



TPP TOWN HALL

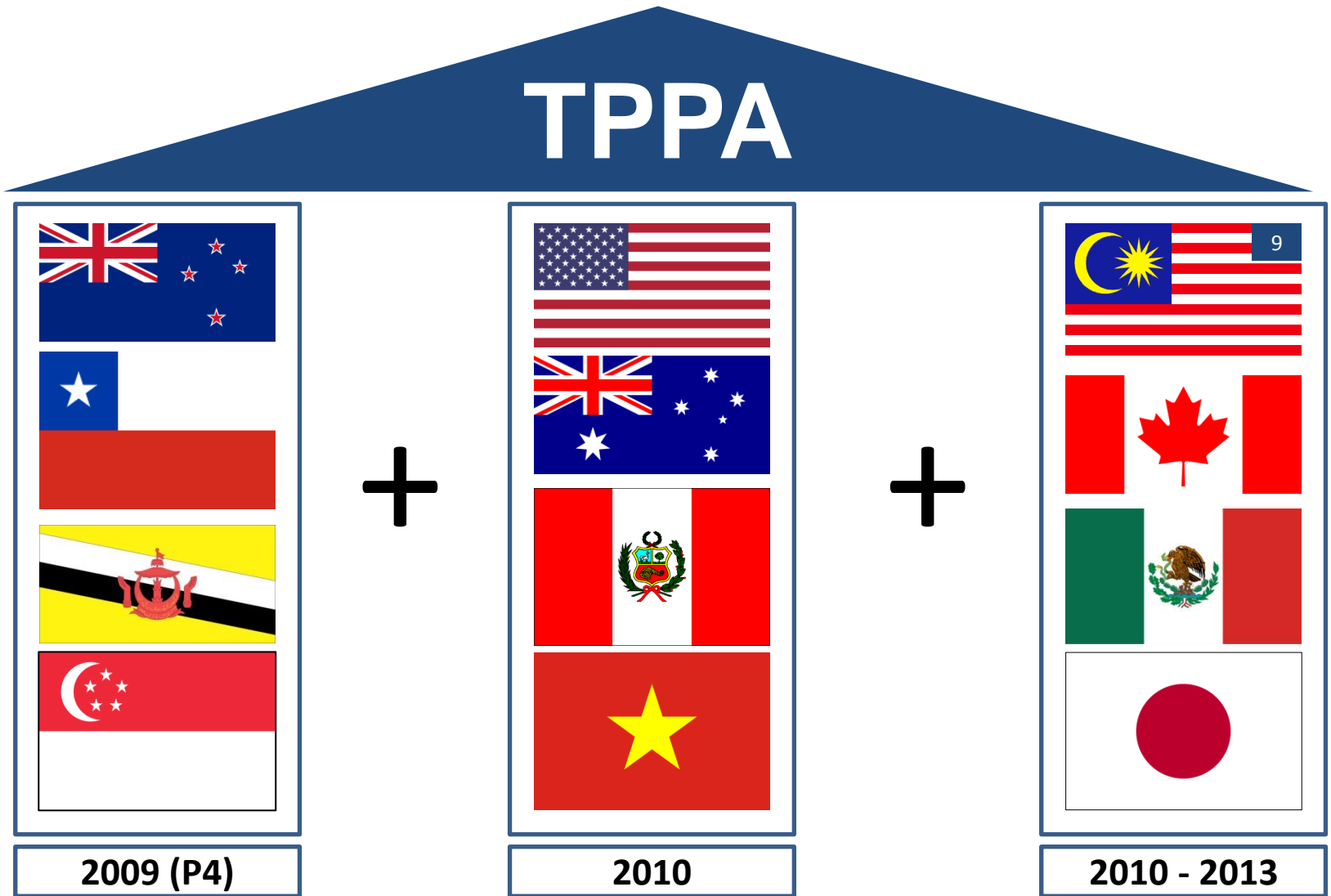
2 APRIL 2015

'Driving Transformation, Powering Growth'

WHAT IS TPPA?

- TPPA had its origins from the **(P4) free trade agreement** signed by **New Zealand, Singapore, Chile and Brunei**.
- TPPA negotiations began with inclusion of the **United States, Australia, Peru and Vietnam** in March 2010. Scope expanded with inclusion of new issues
- First TPPA round - March 2010. **Malaysia** became the 9th TPP member in **October 2010**
- **Canada** and **Mexico** joined in December 2012 (15th Round) and **Japan** in July 2013 (18th Round)
- Membership in TPPA is **voluntary**

