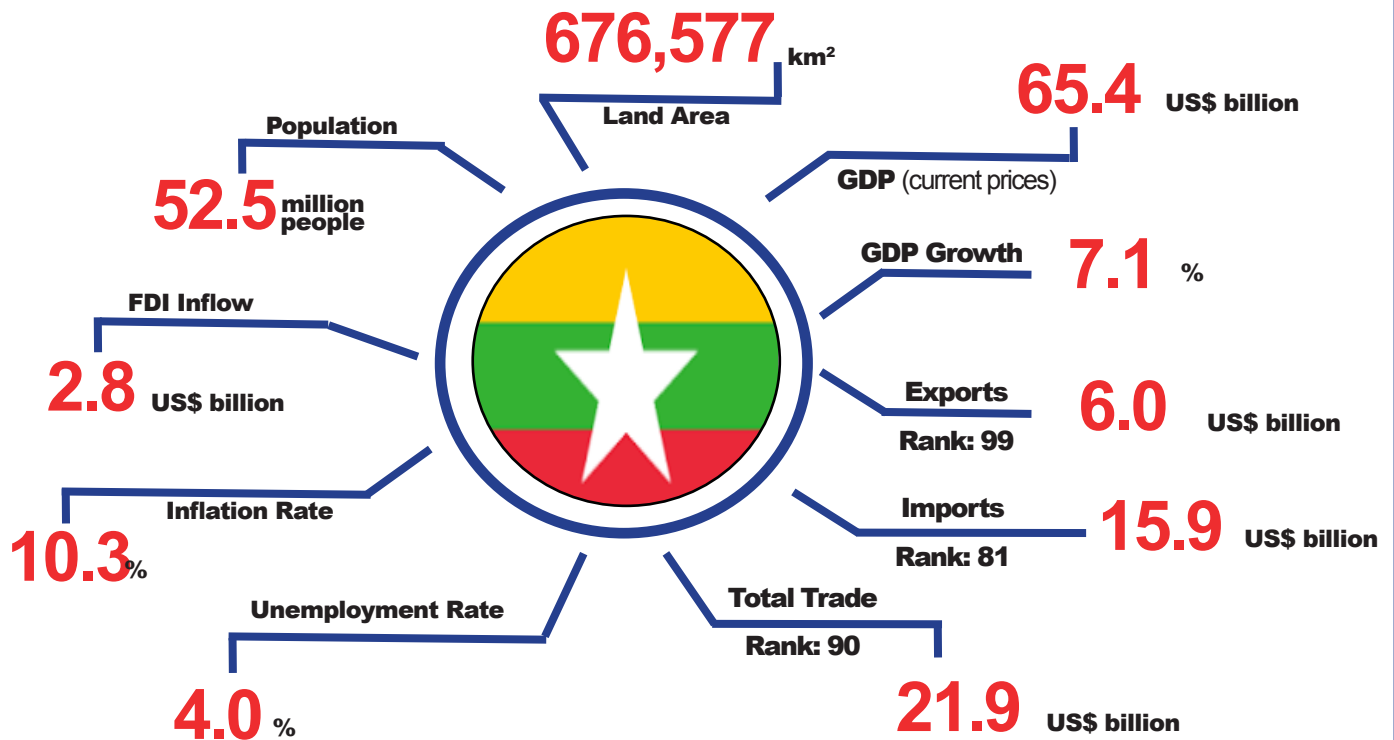


Source : Department of Statistics, Malaysia



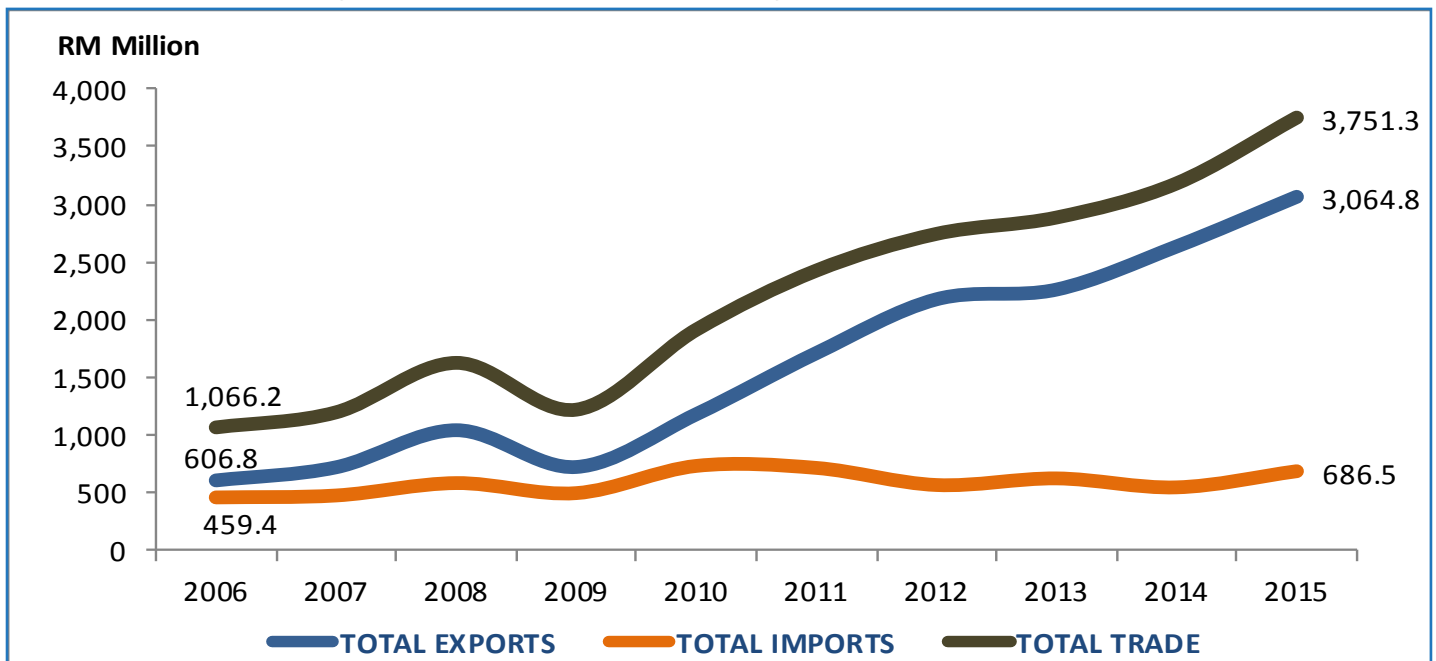
# 'ASEAN and You...'

