

Trans-Pacific Partnership Agreement: The Empowerment of Small and Medium-Sized Enterprise in Malaysia

SitiSurayaMuhamadTaib

Master of Business Administration

Faculty of Management & Information Technology

Universiti Sultan Azlan Shah, Kuala Kangsar Perak, Malaysia.

ABSTRACT: *Trans-Pacific Partnership Agreement (TPPA) is a Free Trade Agreement (FTA) offered to twenty one members of Asia-Pacific Economic Cooperation (APEC). It is different from other FTA as it is covered wide range of economic environment scopes, include, (1) Government procurement, (2) Labour, (3) Environment, (4) Government-linked companies, and (5) Intellectual property right. Malaysia among twelve countries interested in joining TPPA, in line with Brunei, Chile, New Zealand, Singapore, United States of America, Australia, Peru, Vietnam, Canada, Mexico and Japan. As the negotiation in TPPA in on self-decision among members, Malaysia hold a stand to make sure three main pillars of the country, which are (1) Federal Constitution, (2) Main unique policies include Malay Agenda and Small & Medium-sized Enterprise (SME) development, and (3) Islam as national religion are protected. After five years of negotiation started from 2010, TPPA trade deal was sealed by members on 4th February, 2016 and expected to be effective on 2018. The article will discussed the positive impact of TPPA to Malaysia in term of development in Small and Medium-sized Enterprise (SME) as a basic pace to be wealth nation in years ahead.*

Keywords: *Empowerment, Small and Medium Enterprise (SME), Trans-Pacific Partnership Agreement (TPPA).*

I. INTRODUCTION

Malaysia is a small country situated in Southeast Asia. In July 2016, Statistics Department of Malaysia was reported that population in the country achieved 31.7 million, increased by 0.5 million from previous year. Compare to the populous country in the world, China, Malaysia's population stated only 2.3% from China's. Therefore, Malaysia domestic market is small and ought to look beyond nation's boundary for trading, investment and economic growth.

Become open market country, Malaysia is highly depend to international business, foreign investment, foreign technology and tourism in order to boost the economy. One of the strategy to survive in global economic map is through Free Trade Agreement (FTA). There are thirteen FTA's signed by Malaysia, six through Association of Southeast Asian Nations (ASEAN), which consisted (1) Asean Free Trade Area (1992), (2) ASEAN-China (2004), (3) ASEAN-Korea (2006), (4) ASEAN-Japan (2008), (5) ASEAN-India (2009) and ASEAN-Australia-New Zealand (2009), and seven are bilateral agreements between this country with Japan (2005), Pakistan (2007), New Zealand (2009), Chile (2010), India (2011), Australia (2012) and Turki (2014) (MITI, 2016). In 2015 it was reported that the country foreign investment achieved RM601.6 billion compared to Foreign Direct Investment (FDI) in Malaysia, RM500.2 billion. In order to stimulate domestic economy aggressively, Malaysia should increase the volume in export activities and FDI. According to Ministry of International Trade and Industry of Malaysia (MITI), as for now there are four other FTA's in the pipeline includes (1) Regional Comprehensive Economic Partnership (RCEP), (2) Malaysia-European Union, (3) Malaysia-EFTA Economic Partnership Agreement (MEEPA) and (4) ASEAN-Hong Kong.

II. TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPPA)

Trans-Pacific Partnership Agreement (TPPA) also called as the new millennium FTA as it is include extensive and advance scopes in economic environment which are (1) Government procurement, (2) Labour, (3) Environment, (4) Government-linked companies, and (5) Intellectual property right. It is believed that incoming FTAs will duplicate the construction of TPPA and will promote new look of international business in coming years.

The agreement sealed by 12 members (Malaysia, Brunei, Singapore, Vietnam, United States of America, Japan, Peru, New Zealand, Australia, Chile, Canada & Mexico) on 4th February 2016 in New Zealand. As a whole, TPPA members representing 800 million people which hold up 40% of global Gross Domestic Product (GDP). In 2015, 38% of Malaysia's total trade goes to TPPA members (SME Annual Report, 2015/16). The TPPA document constructed into three main divisions, (A) 30 chapters include legal matters, basic FTA's rules and new 7 chapters on (1) State-owned Enterprises and Designated Monopolies in Chapter 17, (2) Labour

in Chapter 19, (3) Environment in Chapter 20, (4) Development in Chapter 23, (5) Small and Medium Sized-Enterprises in Chapter 24, (6) Regulatory Coherence in Chapter 25 and (7) Transparency and Anti-Corruption in Chapter 26, (B) Attach documents consisted of table of access trade between 12 members, Government Linked Companies (GLC) and Rules of Origin (ROO), and (C) Side letters related to bilateral agreement between members.