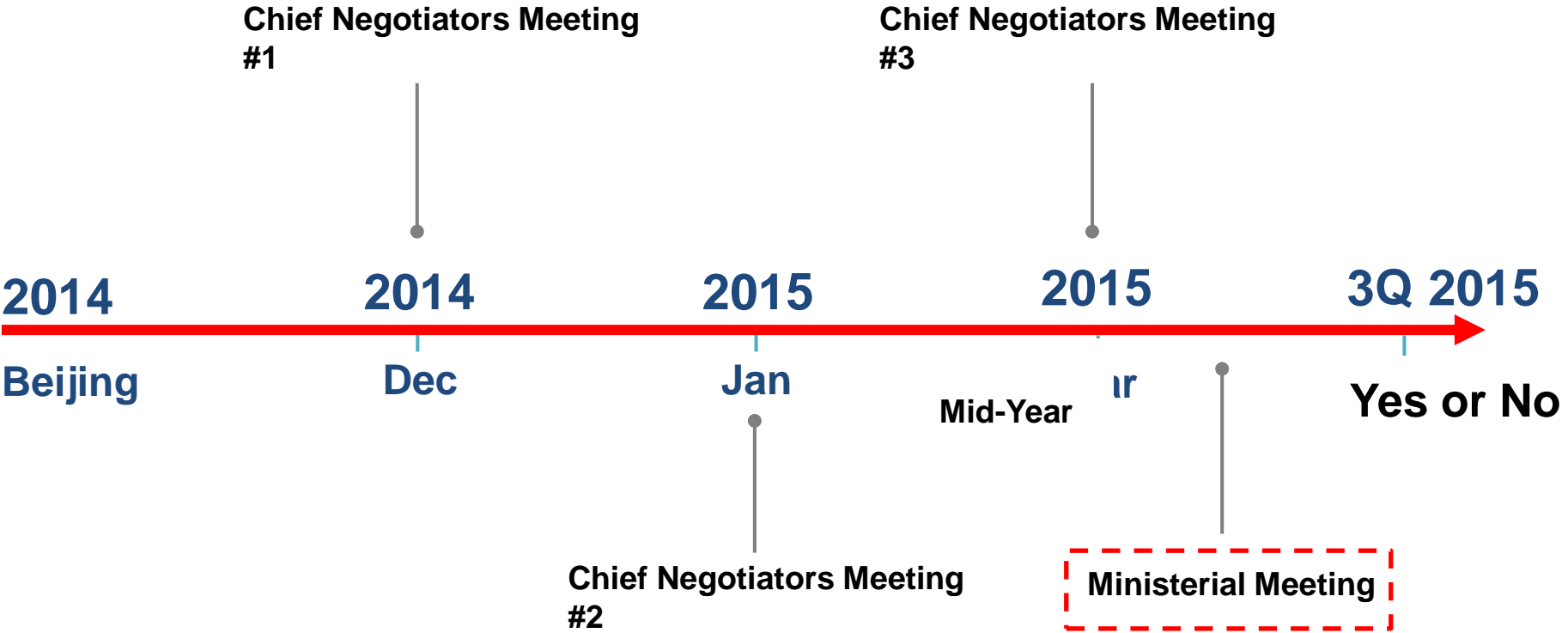
The TPPA negotiations started in 2010



Building Block for FTAAP – Free Trade Agreement for 21 APEC Economies



TPP Leaders in Beijing November 2014: “concluding this Agreement a top priority”



Reducing information gap Reaching out to stakeholders

8



2015

40



2014

1st Aug 2013 TPP
Open Day

56



2013

Engagement with media, Parliament Caucus, NGOs, Academia, Think Tanks, Industries are carried out throughout the year

We have set up a Bipartisan Parliamentary Caucus on TPPA - Unprecedented



10 Sessions have been held, Last Engagement 3 March 2015

Dewan Rakyat

1. YB. Datuk Wira Haji Ahmad Hamzah (Jasin)
2. YB Tan Sri Shahrir Abd Samad (JB)
3. YB. Datuk Dr. Makin@Marcus Mojigoh (Putatan)
4. YB. Wilson Ugak Anak Kumbong (H.Rejang)
5. YB. Dato' Haji Irmohizam Ibrahim (Kuala Selangor)
6. YB. Liang Teck Meng (S.Renggam)
7. YB. Datuk Noor Ehsanuddin Mohd Harun Narrashid (Kota Tinggi)
8. YB. Nurul Izzah Anwar (Lembah Pantai)
9. YB. Dato' Takiyuddin Hassan (KB)
10. YB. Charles Anthony Santiago (Klang)
11. YB. Dr. Michael Jeyakumar Devaraj (S.Siput)
12. YB. Wong Chen (Kelana Jaya)

Dewan Negara

1. YB. Senator Dato' Dr. Firdaus Haji Abdullah
2. YB. Senator Dato Jaspal Singh a/l Gurbakhes Singh
3. YB. Senator Puan Norliza Abdul Rahim
4. YB. Senator Tuan Chong Sin Woon
5. YB. Senator Tuan Syed Shahir Syed Mohamud
6. YB. Senator Dato' Dr. Johari Mat
7. YB. Senator Tuan Chandra Mohan a/l S.Thambirajah

Why TPP is contentious?

- Wider Scope
- New Issues – disciplines on SOE, Labour, Environment
- Fear of US – “western economic houses to seize our wealth through their corporations”, “negotiations are done in secret”
- Former colonial powers trying to regain their wealth

There are 29 Chapters in the TPPA...



Standard Legal Chapters

- 1 – Preamble
- 2 – Administrative / Institutional
- 27 – Dispute Settlement
- 28 – Exceptions
- 29 – Final Provision