## Myanmar Economic Indicators 2015



Sources: ASEAN Statistics, IMF, and WTO

## Malaysia's Trade with Myanmar, 2005 - 2015



Source : Department of Statistics, Malaysia



## LATEST KEY INDICATORS

Area (km<sup>2</sup>):719.1

### National Accounts

adv GDP up  
0.6% in 3Q2016

### Prices

CPI down 0.2%  
in Sep 2016

### Population

total population 5.61  
million in Jun 2016

### Services

retail sales up  
2.0% in Sep 2016

### Trade

total merchandise  
trade down 7.8% in  
Oct 2016

### Labour

employment  
3.67 million in  
Sep 2016

### Marriages

total marriages  
28,322 in 2015

### Manufacturing

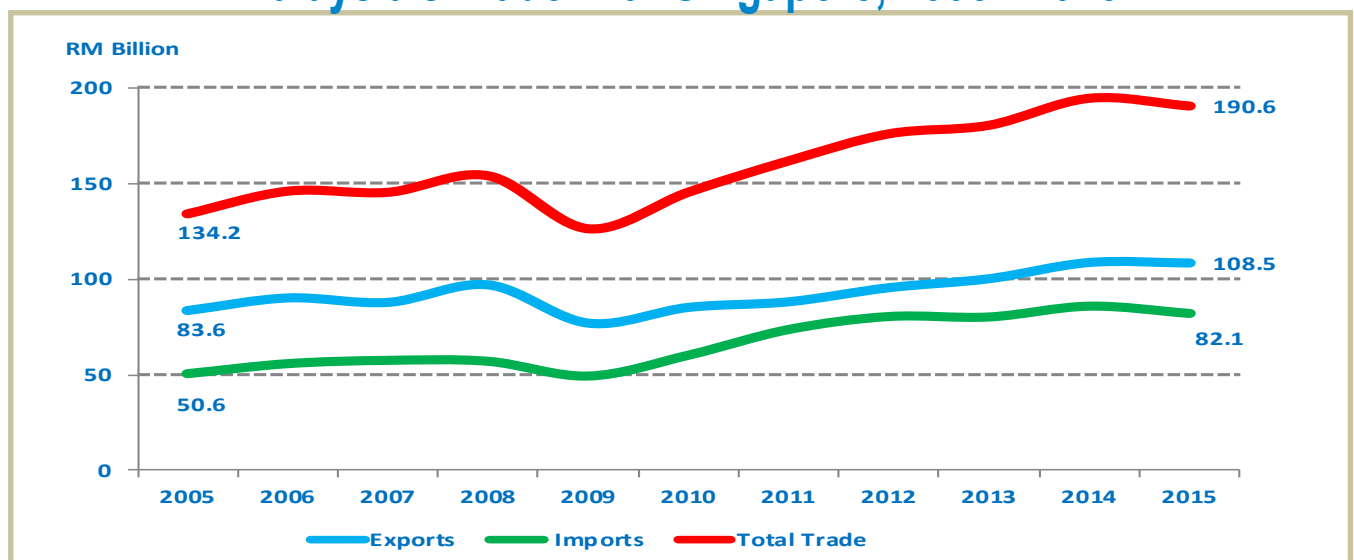
index of industrial  
production up 6.7% in  
Sep 2016

## Singapore's External Trade with Selected Country, Jan-Oct 2016

COUNTRY	Export	Share of Export (%)	Import	Share of Import (%)	Total Trade	Share of Total Trade (%)
CHINA	47,725,410	12.8	44,910,030	14.1	92,635,440	13.4
<b>MALAYSIA</b>	39,891,887	10.7	36,279,657	11.4	76,171,544	11
USA	24,646,204	6.6	34,554,676	10.8	59,200,880	8.6
HONG KONG	47,050,249	12.6	2,824,504	0.9	49,874,753	7.2
INDONESIA	29,140,825	7.8	15,544,594	4.9	44,685,419	6.5

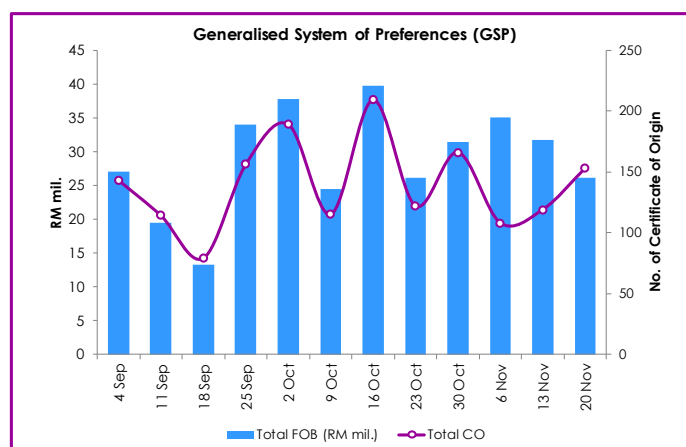
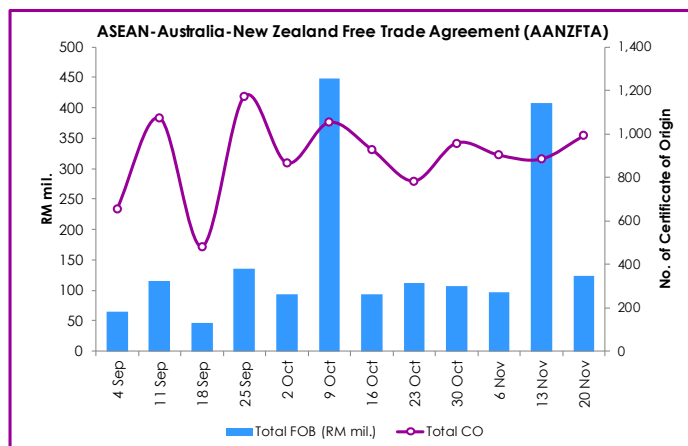
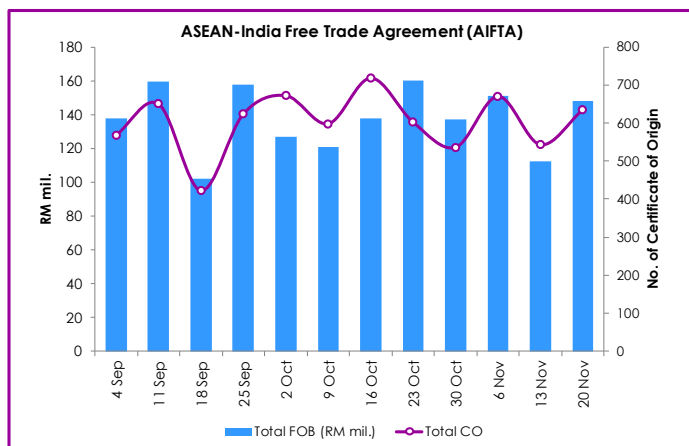
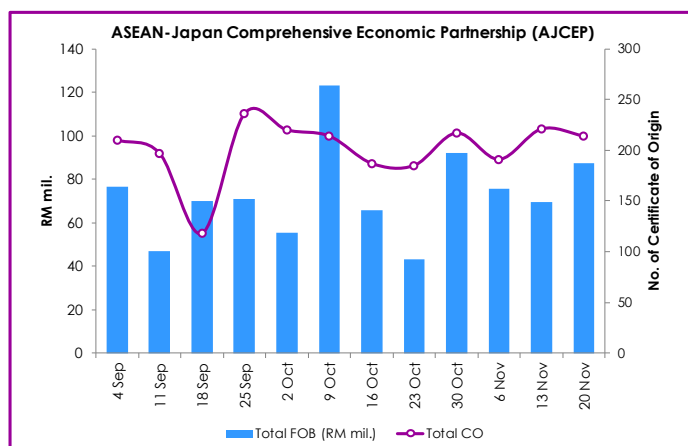
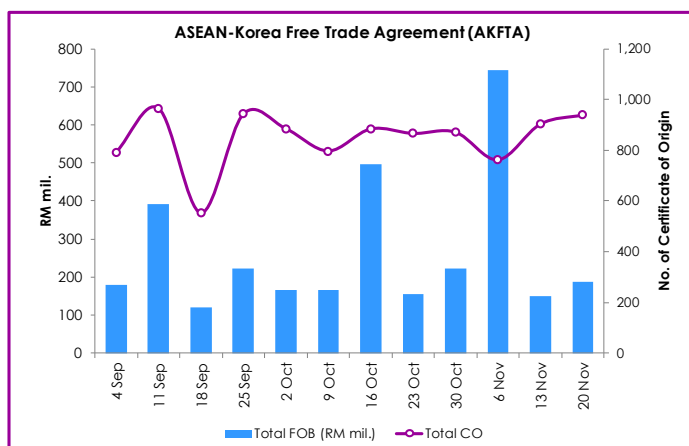
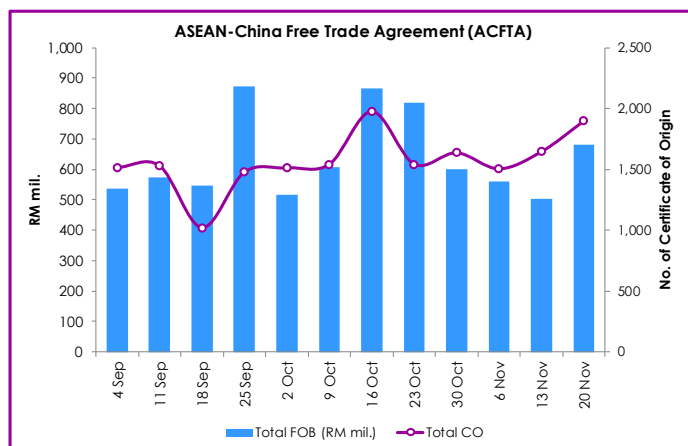
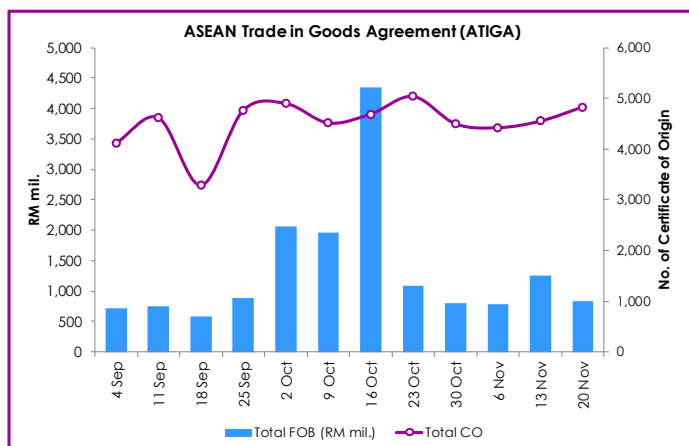
\* value in S\$ thousand  
Source : [www.singstat.gov.sg](http://www.singstat.gov.sg)