Apart from being a mean related to trade access across boundaries between members, TPPA bring a new concept of empowerment into the agreement. It is stated clearly in Chapter 21 that the members urge to have wise collaboration in empowering the nation in term of grabbing the economic opportunities derive from the agreement. The collaboration also can get into areas of agriculture, industry, services, education, cultural, disaster risk management and so on. The main collaboration that significantly empower the nation involved, stated in the table below:

Table 1.Wise collaboration in TPPA

No.	Items	Details
1.	Transparency and Anti-Corruption	The commitment to support high level of transparency and responsibility in government’s action. The transparency as a main focus in every rules and regulations related to international trading among members.
2.	Human Rights	The commitment to end human trafficking.
3.	Labour	The commitment to defend labour welfare, in a way to stop forced labour and child labour.
4.	Environment	The commitment to reserve the environment includes the collaboration to stop flora and fauna illegal trade and illegal logging.
5.	Easier trading – Custom standardization.	The collaboration in sharing and changing information relate to facilitate import and export activities between country members.
6.	SME’s emancipation	The commitment to empower SME businesses in every member nations as the SME offered by wider and easier access to trade outside countries.

TPPA chartered the name of high-standard and comprehensive agreement that will draw new landscape of FTA in international business. The added 7 new chapters in the agreement will promote wider opportunities for members and new challenges as well. Apparently, become the members of TPPA will dig a new stream of economic growth in Malaysia in term of empowered the system in the country as a whole.

III. SME IN MALAYSIA

Malaysia had established special central coordinating agency under Ministry of International Trade and Industry to tackle and enhance SME business in 1996. It was started as Small &Medium Industries Development Corporation (SMIDEC) and rebranded as Small & Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) in 2009. In Malaysia, SME enterprise include business with sales turnover not exceeding RM50 million or hired full-time employees not exceeding 200 people for manufacturing corporation. While for services and other sectors, the business turnover not more than RM20 million or full time employees not more than 75 people is identical as SME.

SME Corp. Malaysia had launched SME Master Plan (2012-2020) to be as a game changer in SME industries to achieve high income nation status in 2020. Table 2 consist 6 High Impact Programmes outlined in the master plan:

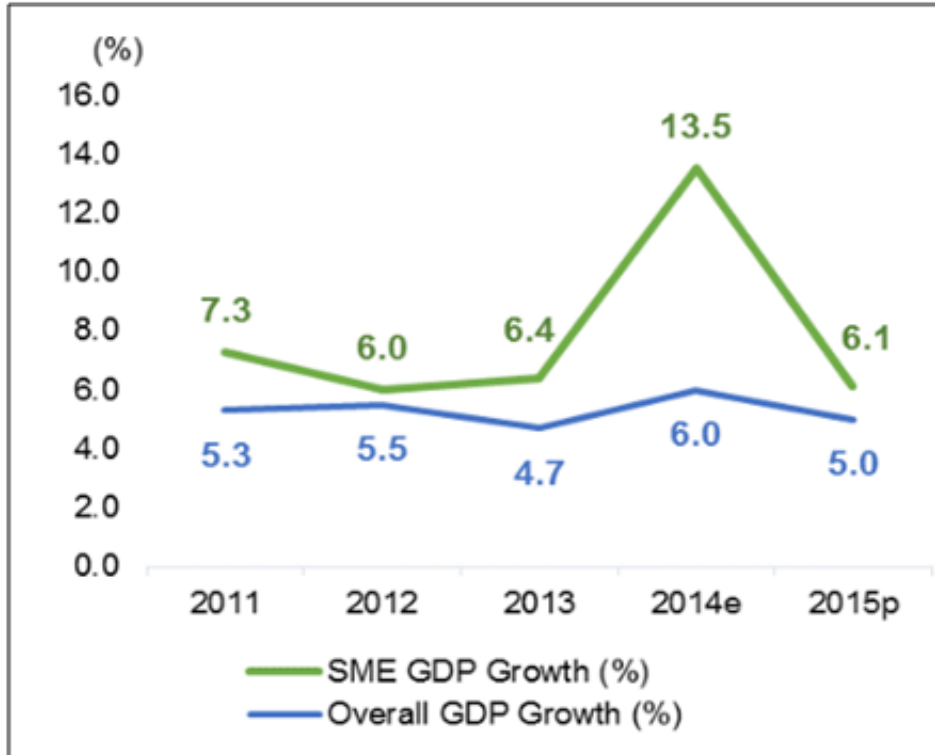
Table 2.6 High Impact Programmes (HIP)