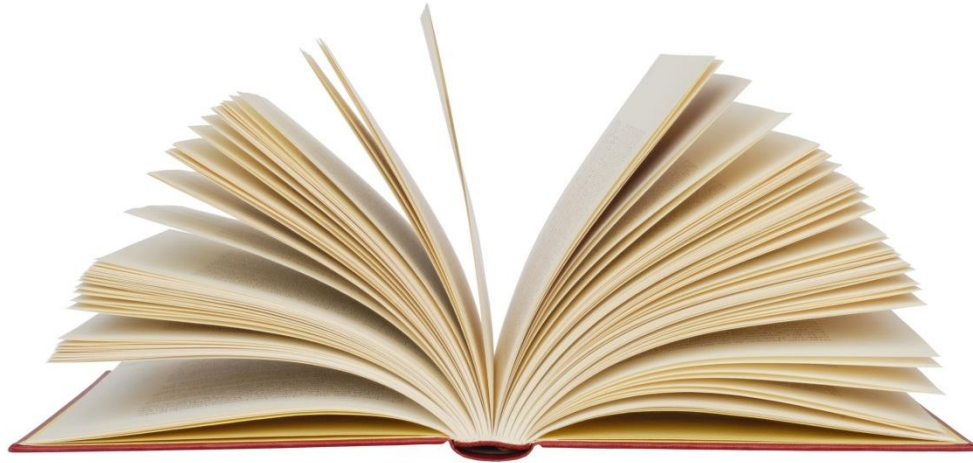
Traditional Trade Issues

- 3 – Goods
- 4 – Textiles and Apparel
- 5 – Rules of Origin
- 6 – Customs
- 7 – Technical Barriers
- 8 – Sanitary and Phytosanitary
- 9 – Investment
- 10 – Trade Remedies
- 11 – Cross Border Services
- 12 – Financial Services
- 13 – Temporary Entry
- 14 – Telecommunications
- 15 – E-Commerce
- 16 – Government Procurement
- 18 – Intellectual Property Rights
- 21 – Cooperation and Capacity Building
- 22 – Competitiveness / Business Facilitation

New Issues

- 17 – Competition (SOE)
- 19 – Labour
- 20 – Environment
- 23 – Development
- 24 – SMEs
- 25 – Regulatory Coherence
- 26 – Transparency and Anti Corruption

...10 less controversial chapters completed...



- i. **Development;**
- ii. **Regulatory Coherence;**
- iii. **Competitiveness and Business Facilitation;**
- iv. **SMEs;**
- v. **Temporary Entry;**
- vi. **Cooperation and Capacity Building;**
- vii. **Administrative and Institutional Arrangements;**
- viii. **Competition Policy (Section A);**
- ix. **Telecommunications; and**
- x. **Customs Administration.**

...And another 10 are almost completed

TPPA



Loading...

- i. **Transparency and Anti-Corruption;**
- ii. **TBT;**
- iii. **Cross-Border Trade in Services;**
- iv. **Trade Remedies;**
- v. **E-commerce;**
- vi. **SPS;**
- vii. **Final Provisions;**
- viii. **Labour;**
- ix. **Government Procurement; and**
- x. **Dispute Settlement Mechanism (DSM).**

...More work needed

**IPR, Environment, SOE, Investment, Goods, Textiles,
Rules of Origin, Financial Services and Exceptions**

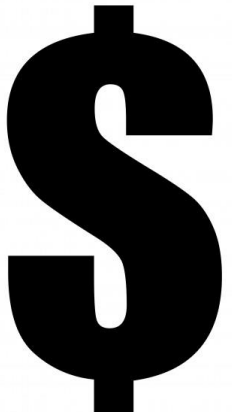
Malaysia is **ALONE** in its position in Government Procurement, Investment & Labour Chapters

Labour



- | To 'Adopt and Maintain' International Labour Organisation (ILO) Declaration on Fundamental Principles
- Freedom of association
- Right to strikes
- Forced labour

Investment



- | Exclusion of GP from ISDS relating to natural resources, public utilities and large public infrastructure

Government Procurement



- High Threshold for Construction Services
- No Offer on Other Entities

Malaysia also faces difficulties in



- Multilateral Environmental Agreements (MEAs)
- combating wildlife trade in flora and fauna prohibited in foreign laws

- Patents and Pharmaceuticals
- Copyright Term Extension



However, flexibilities for country specific concerns are being negotiated in various Chapters ...