## Malaysia's Trade with Singapore, 2005 - 2015



Source : Department of Statistics, Malaysia

# Number and Value of Preferential Certificates of Origin (PCOs)

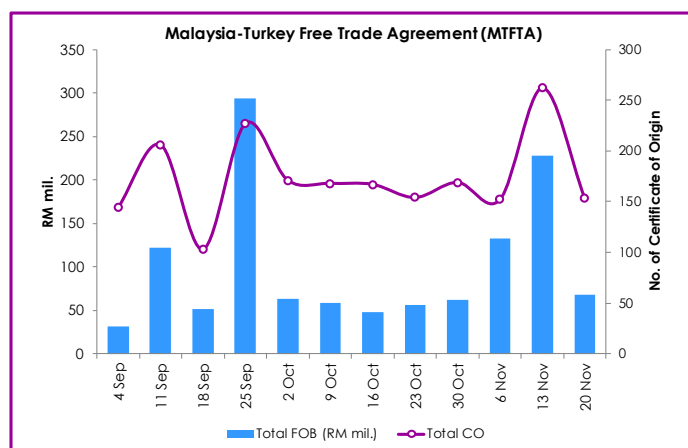
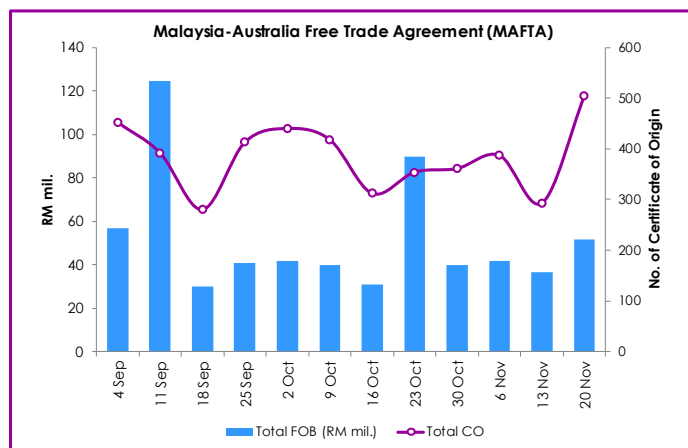
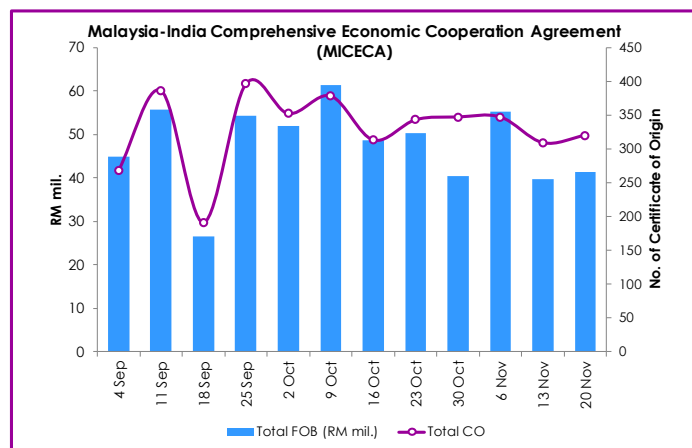
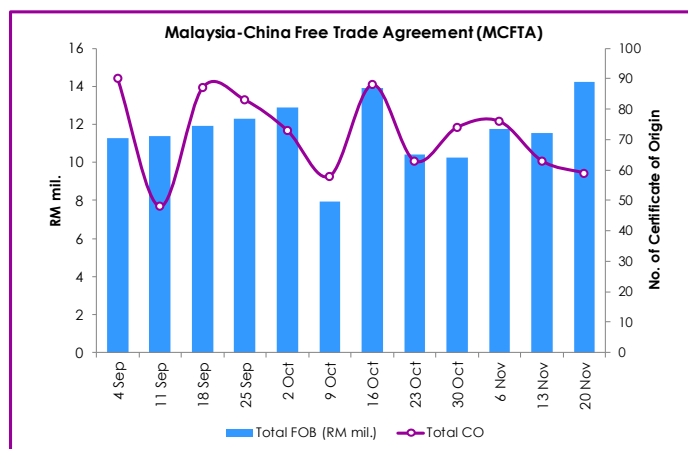
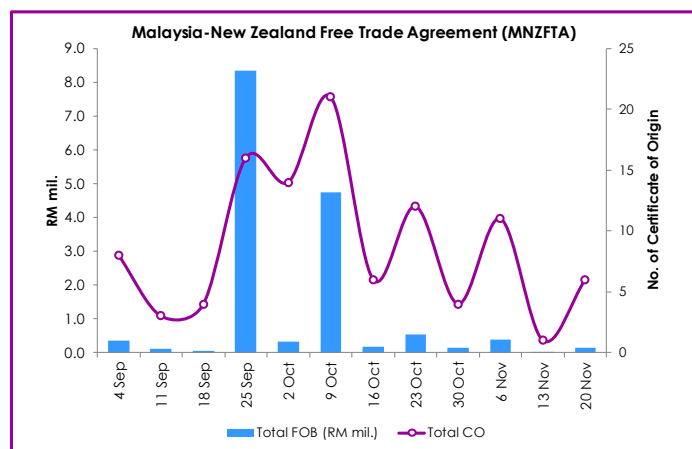
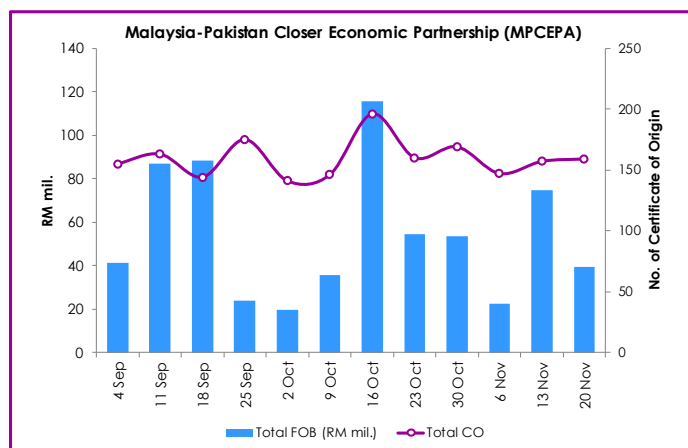
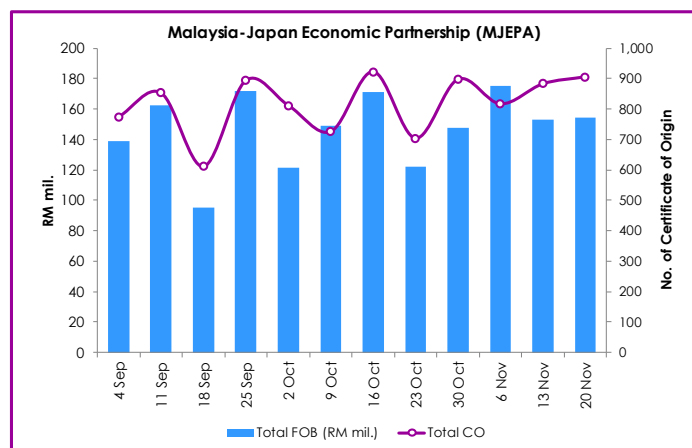


