



MEDIA RELEASE

CPTPP SHOWS POSITIVE INCREASE IN TRADE AND FDI; MITI TO ENSURE MALAYSIAN BUSINESSES, SMEs CONTINUE TO BENEFIT

1. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), globally hailed as the gold standard for free trade agreement, has now been in force for five years. With Brunei's ratification and implementation of the CPTPP on 12 July 2023, and the signing of the UK Accession Protocol on 16 July 2023, **the CPTPP currently provides a market of 500 million people, while collectively generating 15.4% of global GDP**. Since its implementation, Malaysia has reaped many benefits across various sectors, including manufacturing, services, and agriculture.

Positive Impact of CPTPP on Malaysia

2. In terms of **trade facilitation**, the CPTPP has enabled Malaysian exporters and producers to enjoy preferential tariff treatment via the CPTPP Certificate of Origin (CO), whose utilisation had reached **4,482 COs valued at approximately RM1.58 billion, for the period 29 November 2022 – 31 October 2023**. The top export destination is Japan, followed by Mexico, Canada and Peru. Compared to the same period in 2022, Malaysia's total exports to the CPTPP countries for the period January – September 2023 shows a **2% increase for iron and steel products, and also for textiles; while petroleum product exports grew by 15%**. The growth of Malaysia's exports to the CPTPP countries is expected to grow exponentially when the CPTPP countries progressively eliminate duties.
3. CPTPP has also helped boost **Foreign Direct Investment (FDI) into the country**. Malaysia's cumulative FDI increased by RM14.9 billion to reach RM914.9 billion at the end of the third quarter (Q3) of 2023 (*cf.* Q2 2023:

RM900.0 billion). **FDI from Japan increased by RM4 billion, while FDI from Australia increased by RM1 billion**, in comparison to 2022. The largest recipient of the overall FDI is the services sector (50%), followed by manufacturing (42%). Based on data collated in MIDA, **between January to September 2023, 181 new projects valued at USD2.94 billion, with almost 11,000 potential employment opportunities, were recorded from CPTPP countries.**

How Businesses & SMEs Can Benefit from CPTPP

4. The Ministry of Investment, Trade & Industry (MITI) would like to urge Malaysian businesses and SMEs to fully utilise the CPTPP, which promotes trade and investment by facilitating numerous multilateral benefits through various enablers. Businesses and SMEs can get further information by visiting https://fta.miti.gov.my/index.php/pages/view/tpp_cptpp.
5. These benefits include **access for the export of Malaysian business and professional services, including in legal, engineering, taxation, accounting, and architecture**. There are also **prospects in computer-related services** in Australia, Chile, and Mexico; **environmental services** in Australia, Canada, New Zealand and Mexico; **construction** in New Zealand and Mexico and **financial services** in Peru.
6. **Cross-border mobility for professionals among CPTPP countries** can be facilitated through Mutual Recognition Agreements (MRA). After an MRA has been developed, different licensing and qualification procedures will be recognised by the relevant authorities or professional services bodies of the respective CPTPP countries. **Potential collaborations with professionals from other CPTPP countries** could enrich businesses' pool of expertise, leading to knowledge transfer, talent development and the creation of a diverse Malaysian workforce.
7. Additionally, **CPTPP's e-commerce provisions also reduce trade barriers, allowing Malaysian businesses and consumers to benefit from easier access to online trading of goods and services with other CPTPP countries.**

This is facilitated by encouraging and enabling cross-border data flow for businesses and SMEs in CPTPP member countries. This enablement includes the **CPTPP countries' commitment to not impose 'localisation requirements'** that would force businesses to build data storage centres or use local computing facilities in CPTPP markets; **commitment to not impede companies from delivering cloud computing and data storage services** to essential and expanding CPTPP markets; and **commitment to cybersecurity, as well as privacy and consumer protection** through, among others, each country's national computer emergency response teams.

8. The **CPTPP's provisions for Government Procurement (GP) will provide Malaysian businesses equal opportunities to bid for government projects in other CPTPP countries** such as Mexico, Peru, and Viet Nam. In fact, under the GP provisions, Malaysia's initial and landing threshold for construction services is one of the highest compared to other CPTPP parties. Malaysia was also granted one of the longest transitional periods for construction services.
9. The CPTPP also recognises the importance of SMEs through **two critical initiatives, i.e., information-sharing, and enabling the SMEs to capitalise on the benefits and opportunities from the CPTPP, with the aim of integrating them into the global supply chain.** MITI is currently working closely with the Ministry of Entrepreneur and Cooperatives Development (KUSKOP) to improve the data collection of SMEs. This is an important step to enable the Government to construct a customised supporting mechanism for Malaysian SMEs to join the global supply chain seamlessly, and to have at least 90% of Malaysian SMEs digitalise their business, which is one of the aims of the 12th Malaysia Plan.
10. Other CPTPP provisions which are equally important in facilitating SME growth include **protection on intellectual property rights (IPR) via a regional standard of protection and enforcement across the Asia Pacific region; assisting SMEs in overcoming obstacles in the use of e-commerce; and encouraging businesses to voluntarily adopt environmental, social and governance (ESG) principles and standards to ensure a sustainable and resilient industry.** To this end, MITI's newly launched National Industry

Environmental, Social and Governance Framework (i-ESG Framework) will support Malaysian businesses and SMEs to integrate ESG principles systematically and seamlessly into their operations.

11. **CPTPP countries have also committed to eradicate bribery and corruption in international trade and investment**, providing greater assurance to businesses and SMEs that the smooth movement of goods and services among CPTPP countries can be executed with no hidden cost.

12. Another significant CPTPP benefit is **capacity building, particularly in agricultural, industrial and services sectors, as well as in the promotion of education, culture and gender equality**. By fostering, for example, relationships between different businesses within the same industry or supply chain from identified CPTPP countries, industries and SMEs can learn from each other, and share best practices. Collaborative efforts can also make it easier for SMEs to compete internationally.

The Way Forward

13. The CPTPP entered into force for a number of parties in 2018, and Members are currently embarking on a review of the Agreement to ensure relevancy, taking into account current economic, ESG and geopolitical developments globally. **MITI will work closely with other CPTPP countries' working teams to address issues such as supply chain resilience, decarbonisation, emerging technologies, and artificial intelligence**, while also strengthening policy implementation and regulations, developing industrial capabilities, and enhancing export promotion. MITI will always ensure that Malaysia's interests will continue to be promoted and safeguarded via the country's membership of all Free Trade Agreements.

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About MITI

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and helping achieve its stated goal of becoming a developed nation.

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