

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Free Trade Agreement (FTA)

The FTA is an agreement between two or more countries that promotes seamless cross-border trade. It aims to foster:

- Market access of foreign goods and services.
- A transparent and impartial investment environment, regardless of nationality.
- Review mechanisms – generally, all FTAs contain a review mechanism which may lead to a 'levelling up' of commitments from the base-level.

The FTA comprises multiple "Chapters" that outline key provisions by subject area (varies based on the FTA). The standard chapters with direct implications to PETRONAS include:

- State-Owned Enterprise (SOE)
- Trade in Sustainable Development
- Investment
- Trade in Services
- Trade in Goods
- Rules of Origin

The Trans-Pacific Partnership Agreement (TPP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

- The TPP is a trade agreement between 12 Pacific Rim nations: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam signed on 4 February 2016 in Auckland, New Zealand.

- In January 2017, President Trump decided to withdraw the US from the TPP, thus, the agreement as it stands cannot enter into force without the United States.

- In November 2017, Ministers of the 11 TPP countries reached an agreement on the core elements, the text of the agreement and way forward to implement the TPPA, which was renamed as the CPTPP.

- The CPTPP was signed by all 11 participating countries - Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam on 8 March 2018 in Santiago, Chile. Signing the agreement indicates all 11 countries accepted the outcome of the negotiations and will start their domestic process to enable their ratification of the CPTPP in order to bring the agreement into force.

Ratification of Malaysia

- The Ministry of Investment, Trade and Industry (MITI) announced on 5 October 2022 that Malaysia has successfully ratified CPTPP on 30 September 2022. The CPTPP entered into force (EIF) effective 29 November 2022 (60 days after ratification). Malaysia will now practise open trade as per CPTPP's obligations with the 11 countries.



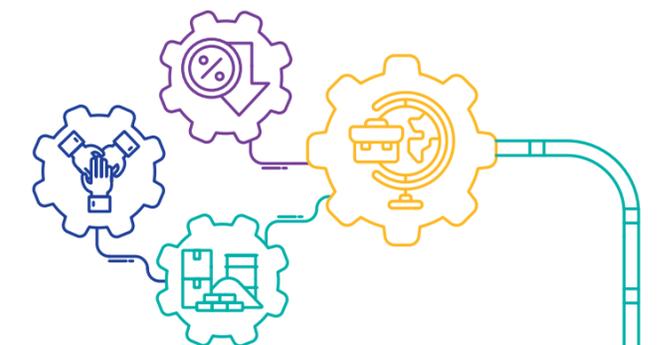
Net Benefit to Malaysia's key economic sectors

There are gain opportunities under the CPTPP including:

- Market access to Canada, Peru, Mexico, and the United Kingdom which Malaysia does not have an FTA with.
- Lower costs and ease of exporting due to customs cooperation, harmonisation and transparency.
- Wider sourcing channels for raw materials at competitive prices.
- Local capability development through cooperation and capacity-building activities with other CPTPP countries.

Ratification of Participating Countries

- All of the 11 participating countries have completed the ratification process, and the agreement has entered into force in all of the participating countries.
- On 16 July 2023, the United Kingdom became the first non-original signatory and European country to sign the CPTPP agreement, with entry into force by Q3 2024.



Source: Cost Benefit Analysis on the Potential Impacts of the CPTPP on the Malaysian Economy and Key Economic Sectors, MITI.