Note: The preference giving countries under the GSP scheme are Liechtenstein, the Russian Federation, Japan, Switzerland, Belarus, Kazakhstan and Norway.

Source: Ministry of International Trade and Industry, Malaysia



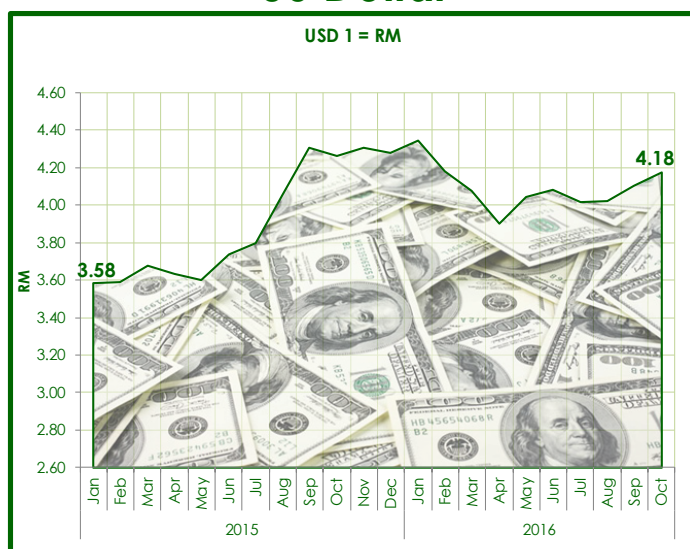
# Number and Value of Preferential Certificates of Origin (PCOs)



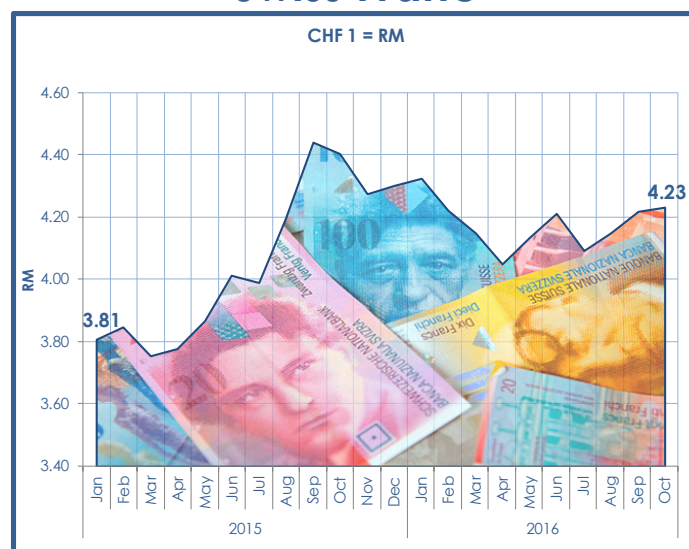
Source: Ministry of International Trade and Industry, Malaysia