6	
HIP 1: Integration of Business Registration and Licensing	Tec
Create a single registration point through interfacing of the current National Business Registration System i.e. MyCoID and the National Business Licensing System i.e. BLESS.	Est pri prom of cor
HIP 4: Going Export (GoEx) program	
Offer customized assistance to new exporters and SMEs venturing into new markets. Export-ready SMEs can avail to comprehensive support assistance.	Cre thro sup mar

Sources: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia

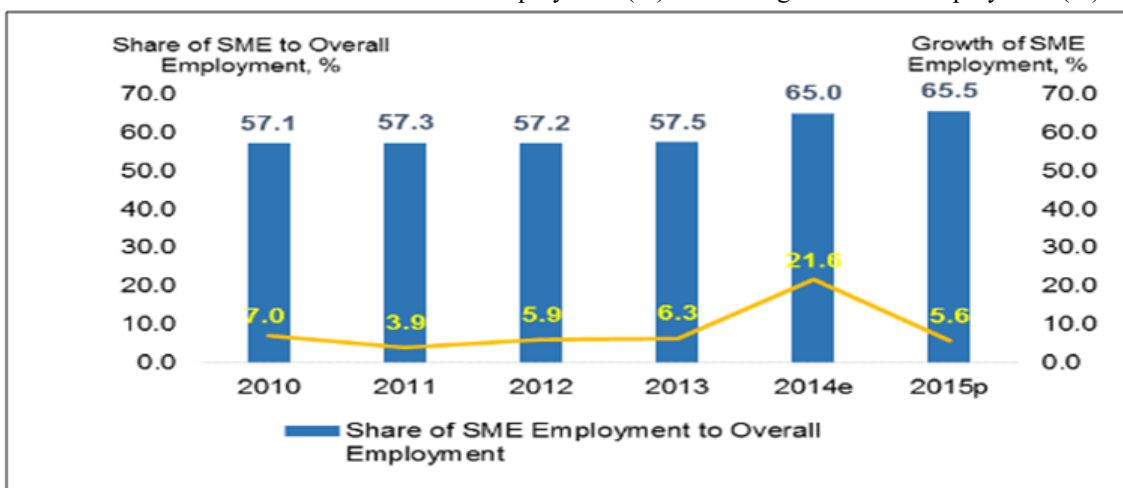
Apparently, SME Corp. Malaysia had a constructive plan in managing and flourishing SME business in Malaysia. Under central agency facilitation, SMEs in Malaysia had growth tremendously. It was reported that in 2014, SMEs are represent 97.3% of the total business establishment in Malaysia, with 77% are microenterprises with less than 5 employees. The contribution to economy are 35.9% of GDP, 65% of employment and 17.8% of exports (Statistic, 2016).The table below showed the achievements of SMEs in GDP, % in employment and % of exports in annual basis.

Table 3.Annual growth of overall GDP and SME GDP (%) (Constant 2010 prices)



