

# **What Trans-Pacific Partnership means for MBC member companies' business in Vietnam**

## **Introduction**

Malaysia Business Chamber (“MBC”) is a non-governmental, not-for-profit, non-political organization registered in Vietnam. MBC objectives are to bring Malaysians together from diverse businesses in order to promote and enhance personal and professional development and engage in community service initiatives.

MBC was established in August 2000 to assist Malaysians with valuable contacts in the community and build stronger business relationships with the Vietnamese Authorities and other foreign companies. MBC provides an excellent environment for its members to meet and exchange ideas, information and expertise.

MBC is honoured to be invited to share some of our views pertaining to what the Trans-Pacific Partnership (“TPP”) means to the MBC member companies' operating in Vietnam. The TPP is a proposed regional free trade agreement (“FTA”) being negotiated among the United States, Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. On April 12, 2013, the Japanese Prime Minister announced that Japan would seek to participate in the TPP negotiations.

## **TPP and MBC member companies' business in Vietnam**

1. TPP is proposed to include market access for goods, services and agriculture with countries with which it does not currently have FTAs: Brunei, Malaysia, New Zealand and Vietnam.
2. Negotiations are also being conducted on disciplines relating to intellectual property rights, trade in services, government procurement, investment, rules of origin, competition, labour and environmental standards and other issues.
3. In many cases, the rules being negotiated are intended to be more rigorous than comparable rules found in the WTO.
4. One of the benefits to be brought by TPP is the possibility of increasing the exports and the markets would be enlarged, while it would be easier to find partners once the tariffs are cut by the TPP partner countries. Vietnam’s key export items such as garments, seafood and processed materials would meet fewer barriers when entering the export markets. Malaysian businesses that are in these categories may probably benefit from the TPP.
5. The admission to TPP would require Vietnamese policy makers to fulfill the legal frameworks to attract foreign investment capital. With more comprehensive legal

frameworks for FDI, Malaysian businesses hope to gain better protection and proper channel in handling trade dispute and arbitration.

6. TPP will help to enhance the competitiveness of companies in Vietnam by offering a new opportunity of cooperation, reasonable pressure and better business-supporting services.
7. Having said that, there are concerns from the Malaysian businesses' for instance under TPP, employees would have the right to set up unions, and the right to negotiate about the provisions of the labour contracts with employers. One of the attractiveness to invest in Vietnam is the easy access of labour work force. The Malaysian businesses are concerned whether the commitment in TPP will actually make the easy access of labour work force become a the tough issue to handle in the future.
8. Another concern is on social issue. SM Mohamed Idris, President of the Consumers Association of Penang, argues that the TPP "would raise medicine prices in Malaysia at a time when the government's ability to subsidise medicines is under pressure from the budget deficit."<sup>1</sup> Based on this statement, while one has to access the possibility of happening, but in view of the current Vietnam's income per capita which is much lower than Malaysia, the concern of medicine prices may affect many Vietnamese in the health sector.

## Conclusion

TPP is being negotiated with the potential to set a comprehensive and high standard of agreement for trade policy in the 21st century, but what has been made public about the negotiations to date is to usher in a deal that would impose one-size-fits all international rules..... but will this able to be applied to all partners of TPP easily?

According to Congressional Research Service on "The TPP Negotiations and Issues for Congress" on April 15, 2013, the authors found the TPP agreement is ambitious:

1. In terms of its size – it would be the largest U.S. FTA by trade flows;
2. The scope and scale of its liberalisation – the negotiating partners have expressed an intent to comprehensively reduce barriers in goods, services and agricultural trade as well as rules and disciplines on a wide range of topics including new policy issues that neither the WTO nor existing FTAs yet cover;
3. Its flexibility – the agreement has been and may continue to be expanded in terms of its membership and its trade and investment disciplines.

The partner countries thus far have expressed their commitment to achieve this ambitious agreement and the negotiations remain positive about the progress being made. These groups of countries have entered into the negotiations presumably because they see the TPP as a catalyst to greater economic growth and prosperity, especially if it is expanded to include other countries. In

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<sup>1</sup> Nile Bowie. Global Research, April 14, 2013 "*Malaysia and the Trans-Pacific Partnership (TPP). Malaysians must Reject the US Trade Deal*"

addition, the large network of existing FTAs among the members could be seen as an indicator of their willingness to cooperate on trade issues and may imply that some of the challenging issues have already been addressed.

Malaysian businesses wish that through TPP agreement, free trade can bring in benefits to all especially to the weaker ones and all the citizens of the TPP partners could have an improved life and better environment.