# Malaysian Ringgit Exchange Rate with Selected Countries, January 2015 - October 2016

## US Dollar



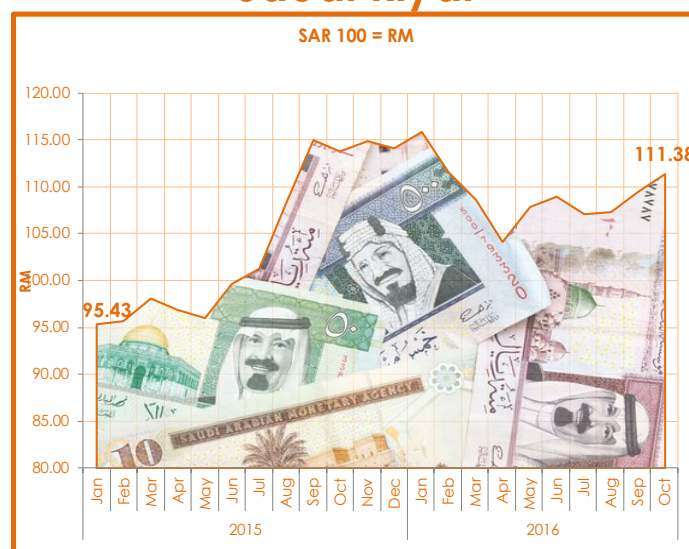
## Swiss Franc



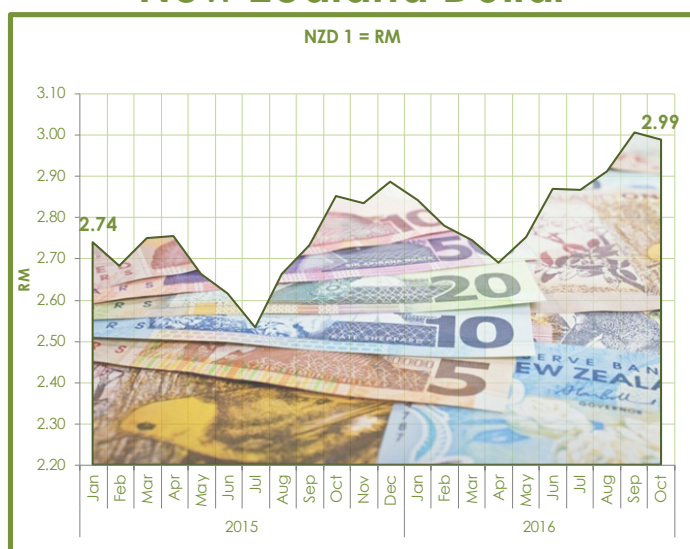
## Canadian Dollar



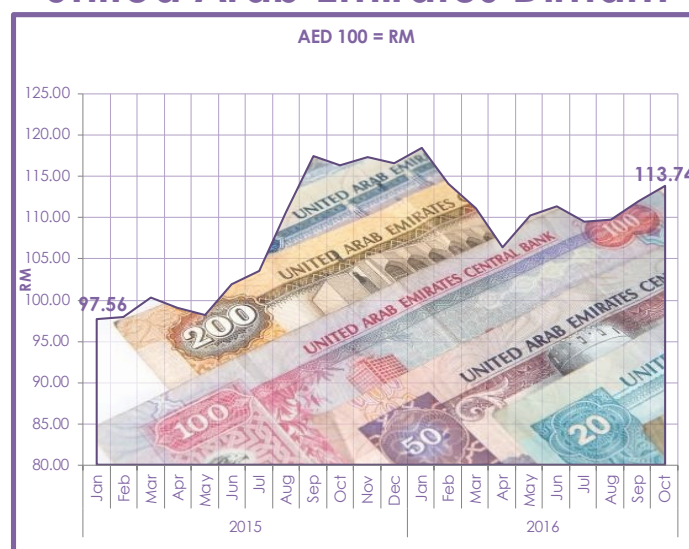
## Saudi Riyal



## New Zealand Dollar



## United Arab Emirates Dirham



Source : Bank Negara, Malaysia

# Commodity Prices



## CRUDE PETROLEUM (BRENT) -per bbl-

25 Nov 2016 : US\$47.2, ▲ 0.8%\*  
Average Price<sup>i</sup> : 2015: US\$53.6  
2014: US\$99.5



## CRUDE PALM OIL -per MT-

25 Nov 2016 : US\$749.0, ▲ 0.7%\*  
Average Price<sup>i</sup> : 2015: US\$616.9  
2014: US\$823.3



## SUGAR -per lbs-

25 Nov 2016 : US¢ 19.8, ▼ 1.5%\*  
Average Price<sup>i</sup> : 2015: US¢13.2  
2014: US¢16.6



## RUBBER SMR 20 -per MT-

25 Nov 2016 : US\$1,744.5, ▲ 3.3%\*  
Average Price<sup>i</sup> : 2015: US\$1,364.3  
2014: US\$1,718.3



## COCOA SMC 2 -per MT-

25 Nov 2016 : US\$1,797.3, ▲ 0.4%\*  
Average Price<sup>i</sup> : 2015: US\$2,077.0  
2014: US\$2,615.8



## COAL -per MT-

25 Nov 2016 : US\$44.1, unchanged  
Average Price<sup>i</sup> : 2015: US\$49.9  
2014: US\$59.8



## SCRAP IRON HMS -per MT-

25 Nov 2016 : US\$300.0 (high), ▲ 1.7%  
US\$285.0 (low), ▲ 1.8%  
Average Price<sup>i</sup> : 2015: US\$239.6  
2014: US\$370.0

Notes: All figures have been rounded to the nearest decimal point

\* Refer to % change from the previous week's price

i Average price in the year except otherwise indicated

Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group.

## HIGHEST and LOWEST 2015/2016

### Crude Petroleum (Brent) -per bbl-



#### Highest

14 Oct 2016 : US\$52.0  
15 May 2015 : US\$66.8

#### Lowest

15 January 2016 : US\$28.9  
18 December 2015 : US\$36.9

### Crude Palm Oil -per MT-



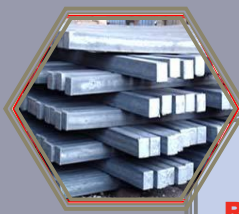
#### Highest

15 Sept. 2016 : US\$785.5  
16 January 2015 : US\$701.0

#### Lowest

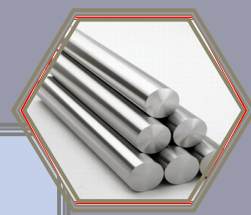
15 January 2016 : US\$545.5  
4 September 2015 : US\$500.5

