



MINISTRY OF
INTERNATIONAL TRADE AND INDUSTRY

MEDIA RELEASE

MALAYSIA RATIFIES THE CPTPP

The Cabinet has agreed for Malaysia to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Pursuant to this, on Friday, 30 September 2022, the Government of Malaysia officially submitted the Instrument of Ratification (IOR) for the CPTPP, to New Zealand, the CPTPP Depositary.

The CPTPP was signed on 8 March 2018. This Agreement has already been ratified and implemented in stages since December 2018, by Australia, Canada, Japan, Mexico, New Zealand, Singapore, Viet Nam and Peru. The submission of the IOR marks a momentous occasion for Malaysia as we become the ninth country to ratify the CPTPP.

The ratification comes after years of detailed deliberation, extensive consultations and careful assessment by the Government. Furthermore, in light of the findings of the Cost-Benefit Analysis (CBA), it is clear that the benefits accruing from the ratification of CPTPP far outweigh any potential costs that may arise from the implementation of this Agreement.

The CPTPP, which presently boasts 11 countries as its members, is currently growing to include more interested economies into the fold and has the potential to become a new rule book for future trade. The United Kingdom (UK), which became the first country to formally apply to join the CPTPP, is

currently in the final stages of acceding to this Agreement. In addition, the People's Republic of China (PRC), Chinese Taipei, Ecuador and Costa Rica have also officially applied to join the CPTPP. With the eventual inclusion of more economies, particularly the UK and PRC into the CPTPP, Malaysian exporters will gain wider and deeper market access opportunities.

The CPTPP also broadens Malaysia's access to new markets such as Canada, Mexico and Peru, which are not covered by any existing Free Trade Agreement (FTA), providing access to a wider range of high-quality raw materials at competitive prices, and increases the country's attractiveness as an investment destination. At the same time, the CPTPP offers technical assistance and capacity building programmes that are aimed at improving and developing local sectoral capabilities in key industrial areas such as automotives, E&E, chemicals, optical and scientific equipment as well as medical devices.

With the ratification and implementation of the CPTPP, Malaysia's prominence as a global trading economy is expected to be further elevated. The CBA projects that Malaysia's total trade is expected to increase to USD655.9 billion in 2030, through our participation in the CPTPP. In addition, the findings of the CBA also indicate that Malaysia's exports are projected to reach USD354.7 billion in 2030, with trade balance remaining in strong surplus at 8.5% of GDP for the same year.

Under the CPTPP, by 1 January 2033, almost 100 percent of Malaysian exports to all CPTPP countries will enjoy duty-free treatment. As a matter of fact, as soon as the CPTPP enters into force for Malaysia, all our exports to Australia and Singapore will readily enter these markets without being subjected to any duties. Subsequently, in 2024 and 2029, all Malaysian products exported to New Zealand and Canada, respectively, will enter these countries duty-free.

Notably, the high duties on key Malaysian exports to Canada and Mexico, which currently range from 15 to 30 percent, will be eliminated immediately. This essentially means that Malaysian exporters will enjoy duty-free treatment on products such as automotive parts and components, plastics products, surgical gloves, rubber products, textiles and clothing, cocoa products and food items.

In the processed food and beverages sector, Malaysian exporters will be able to expand their businesses into Canada, Mexico, Japan and Peru. Since current duties for this sector can go up to 313.5 percent in Canada, 158 percent in Mexico, 52.5 percent in Japan and 17 percent in Peru, Malaysian exporters will benefit from significant reductions in import duties, under the CPTPP. For these countries, all duties currently imposed on processed food and beverages will be eliminated by the year 2028 (Canada), 2032 (Mexico), 2038 (Japan) and 2033 (Peru).

The CPTPP contains trade-facilitative Rules of Origin (ROO) that are designed to support modern business practices and further promote deeper integration of Malaysian businesses into regional supply chains. The Agreement allows Malaysian manufacturers to source raw materials from all CPTPP countries for purposes of fulfilling the ROO requirements and consequently, qualifying for reduction and elimination of import duties. In facilitating ROO compliance, the Agreement also provides exporters with multiple Regional Value Content (RVC) calculation methods, compared with the limited methods that are currently available under the existing FTAs. As such, the CPTPP offers a more trade-friendly approach vis-à-vis the ROO ecosystem, which in turn is expected to ease compliance by companies.

The CPTPP Government Procurement (GP) market, excluding Malaysia, is estimated at USD1.5 trillion, with abundant opportunities in countries such as Japan, Canada and Australia, valued at USD838.7 billion, USD233.0 billion and USD227.6 billion, respectively.



Following the implementation of the CPTPP, Malaysian companies will have immediate access to the GP markets of other CPTPP countries at much lower thresholds, as compared to the high thresholds committed by Malaysia. For example, immediately upon implementation of the CPTPP, a Malaysian company can bid for GP contracts in the construction sector in Japan for projects valued at SDR4.5 million and above (~RM26.5 million and above). However, for a Japanese company to bid for GP contracts in the same sector in Malaysia, the said company can only do so for projects valued at SDR63 million and above (~RM371.7 million and above).

Similarly, a Malaysian company can bid for GP contracts to supply surgical gloves to government hospitals in Canada, at a value of SDR130,000 and above (~RM766,957 and above). However, if a Canadian company wishes to supply similar products to a government hospital in Malaysia, the said company is only allowed to participate in GP contracts that are valued at SDR1.5 million and above (~RM8.8 million and above).

The CPTPP further promotes exports of services, including through mutual recognition of professional qualifications, licensing or registration, which will facilitate greater regulatory alignment among the CPTPP countries. As a result of this, services suppliers from Malaysia will be able to expand their exports to CPTPP countries, either as firms or individuals. For example, Malaysian accountants, architects, construction managers, engineers, dentists, doctors, nurses, quantity surveyors, and veterinarians are expected to benefit from the facilitation mechanisms offered by the CPTPP, including enhanced mobility through transparent rules governing movement of professionals across borders.

Since the signing of the CPTPP, the private sector has been calling for an early ratification of the Agreement. In the past year, more than 70 media statements

have been issued by various Business Chambers as well as Trade and Industry Associations, all of which have strongly urged the Government to swiftly ratify the CPTPP. Now that Malaysia has ratified the CPTPP, MITI, together with other Ministries and Agencies, will intensify our stakeholder engagements to facilitate the understanding of all relevant parties regarding Malaysia's rights and obligations under this Agreement, as well as implement strategies that enable Malaysian businesses across all tiers, particularly Small and Medium Enterprises (SMEs), to reap the maximum benefits offered by the CPTPP. In view of this, MITI will continue to undertake Outreach Sessions, led by technical experts, in the coming weeks. The schedule for the Outreach Sessions will be posted on MITI's website in due course.

Malaysia has already implemented 15 FTAs, and will soon add the CPTPP to this list. What sets the CPTPP apart is its level of ambition and the magnitude of its scope, as it provides for commitments and concessions that are of very high standards, compared with other FTAs. This is the reason why the CPTPP is known as the gold standard of FTAs.

The CPTPP will co-exist with all other FTAs. It is up to the private sector to determine which FTA best meets their needs and provides the maximum benefits. The CPTPP is yet another option, provided by the Government, for the benefit of the private sector.

In sum, the CPTPP places Malaysia in a strategic position, elevating our competitiveness in the global arena. As a bloc that advances regional economic integration, the CPTPP is also a testament to the significance of the multilateral trading system.

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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 help achieve the country's stated goal of becoming a developed nation.

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