Safeguards

ISDS – General and Specific Exceptions

Carve-Out/Exclusions

Such as Bumiputera Policy, SMEs, public health

Country Specific Approach
SOE Chapter

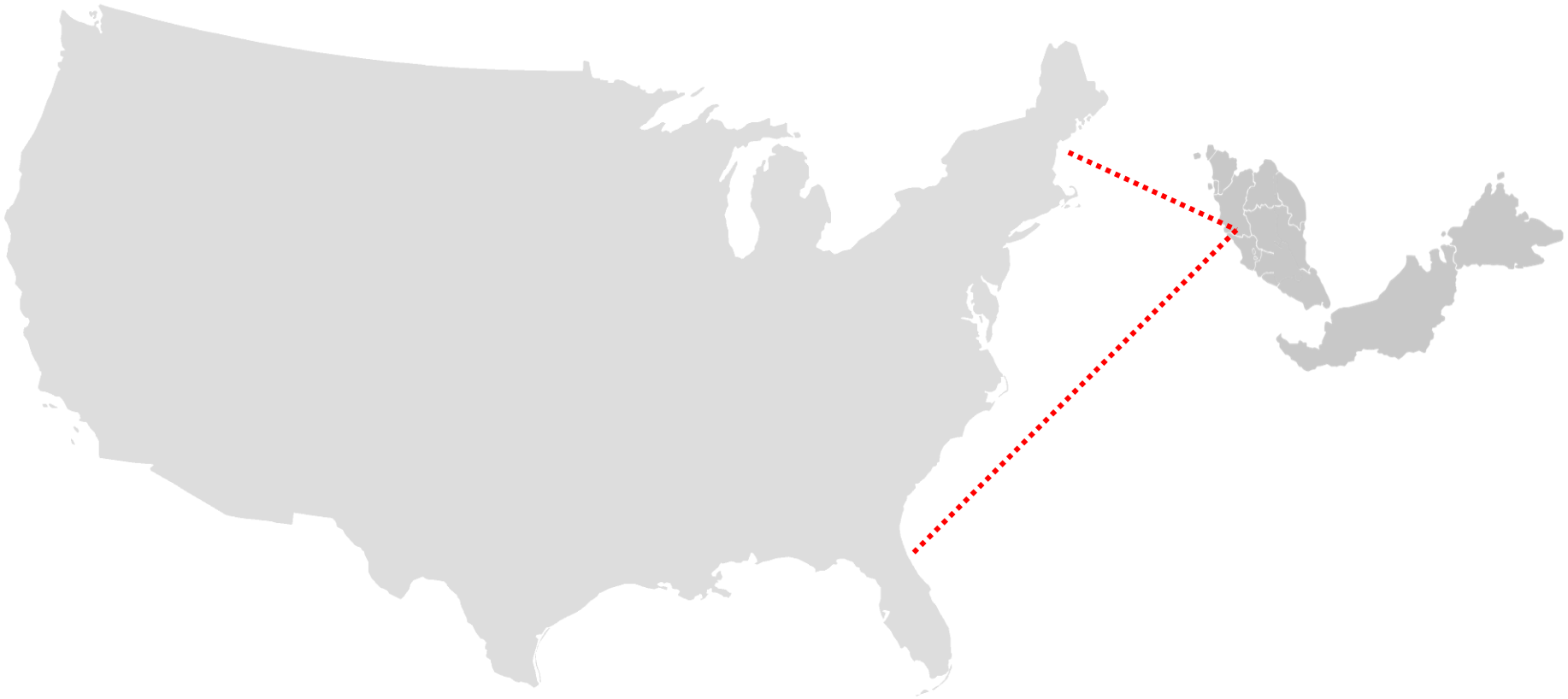
Longer Transition Period
Sensitive Goods,
Government Procurement

Feedback from the public

1. Fear of US
2. Fear of large corporation seizing our wealth
3. Bumiputera agenda
4. SMEs
5. Increase in prices of medicine
6. Threat to jobs – influx of foreigners
7. Displacement of rice farmers
8. Capital controls
9. Transparency and secrecy of negotiations