## Domestic Prices 25 November 2016



#### Billets (per MT)

RM1,850 – RM1,950

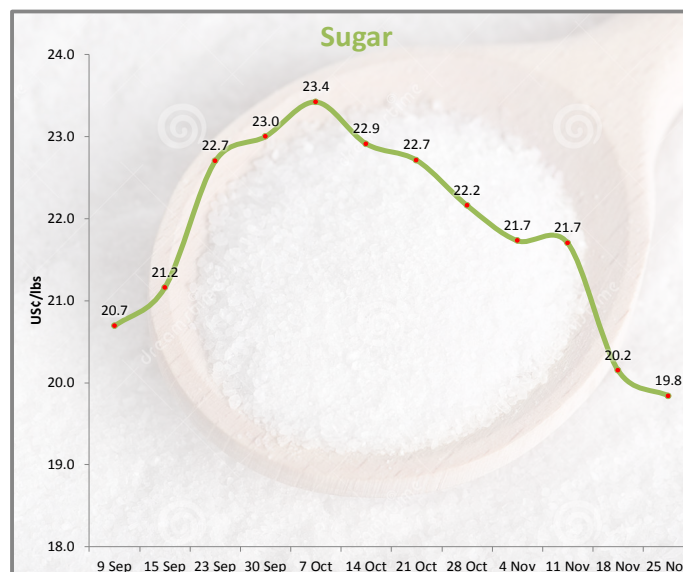
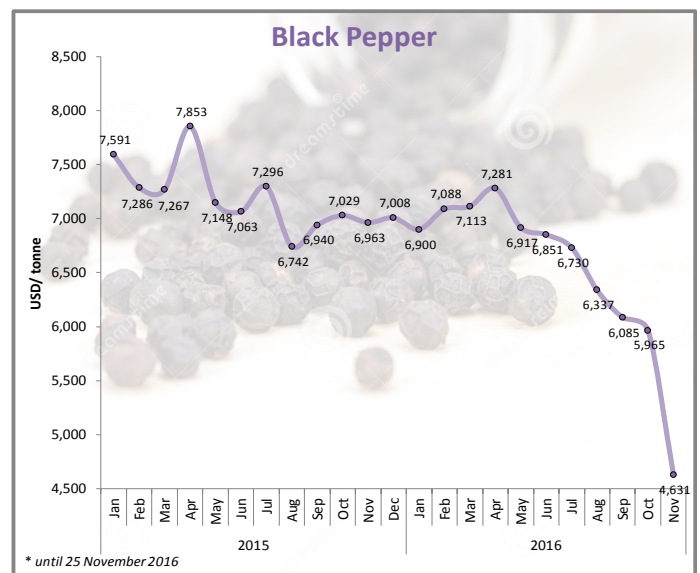
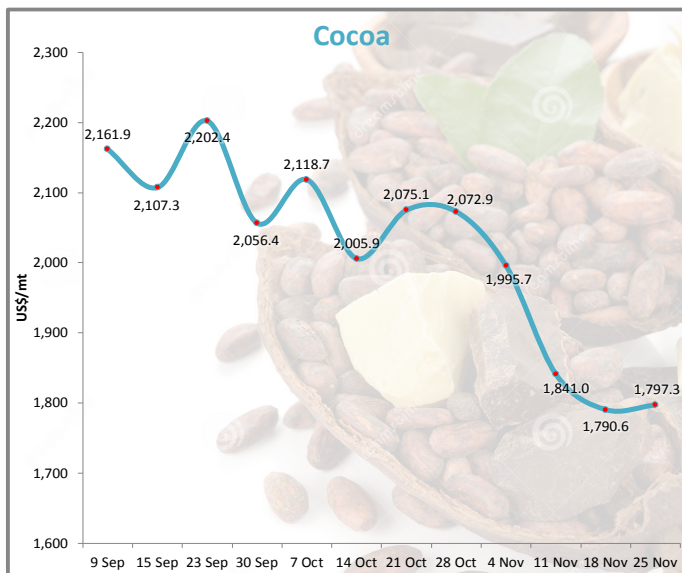
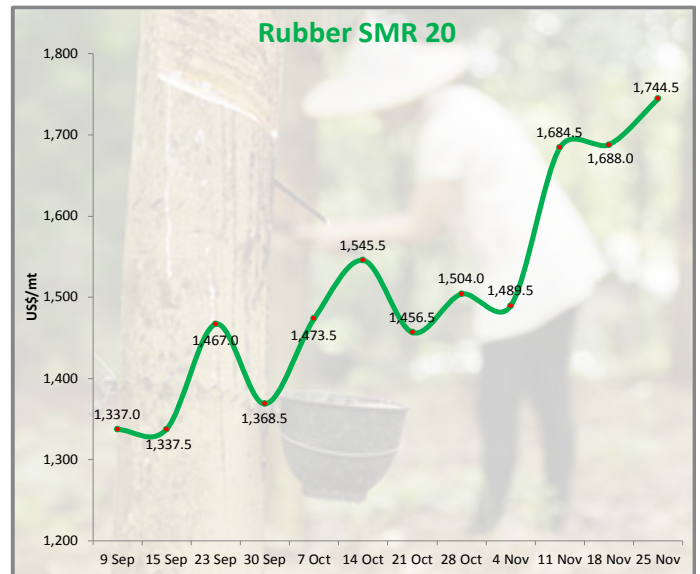
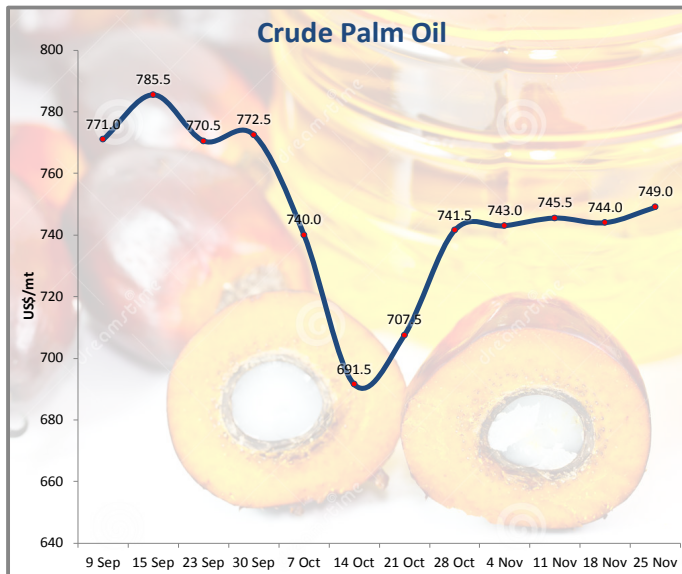


