



# Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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## Press Statement

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### **CAP shocked the Cabinet has ratified CPTPP**

CAP is shocked that the Cabinet had decided to ratify the controversial Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) even as parliamentarians prepared to debate this in the ongoing Dewan Rakyat sitting.

Our study of the latest cost-benefit analysis (CBA) commissioned by the Ministry of International Trade and Industry from PriceWaterhouseCoopers (PwC) confirms CAP's longstanding concerns that there are far more costs than benefits in this over-arching agreement that impacts on every aspect of the economy and society.

MITI had earlier promised Parliament that the CBA report would be open for parliamentary discussion, then backtracked to say the report will be posted on its website. And now, when the country is on the brink of general elections, the Cabinet without any qualms has moved to ratify the CPTPP and rushed off the legal instrument to the CPTPP secretariat in New Zealand.

MITI's statement of 5 October claims that Malaysia's exports are projected to reach USD 354.7 billion but fails to also reveal that imports will be even more by joining CPTPP, thus worsening Malaysia's goods trade balance. A study by a United Nations economist showed that we could import as much as USD 2.4 billion a year more than exports. The PwC CBA also finds that joining the CPTPP would increase imports into Malaysia more than the increase in exports, even if China and the United Kingdom joins the agreement.

On top of that Malaysia agreed to reduce tariffs to zero on 100% of goods. This means a loss of tariff revenue of about USD 1.6 billion a year. Job losses are expected with the increased imports, for example in the automotive and steel manufacturing sectors. In contrast, Japan agreed under CPTPP to remove tariffs on 95% of its imports and Canada and Vietnam only have to remove tariffs on 97% of their imports. Those countries have protected their "sensitive" products from import competition but Malaysia is throwing its door open.

Malaysia already has free trade agreements with three top export destination countries, i.e., Japan, Singapore and Australia, which account for 84% of its exports to the CPTPP countries. With CPTPP, Japan's car exports to Malaysia will increase, outstripping any increase in Malaysian exports to Japan.

With CPTPP, government procurement and state-owned enterprises (including Government Linked Companies) will have to be liberalized extensively with severe restrictions on any government policy to purchase from domestic manufacturers and suppliers. This runs counter to the economic recovery plan to "Buy Malaysia" to boost local production and create more jobs.

The extent that national laws, policies and directives have to be changed to open up the Malaysian economy to other CPTPP parties is not even acknowledged by MITI. A few Acts of Parliament have been amended, mainly labour laws, which could have been done without CPTPP if the government is committed to workers' rights.

CPTPP imposes legal obligations beyond laws – policies, directives, guidelines etc have to be aligned to allow foreign businesses to operate more freely in Malaysia and take a bigger share of the economy. As far as CAP knows the Government does not have a list of all that will need to be changed.

MITI has consistently downplayed a major intrusion into national sovereignty in accepting the right for foreign investors to sue the government directly if their profit interests are affected by government actions, even those that are legitimate actions. Past bilateral investment treaties with this Investor-State Dispute Settlement (ISDS) provision had a much narrower scope compared to CPTPP. Other countries trapped in recent ISDS cases have had to pay compensation in the billions in private arbitration proceedings that are untransparent, by-passing national courts and public accountability.

The US Government no longer accepts ISDS in their trade agreements, even though they were the leader in pushing for ISDS in the Trans-Pacific Partnership Agreement, the precursor to the CPTPP. There is a shift among many governments on ISDS making the CPTPP out of date.

Even the PwC CBA states this: “Cost to Government due to possible ISDS claims . . . In terms of downside risks, the Government may have to prepare and allocate resources to respond to possible ISDS claims”. It is disgraceful for the Government to take the country down this precarious path in these times of economic turbulence and high national debt, by exposing the country to ISDS claims.

Meanwhile, the CBA on many fronts underestimates negative impacts and does not reflect the actual CPTPP text, and is instead about a different hypothetical free trade agreement in its modeling exercise. In claiming that Malaysia’s GDP, investment, wages and tax revenue will increase, the CBA uses unrealistic assumptions such as full employment in Malaysia, and no change in government revenue even when tariff revenue is lost because the CPTPP requires Malaysia to remove all its tariffs on imports from other CPTPP countries.

The CBA itself admits that the estimation of these benefits is based ‘*to a certain extent*’ on ‘*intuition. For example, parameter include NTMs (non-tariff measures) which are difficult to quantify*’.

The CBA also acknowledges that it has assumptions or characteristics “*that may not entirely represent real-world features*”.

It is therefore unbelievable that MITI relies on a problematic CBA that nevertheless points out many high costs to conclude that “it is clear that the benefits accruing from the ratification of CPTPP far outweigh any potential costs that may arise”. The burden ultimately falls on the *rakyat* to pay the costs of this irresponsible decision to ratify the CPTPP. CAP calls for a withdrawal from the CPTPP before it enters into force in 60 days.

**Mohideen Abdul Kader**  
**President**  
**Consumers Association of Penang (CAP)**

**Note to Editor:**

The study referred to on trade in goods balance for Malaysia on joining CPTPP is as follows:

**CPTPP: Implications for Malaysia’s Merchandise Trade Balance Rashmi Banga** ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3354836](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3354836))

**The PwC CBA report is available here:** [https://fta.miti.gov.my/miti-fta/resources/CPTPPA/25072022\\_CPTPP\\_Cost\\_Benefit\\_Analysis\\_Final\\_Report\\_-\\_for\\_publication.pdf](https://fta.miti.gov.my/miti-fta/resources/CPTPPA/25072022_CPTPP_Cost_Benefit_Analysis_Final_Report_-_for_publication.pdf)