1. Fear of US

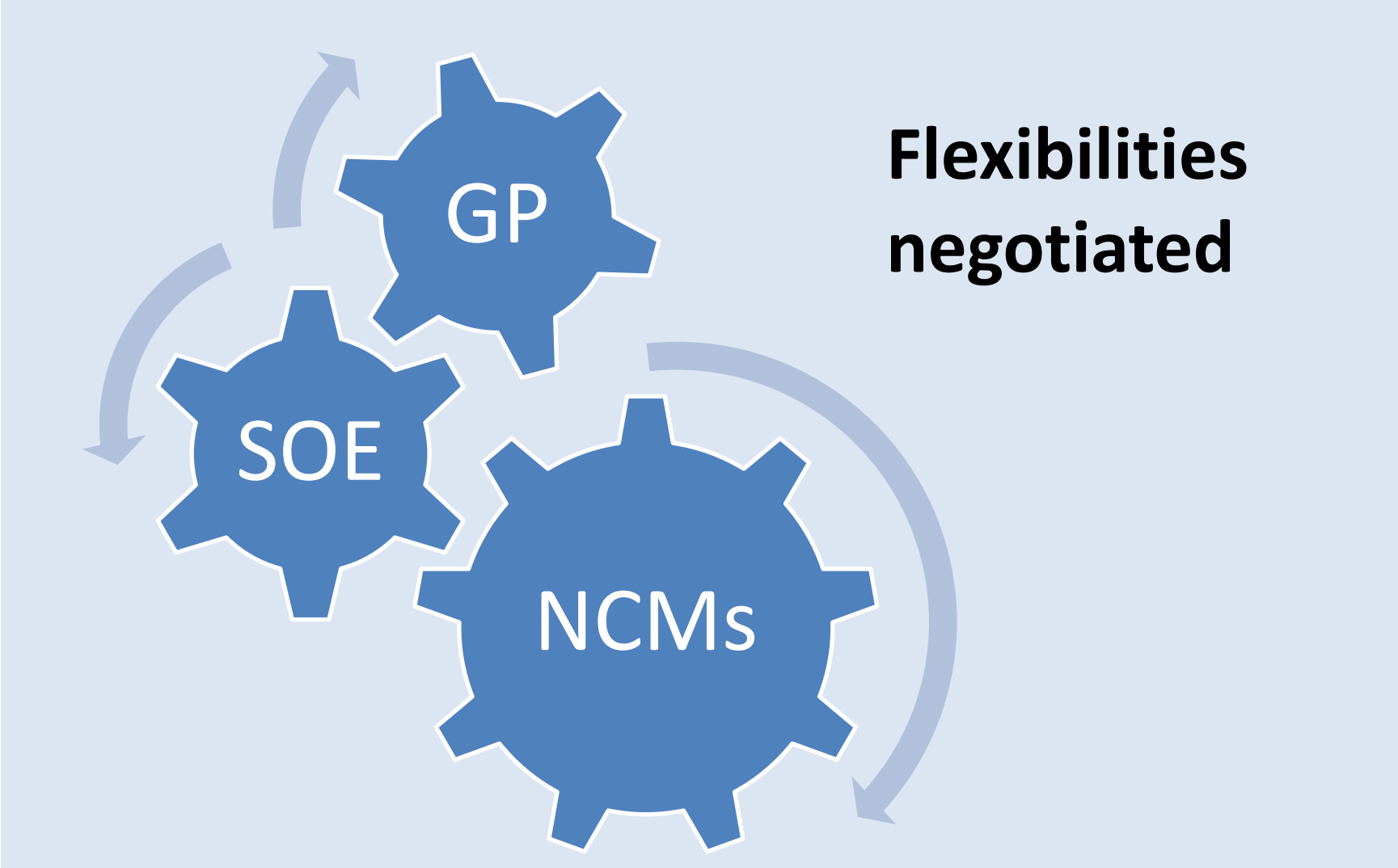
- US dominance
- Sidelining China



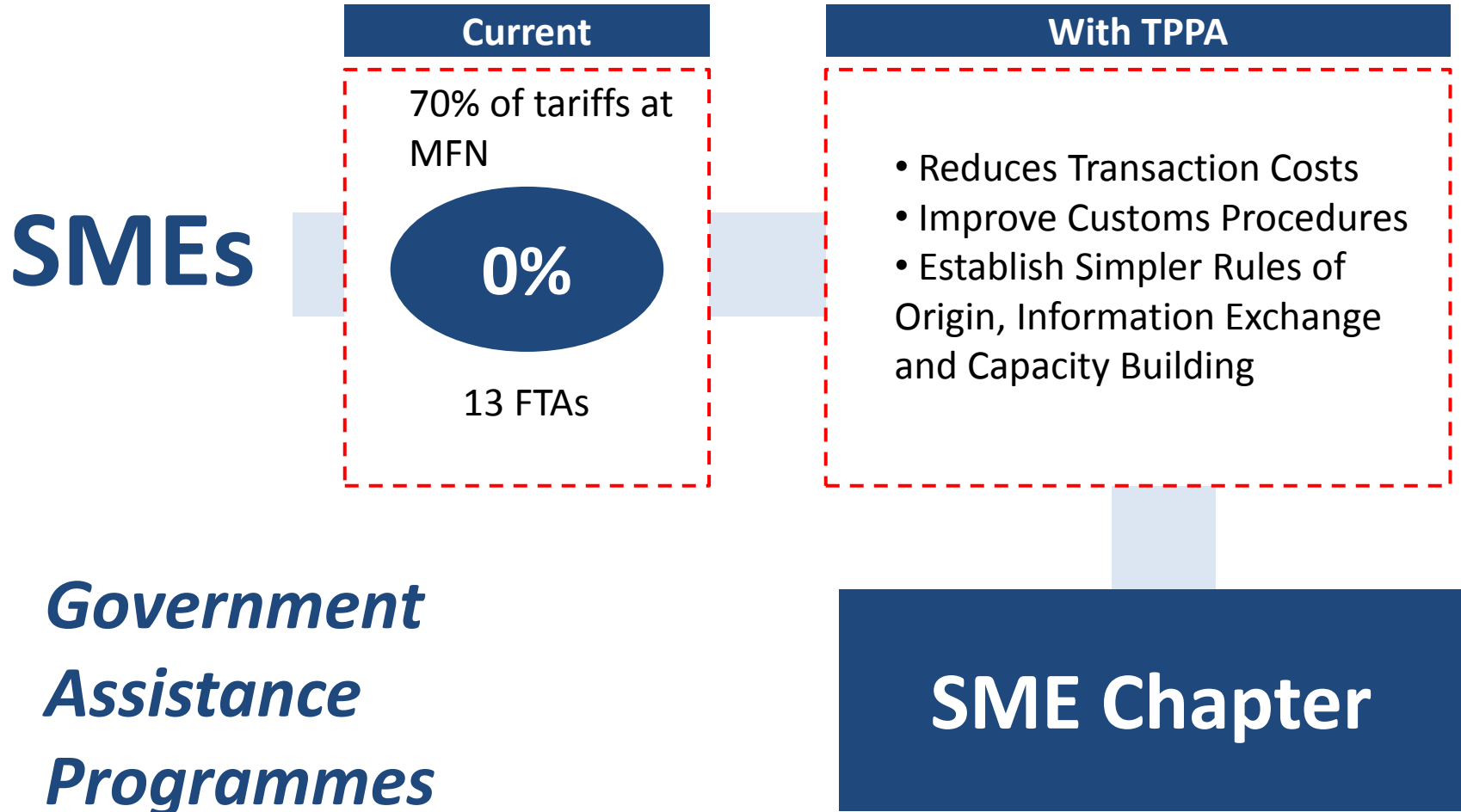
2. Large corporations seizing our wealth

- US and Japan are existing big investors.
- In 2014, Japan was the largest investor with 55 projects amounting to RM10.87 billion and employment of 6,708. US was the 6th largest investor with 23 projects amounting to RM1.35 billion and employment of 2,897.
- First Solar and Infineon in Kulim High Tech, Citibank, Intel, Flextronics, AIG, Dell among others.
- Total FDI approved in 2014 totaled RM64.6 billion.
- US investment in high technology and high value added industries.