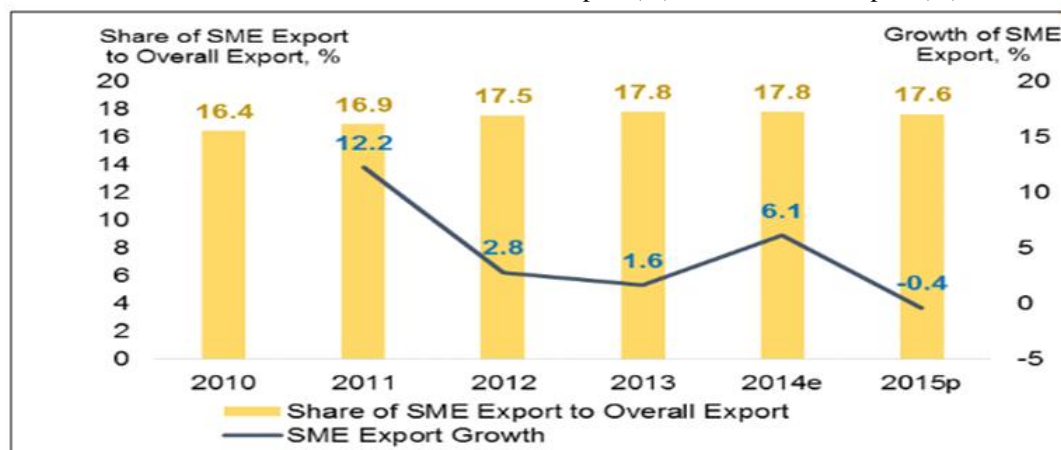
Sources: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia

Table 4.Contribution of SME’s to overall employment (%) & annual growth SME employment (%)



Sources: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia

Table 5. Contribution of SMEs to overall export (%) & annual SME export (%)



Sources: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia

IV. DISCUSSION

Through TPPA, Malaysia will get easier trade access to the countries which have no FTA with Malaysia before, that are United States of America, Canada, Mexico and Peru. For these countries, there are 4,000 tariff barriers will be demolished for products that vital to Malaysia’s export activities includes textile, electronic products, oil & gas, wood-based products and latex-based products. As for now, export for electronic products to TPPA’s country members achieved RM103.3 billion, for oil & gas reached RM56.1 billion, wood-based products at RM10 billion, latex-based products achieved RM7 billion and textile reached RM5.3 billion, the achievement will grow extensively after the implementation of TPPA. For Malaysian SMEs, the improved uniformity and standardization in trade regulations offered by TPPA will accelerate growth opportunities in global market.

Nanavati (2015) shared that Malaysia has established strong foundations in technology, e-commerce and financial services that together with the removal of digital customs duties, localisation barriers and forced technology transfers, these benefits of TPPA will boost Malaysia’s vision of becoming an e-commerce and high-tech hub within the region. Along with that, Malaysia will become attractive market among members which will benefit local businesses especially SMEs.

Other than that, Chapter 24 in TPPA specialized for SMEs is really a new big thing in FTA. Consisted two main vital moves in order to help SMEs in member countries, (1) the establishment of special website consist of important information from all member countries related to (a) custom regulations, (b) rules & regulation for intellectual property, (c) technical standardization for import and export activities, (d) business registration, (e) labour regulation, (f) tax information, and (2) the establishment of SMEs committee that responsible to facilitate the growth of SMEs in every member countries in varies way includes training and promoting new market to empower SMEs. The agreement also will review how well SMEs are taking advantage of the benefits of the Agreement and consider ways to further enhance its positive impact (Kumar, 2016).

V. CONCLUSION

Approximately, only 18% of SMEs in Malaysia exporting products into global market, the companies includes Oldtown White Coffee, HupSeng, Mamee, Marrybrown, Ramly and others. The number considered low, despite a high number of SMEs in Malaysia. With strong basis of SMEs establishment through SME Corp. Malaysia and the opportunities derive from TPPA, SMEs business in Malaysia open to new market called global market. Of course this opportunity to growth will come along with new challenges, hence, it is recommended to every SMEs owner in Malaysia to initiate new competency in order to shine in the new economic environment.

REFERENCES

- [1]. SME Annual Report. (2015/16). Opportunities and Benefits of Trans-Pacific Partnership Agreement (TPPA) for SMEs. Kuala Lumpur: SME Corporation Malaysia.
- [2]. Kumar, A. M. (2016). TPP : Helping Small and Medium-sized Businesses in 21st Century. United States of America: The Huffington Post.
- [3]. Malaysia, D. o. (2016). Estimation amount of Malaysian 2014-2016. Kuala Lumpur: Department of Statistics Malaysia.
- [4]. MITI. (2016). Trans-Pacific Partnership Agreement: The Answer to Fear, Misunderstanding and Accusation. Kuala Lumpur: Ministry of International Trade and Industry.
- [5]. Nanavati, S. (2015). TPPA : What's in it for Malaysia? Kuala Lumpur: Business News, The Star Online.

- [6]. Statistic, S. (2016). SME statistics. Kuala Lumpur: SME Corp. Malaysia.