#### Steel Bars (per MT)

RM2,050 – RM2,200

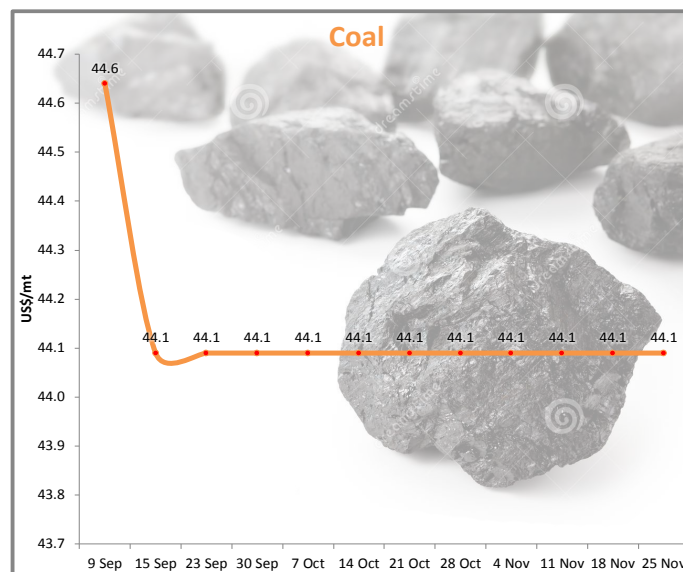
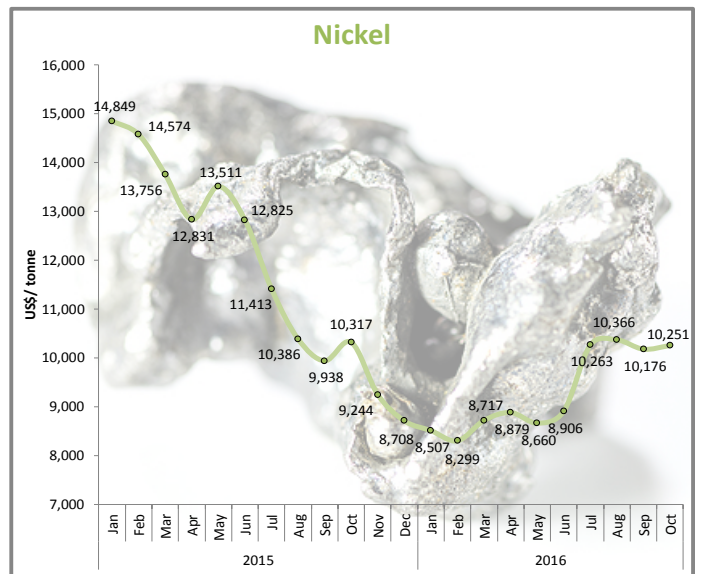
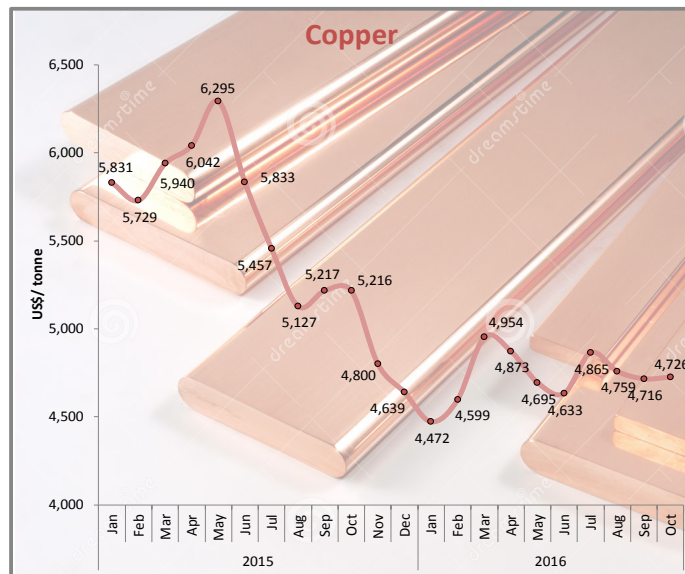
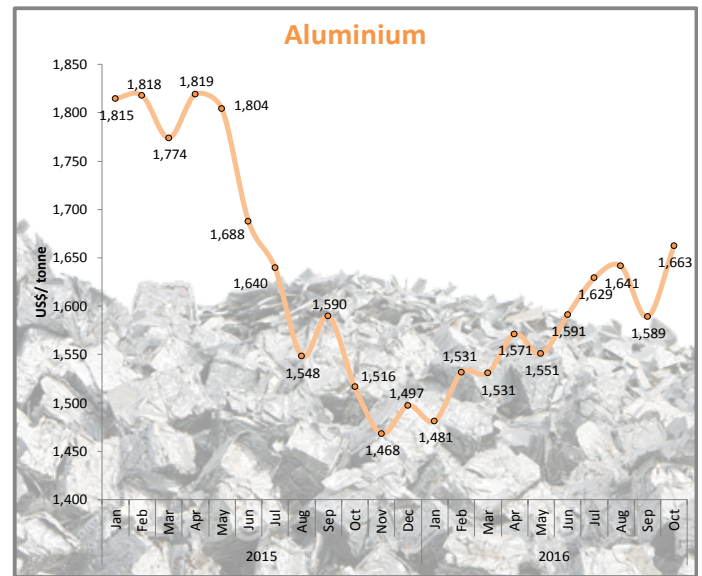
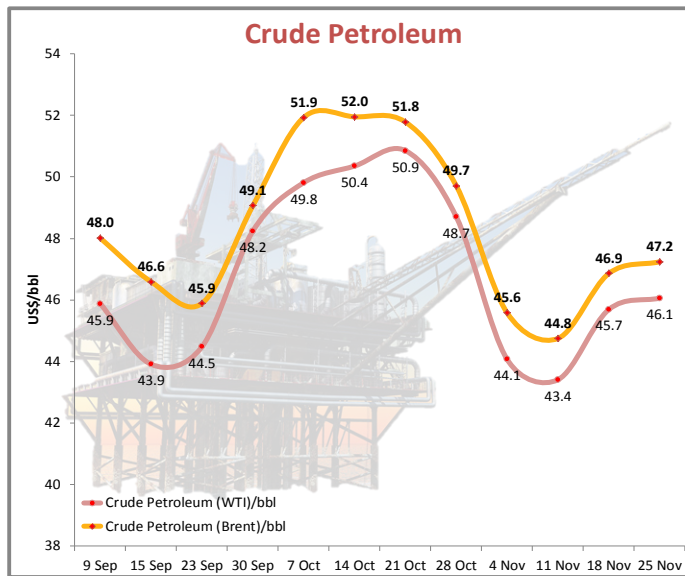


# Commodity Price Trends



Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Pepper Board, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.

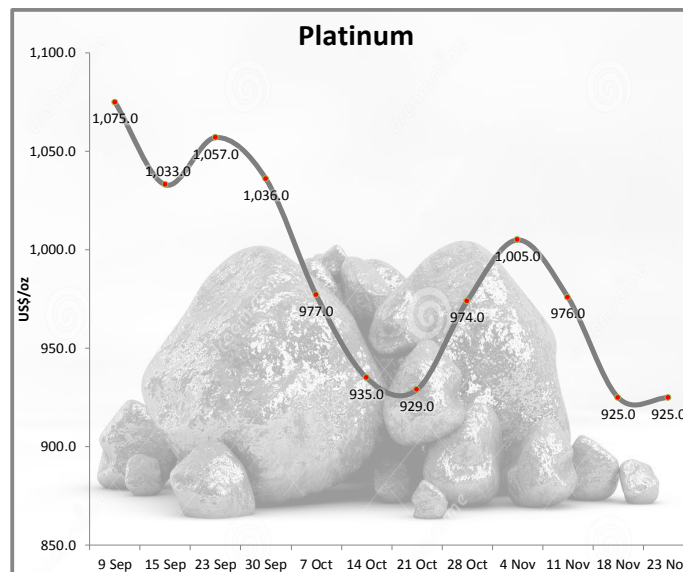
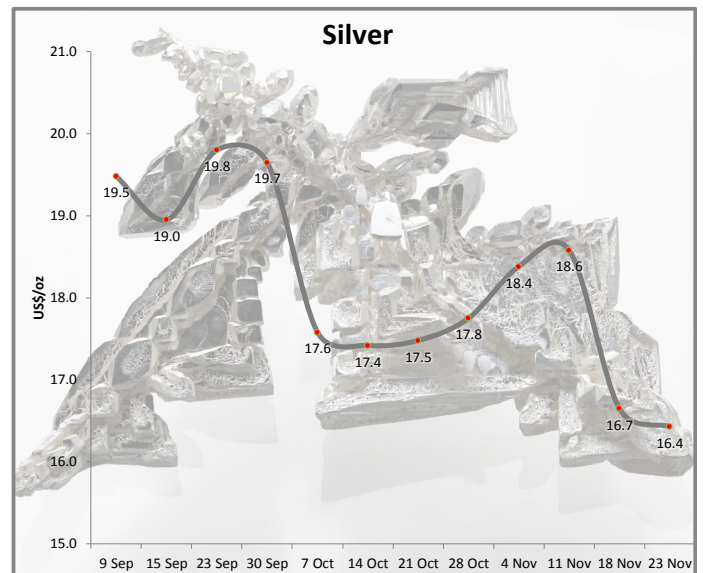
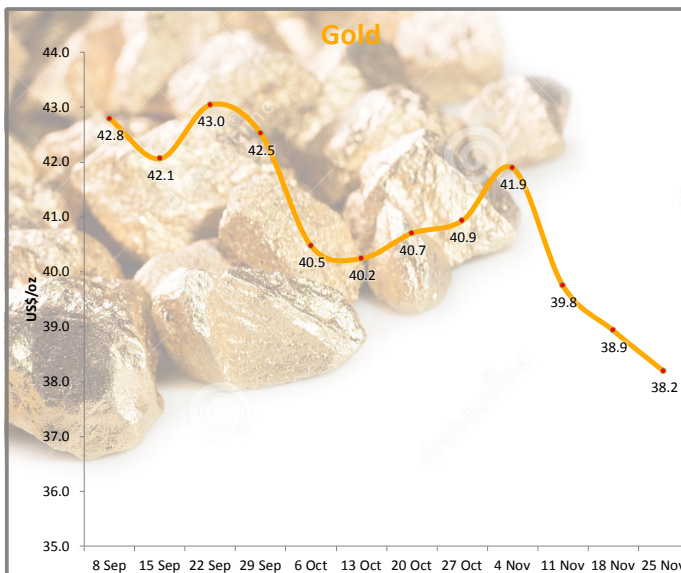
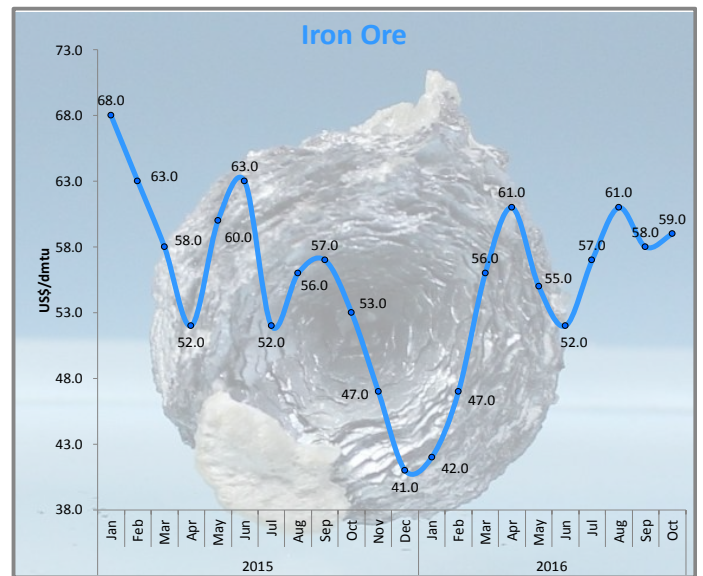
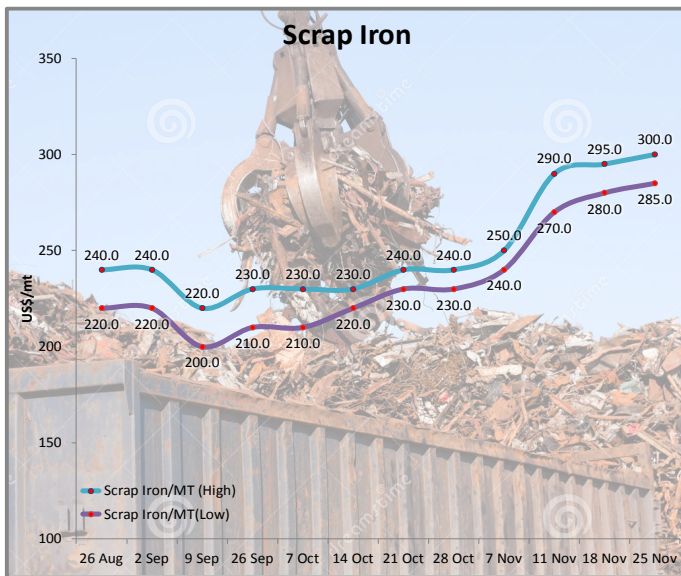
# Commodity Price Trends