3. Bumiputera agenda



4. Malaysian SMEs are already competing under liberalized environment

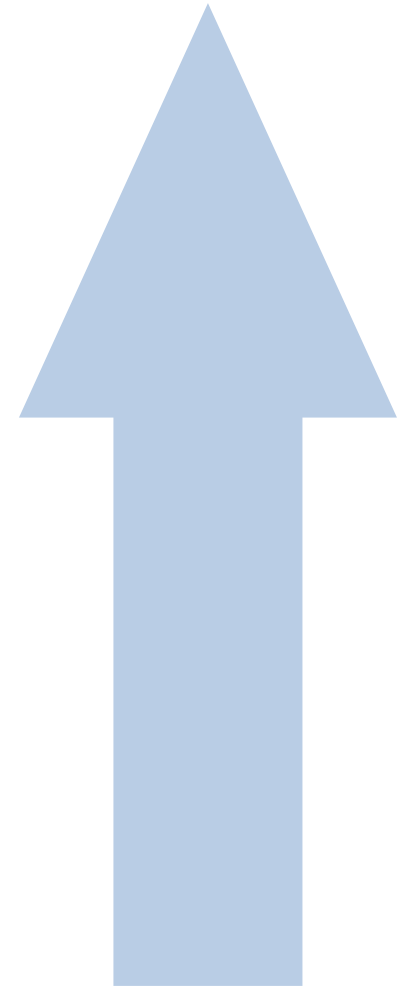


5. The Price of Medicine will not be determined by TPPA alone



- Taxes
- High cost of clinical studies
- Marketing Cost
- Procurement Practice

Innovation





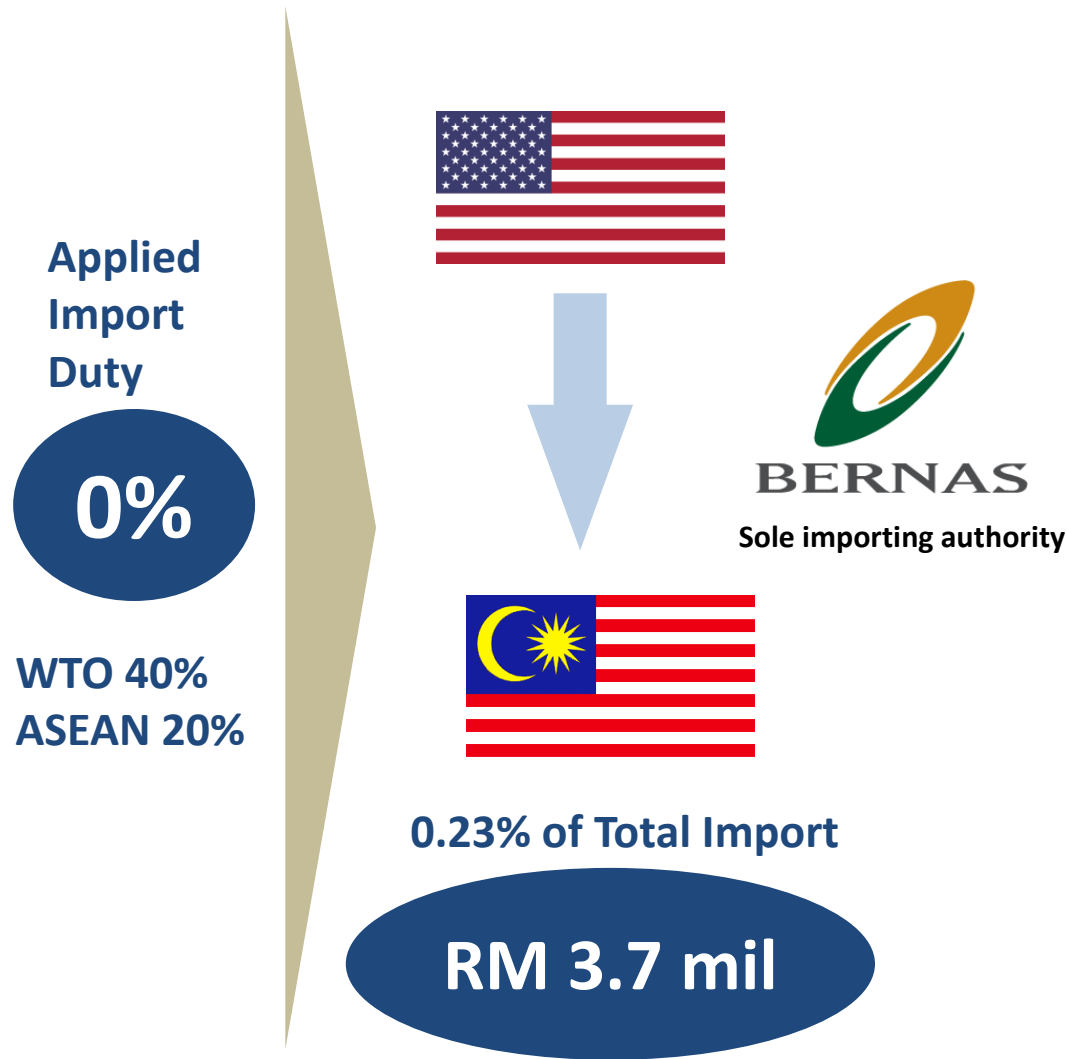
6. Threat to jobs/ Influx of migrant workers

Investment and trade opportunities create more jobs

Entry of foreign workers subject to domestic laws and regulations

Professionals are on short term employment contract. No requirement to employ permanently

7. Even without tariffs on rice, current imports from the US do not affect local rice farmers



Local white rice
RM 3 per kg

VS.



