



Ministry of Commerce

Malaysia – Pakistan

Close Economic Partnership Agreement (MPCEPA)



TDAP
Trade Development
Authority of Pakistan
Formerly **epb**



The Malaysian Market

A Snapshot

26.4 million people
\$ 148.9 bn GDP
\$ 6,146 GDP per capita
5.9% Real GDP growth
\$ 1.3 billion import market
Third largest economy in ASEAN



Pakistani companies will now have much better access to the third biggest economy in South East Asia

Free Trade Agreement (FTA) between Pakistan and Malaysia was signed on 08-11-2007 at Kuala Lumpur Malaysia. This Agreement is the first bilateral FTA between two Muslim countries and also the first comprehensive FTA incorporating trade in goods, trade in services, investment and economic co-operation. This is Malaysia's first bilateral FTA with any south Asian country. This Agreement shall provide a strong foothold to Pakistan in the ASEAN region and help Pakistan achieve summit level partnership with ASEAN.

Due to ASEAN FTA, current intra-ASEAN trade is at preferential or zero tariff. ASEAN also has an operational FTA with China, in which exports from China will get preferential treatment in Malaysia. ASEAN is also negotiating FTAs with Japan, Australia, New Zealand, South Korea and India. Further Malaysia is negotiating bilateral FTAs with USA, India and Japan.

Exports from Pakistan were being subjected to higher tariff in Malaysia as compared to similar goods exported from ASEAN member countries. Resultantly, Pakistan was losing market in Malaysia for its core export products. This agreement would provide a level playing field to Pakistani products in Malaysian market.

OVER VIEW OF PAKISTAN MALAYSIA TRADE

Year	Export By Pakistan in million US\$	Import (by Pakistan in million US\$	Balance of Trade in million US\$	% Share (of Pakistan in Malaysian Import)
2002	54.298	525.090	-470.792	0.069
2003	44.841	667.728	-622.887	0.054
2004	54.005	702.293	-648.288	0.051
2005	56.565	740.475	-683.91	0.049
2006	59.300	842.598	-783.298	0.045

Pakistan has given market access to Malaysia on basic raw materials, intermediate goods and machinery. Pakistan has obtained market access for its core export products like fruits & vegetables, seafood, beverages, confectionary, biscuits, gems & jewellery, cotton yarn, cotton fabric, blankets, bed linen, other home textile products and tents & tarpaulins, medicaments and surgical instruments etc. In trade in services, both countries have provided WTO plus market accesses to each other. In the field of computer and I.T related services, Islamic Banking, Islamic Insurance (Takaful) Pakistan has secured 100% equity in Malaysia. Market access in services provided by both countries will impact positively on investment and trade in goods. Mutual recognition arrangements are also apart of the FTA. These arrangements will provide a framework for accreditation of education institution and academic programme and facilitate the effective and efficient delivery of services.

The agreement also contains a chapter on investment to facilitate entrepreneurs of both countries. The incentives available to both countries will not be available to investors from other countries.

Elimination of Tariffs

Fast Track:

6699 items will get zero rated market access in Malaysia by 1st January 2009

Normal Track:

1215 items will get zero rated market access by 1st January 2012

Sensitive Track:

2111 item have been placed in this track which would be further divided in 3 categories: under ST1 224 items would have only 5% duty on 1-1-2011, under ST2 616 item would have 10% duty on 1-1-2014 and under ST3 1271 items would have 20% duty on 1-1-2011

16 items would be importable by Malaysia under **Tariff Quota**.

Besides, 450 items are in Highly Sensitive List (HSL) and 102 items are in "Exclusion List" which would not be given any preferential market access by Malaysia.

Important Sectors placed in various categories

Important Sectors placed in **Fast Track**, for which duty would either be immediately zero or to be zero rated by 1st January 2009 include Cotton, Fish & Fish products, Sports Goods, Surgical Goods, Vegetables, Fruits, Spices, Chemicals, Pharmaceuticals, Carpets, Marbles and Onyx Manufactures, Precious & Semi Precious stones and Jewellery etc.