Sources: Ministry of International Trade and Industry Malaysia, Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.



# Commodity Price Trends



Sources: Ministry of International Trade and Industry Malaysia, Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group, World Bank.



## MITI Programme

# Showcase Satu Daerah Satu Industri (SDSI) 2016

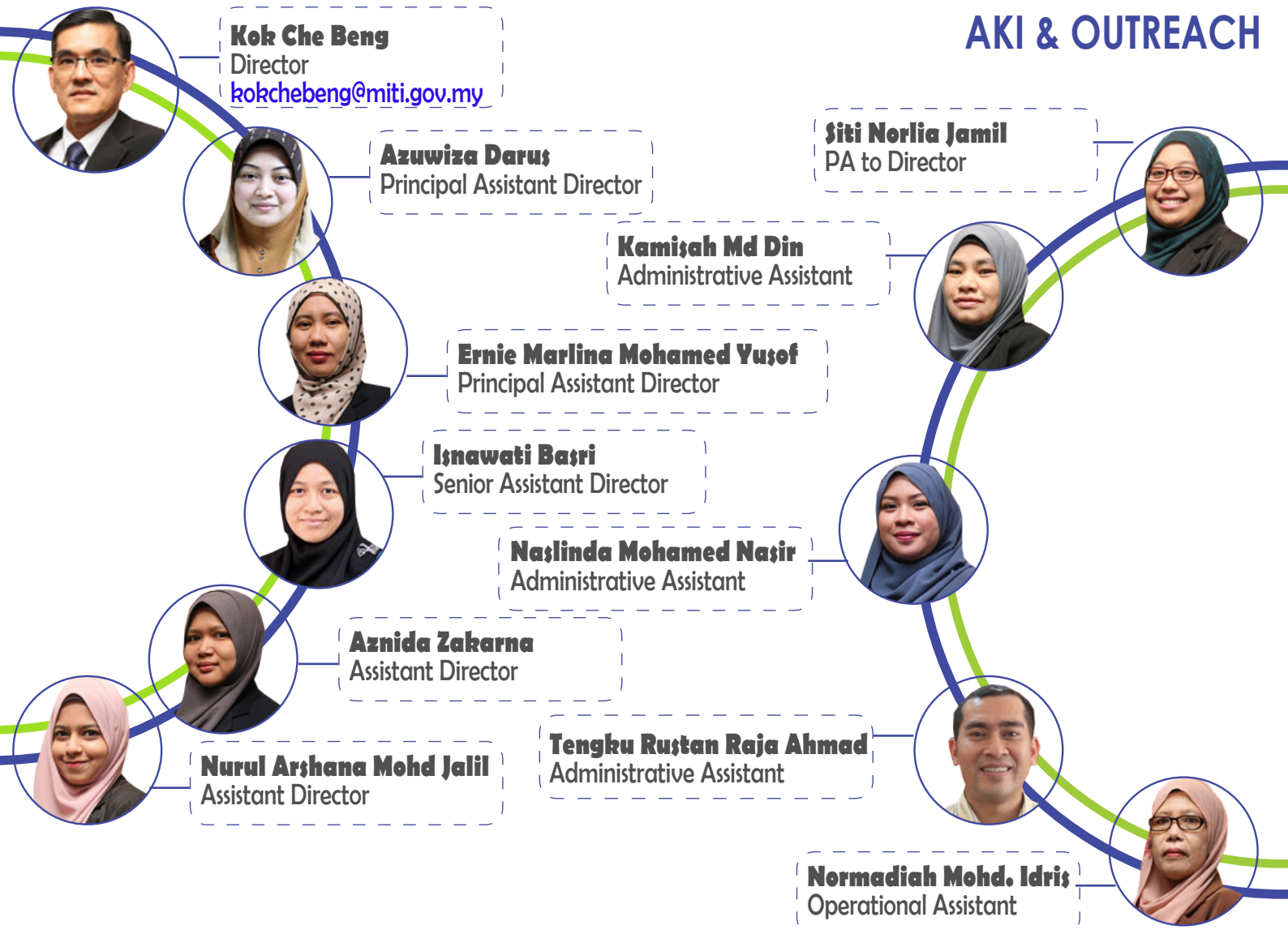
24- 27 November 2016





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## AKI &amp; OUTREACH



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