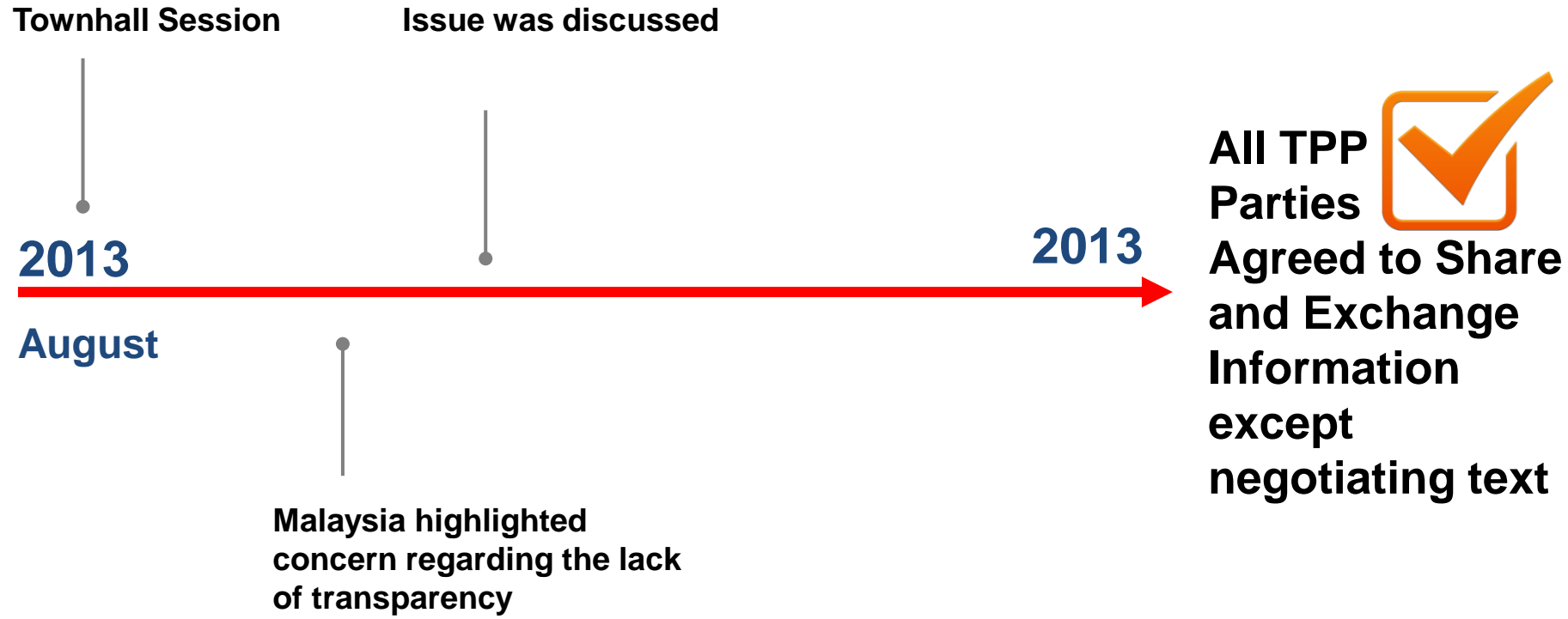
American Calrose rice
RM 9 – RM 12 per kg

8. Capital controls

Malaysia will continue to ensure sufficient policy space to manage volatile capital flows

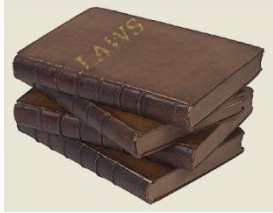
9. We are also concerned about the issue of transparency

Malaysia was first to highlight concerns on transparency at Ministerial Meeting 2013 in Brunei