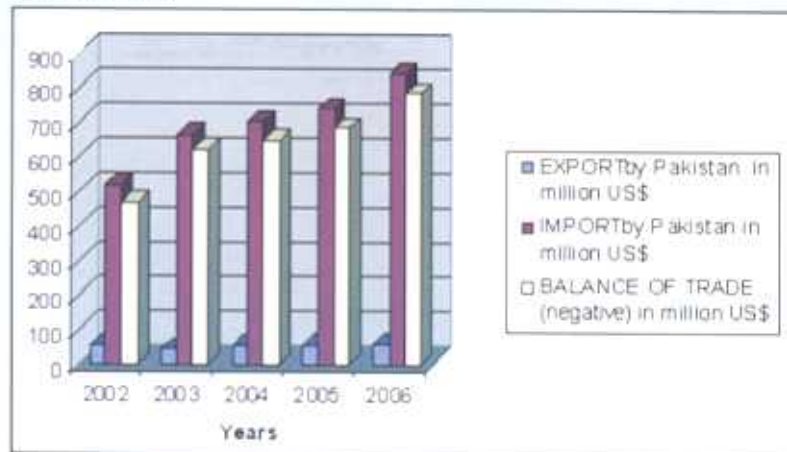
Normal Track, for which import duty would be 5% on 1st January 2011 and become zero on 2012 Cotton yarn, Cotton Cloth , Art Silk and Synthetic yarn, Knitted or crotched fabrics, Readymade Garments, Bedlinen, Textile Made-ups, etc.

Sensitive Track, for which import duty would not be zero rated and remain within 5% to 20% ; knit wears/Hosiery, Polypropylene, Embroidery of textile materials etc.

Number of Items in different Categories exported from Pakistan to Malaysia

Categories	Number of Items						Exp 2006 (000 US\$)	Indicative Potential* (000 US\$)
	FT	NT	ST	HSL/EL	OUT	Total		
Core	7	75	2	2	2	79	19,875	275,921
Other Core	10	1	2	2	6	20	13,710	497,330
Developmental	58	2	1	1	5	71	22,679	405,151
Top 20	6	10	1	1	3		Inclusive	
G Total	75	78	5	5	13	88	56,264	1,178,402

* ITC calculation



PERCEIVED GAINS FROM MPCEPA

CORE CATEGORY (textile and garments)

Out of 97 items under Core Category only 7 items have been placed in Fast Track while 75 items have been placed in category of Normal Track, which means that most of the items would become zero tariff by 2012. Although the present value of core products have been estimated at \$19.87 million the untapped potential of such products have been estimated at \$275 million.

OTHER CORE CATEGORY (Rice, Leather, Sports Goods, Carpets, Surgical Instruments, Petroleum products and Molasses)

Out of 20 items under Other core category, 10 items have been placed in Fast Track, which means that they would become zero-rated by January 2009 and help achieving the indicative potential of \$ 497 million against its present value of \$ 13.7 million. It indicates that the focused attention on these products considerable growth can be witnessed in the Malaysian market.

DEVELOPMENTAL CATEGORY

Developmental Category is perceived to have more benefits as out of 71 products, 58 have been placed under Fast Track Category which means that the products under this category will have zero-rated access to Malaysia by Jan 2009. Hence there is an ample opportunity for these products to improve the current value of \$ 22.6 million to more than \$ 405 million.

Indicative Potential of Pakistan exports Products in Malaysia

The total indicative potential for Pakistan's export products in Malaysian market has been estimated at \$ 1.17 billion against the present level of only \$ 54 million. The benefit given in form of concessions under FTA can be materialized to achieve the envisaged potential, provided tangible efforts in terms of competency level and product quality is ensured as per the requirements of Malaysian buyers.