

Executive Summary

Malaysia and Taiwan enjoy a strong economic relationship. However, the lack of any preferential trading agreement means that a number of barriers to trade and investment persist, including tariff and non-tariff barriers. The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is an ambitious regional preferential trade agreement which includes Malaysia and 10 other Members across Asia Pacific and Latin America, specifically: Australia, Brunei Darussalam, Canada, Chile, Japan, Mexico, New Zealand, Peru, Singapore and Vietnam. Taiwan's inclusion as a Member of CPTPP would substantially liberalise trade between Taiwan and CPTPP Members, including Malaysia. Among CPTPP Members, Taiwan would become one of, if not the most, attractive for trade liberalisation from Malaysia's perspective given the developed nature of the relationship and the ongoing existence of conventional trade barriers, such as tariffs. Thus, if Taiwan joined CPTPP, this would significantly add to the economic benefits of the agreement from Malaysia's perspective.

Malaysia and Taiwan not only share a trade and investment relationship but deep underlying

industrial collaboration, which has helped Malaysia's economic development. There is evidence to suggest that this industrial collaboration could be further improved if trade were liberalised and this would boost Malaysia's industrial development, particularly in key sectors for the Fourth Industrial Revolution (4IR), including electronics, machinery and chemicals. Taiwan's membership of CPTPP would liberalise trade in these industries, incentivising further investment of Taiwanese firms in Malaysia as a result of access to lower cost inputs. This increased investment would support and encourage Malaysia's own efforts to upgrade and innovate in line with its 4IR adoption strategy.

Reflecting these dynamics, we estimate that membership of CPTPP would boost Malaysia's GDP by 1% of GDP, with positive impacts for trade and employment. We estimate that Taiwan's membership would further extend all of these benefits and with net positive increases to output, trade and employment.



We estimate that ratification of CPTPP would increase Malaysia's exports by over RM16 billion and imports by over RM28 billion, as tariff and other trade barriers reduce.



Taiwan's membership of CPTPP would further increase exports and imports by nearly RM3 billion and over RM 4 billion respectively, as the costs of trade reduce – tariffs on Taiwanese imports would reduce by RM1.5 billion each year.



This expansion in trade would be net positive for the Malaysia economy. We estimate that ratification of CPTPP would boost Malaysia's GDP by over RM14 billion and create 140,000 jobs.



Taiwan's membership of CPTPP would further increase Malaysia's GDP by over RM2 billion and create 20,000 additional jobs.



Taiwan's membership would be beneficial for manufacturing sectors, where Malaysia and Taiwan are already strong partners, and trade liberalisation would be positive for 4IR Focus Sectors, in particular electronics.