Sharing of the text will jeopardize negotiations

However, to be part of the TPP, Malaysia needs to make some adjustments



Need to ensure local laws, regulations and policies conform to the agreement



Need to ensure local industries are ready to face greater competition



Need to address the potential loss of revenue due to liberalization

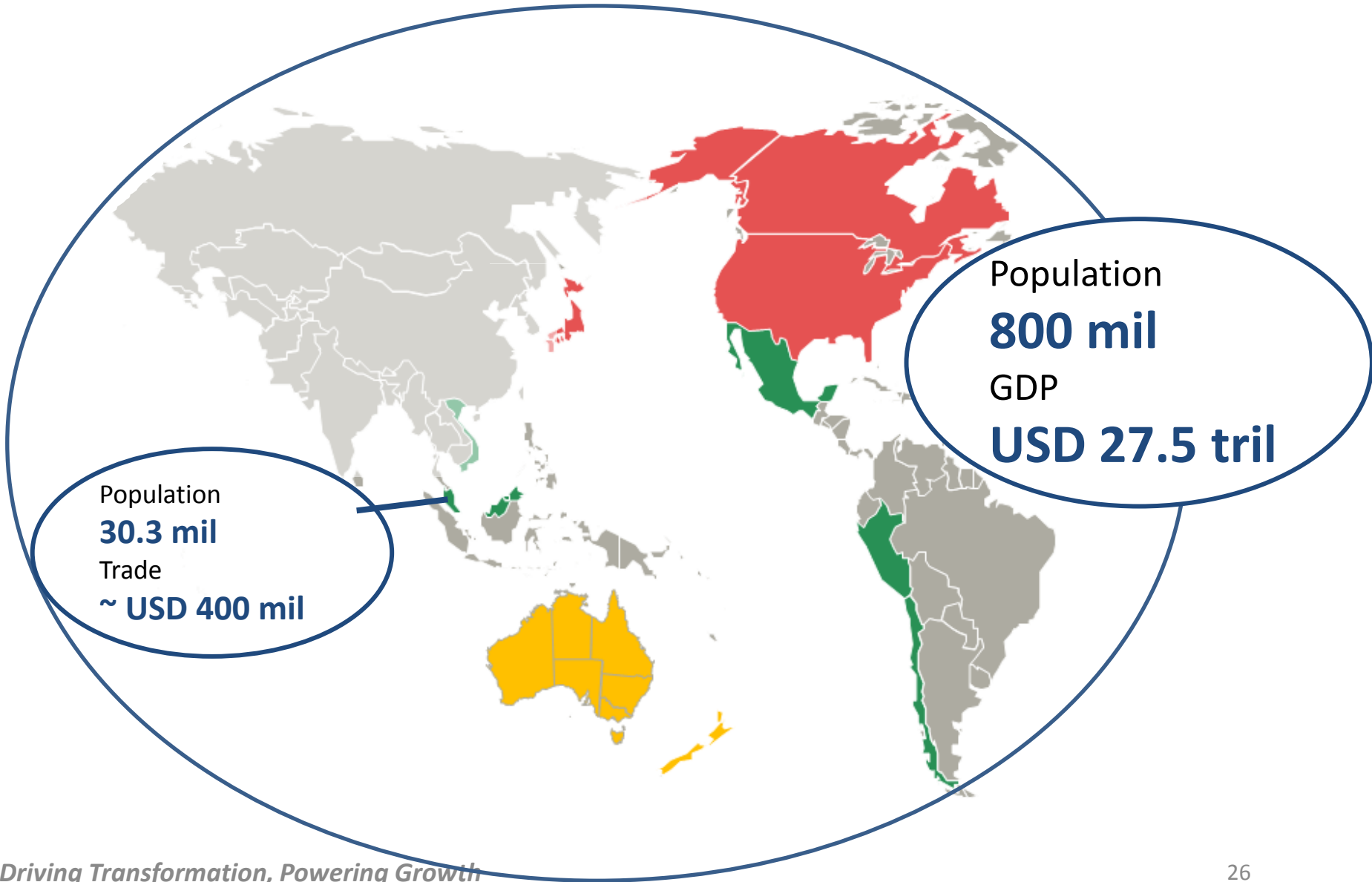


Need to ensure all entities adhere to internationally accepted standards and regulations



Need to address potential political impact and Bumiputera agenda

Why TPPA?



Why TPPA? New market access





**Malaysian companies will enjoy
immediate market access from TPPA
partners
(average 60% exports are dutiable)**

Why TPPA? Malaysia is trade dependent

- According to World Bank data, Malaysia has high dependence on world trade.
- The trade ratio between total trade against GDP analysis can be seen as below:
 - Hong Kong (4.58)
 - Singapore (3.58)
 - Vietnam (1.64)
 - Malaysia (1.54)

Role of FDI

- **Total Investment (2014): RM72 billion**
 - Foreign Investment (2014): RM40billion
- **TPP Countries FDI in 2014**
 - Japan RM10.8 billion
 - Singapore RM 7.8 billion
 - US RM1.3 billion

Why TPPA? Malaysia's open and competitive regime

Rankings

18th

World Bank Ease of Doing Business

20th

WEF Global Competitiveness Report

19th

EIU Business Environment Ranking

25th leading exporter

24th leading import

2013 Merchandise Trade

13th

2013 Asia Business Outlook Survey

If not part of TPPA...

- Lose credibility as an open and liberal FDI regime
- Losing out to Singapore and Vietnam as the preferred investment destination in ASEAN. Currently Malaysia ranks 4th in ASEAN.
- Existing investments in Malaysia may move to other countries
- Loss of jobs
- Malaysian companies investing abroad may not enjoy TPP benefits (PETRONAS, Felda, Sime Darby..)

If not part of TPPA...

- Missed opportunity to craft new rules
- No protection, facilitation and preferential access
- Accession at a later stage will be costly
- No recourse against unilateral actions

Examples of Malaysia companies losing out

- Limited market access
- Lose out to GSP beneficiaries which enjoy duty free treatment, e.g. Thailand, Indonesia and Vietnam
- Loss of market share for electronics
- 50% loss of share of glove market to Thailand due to removal of GSP by Turkey

The Government has taken a decision to allow Parliamentary Debate on TPPA

YAB Prime Minister decided in Beijing, 10 November 2014 for **Parliament to debate on the TPPA**

Federal Constitution allows **Executive to decide on trade agreements**

Agreement will be tabled after conclusion of negotiations

2nd and Final Phase of Cost and Benefit Study on TPPA



Cabinet decided on February 2015 to expedite the cost and benefit analysis of TPPA

2nd and Final Phase conducted by Price WaterhouseCoopers Malaysia



Sovereignty/Policy Space
SMEs **Bumiputera**
What if we are not in?



Thank you



Block 10, Government Offices Complex,
Jalan Duta, 50622 Kuala Lumpur, Malaysia
Tel: 603-8000 8000 | Fax: 603-6201 2337
Email: webmiti@miti.gov.my | Website: www.miti.gov.my