



## Promoting the Growth and Development of SMEs Post COVID-19 Pandemic through Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

**Kuala Lumpur, May 28, 2021.** Micro, small and medium-sized enterprises (MSMEs) are the backbone of the Malaysian economy totalling to 98.5% of businesses establishments in Malaysia with a high share of employment at 48% and 18% contribution to total exports. The Government's target is for SMEs to achieve above 40% of SME sector's contribution to GDP, 62% of employment and 25% of total exports. We believe this will be possible through the opening of new export markets and Free Trade Agreements (FTA) including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is means to this end. The CPTPP is among the first FTA to have a separate chapter on SMEs to ensure the protection of SMEs in participating countries. The dedicated SME chapter in CPTPP is designed to support the growth and development of MSMEs by enhancing their ability to participate and benefit from the Agreement.

In addition, other chapters in CPTPP which also advance SME-related growth include the Cooperation and Capacity Building chapter which addresses the special needs of SMEs in the scope of the Agreement. Provisions in this chapter allow the Governments to take necessary measures in enhancing the capacity of local SMEs to take advantage of the agreement. In the Malaysia-Japan Economic Partnership Agreement for instance, Malaysian industries have clearly benefited from roving experts and industrial training programmes in the plastics, metal, and automotive sectors. Co-operation programmes can be incorporated into the CPTPP to assist SMEs in specific industries e.g. biotechnology and ICT to further enhance their export capability and resilience. Provision of consultants to promote the export capability of SMEs including industrial attachments and training for the staff of SMEs will further enhance bilateral relations in the spirit of the FTA.

Recognising the common challenges faced by SMEs in establishing export markets, the CPTPP is expected to create advantageous conditions for SMEs by eliminating tariffs on 96% of current Malaysian exports to CPTPP countries and providing enhanced access for service providers in addition to the access of a comprehensive set of investment protection measures backed by a robust mechanism for resolving investment disputes. Subsequent to the removal of tariffs, CPTPP offers a single set of high-standard rules for trade across the Asia-Pacific region, making trade more predictable, transparent and accessible. This will further encourage SMEs to tap into the supply chains of other CPTPP members when sourcing material to create their products. Conversely, this will also provide opportunities for Malaysian SMEs to supply goods (parts & components and inputs) for global supply chain and involve in domestic supporting services. In addition, the Agreement also seeks to promote fair business practices and thus will help to create a level playing field with enforceable rules on state-owned enterprises in CPTPP markets.



One of the most important features of the CPTPP is the chapter on e-Commerce whereby member countries have agreed to a set of rules that will facilitate economic growth and trade opportunities fostered by electronic commerce. These rules will also address the latest barriers to electronic trade which will build trust and confidence in the use of electronic commerce particularly when e-Commerce is the trend in Malaysian economy during the Covid-19 pandemic.

The Federation of Malaysian Manufacturers (FMM) is a strong advocate of the CPTPP, which we view as one of the more important new FTAs expected to provide competitive edge over our regional competitors and build investor confidence in Malaysia. Findings from the FMM – MIER Business Conditions Survey 1H2021 revealed that 54% of the respondents opted market expansion as the most popular business strategies in the next 6 months. As such, we firmly believe that the CPTPP will contribute significantly towards improving market access, expanding exports, increasing economic activity and enhancing employment especially as a critical trade tool to address the unprecedented challenges posed by COVID-19. In this regard we urge the Government to accelerate the ratification process and proceed with the implementation of the CPTPP at the earliest possible time so that Malaysia and its manufacturing sector particularly SMEs would be able to optimise the lead time in securing markets ahead of the other competing signatories.

**Tan Sri Dato' Soh Thian Lai**  
**President, Federation of Malaysian Manufacturers**

## ***FMM Advocates Transparency, Integrity and No Corruption***

### **ABOUT FMM**

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,500 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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#### **Media Enquiries**

Han Mong Ying, Senior Manager, Corporate Affairs | Tel: 03-6286 7200 | Email: [webmaster@fmm.org.my](mailto:webmaster@fmm.org.my)