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MSC project to benefit from globalisation

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WHEN a business sector starts generating megabucks, everyone will be jostling to get a slice of the action and then the inevitable tussle occurs over who should get what and why.

Often, battle lines are drawn around taxes, duties and tariffs as businesses are understandably loath to give up any portion of their hard-earned money to governments.

So, when the concept of tax holidays came in as a whiff of fresh air back in the early 80s within Asia, it was eagerly embraced by American and European firms seeking to expand their business.

As a result, many of these firms have become global giants with a substantial block of their earnings coming from their thriving Asian investments.

In turn, the spin-offs helped many emerging Asian nations kickstart their economies and post the enviable high growth rates that have led to rising affluence among their citizens.

However, the picture is not all rosy despite this seemingly win-win situation as rising nationalistic interests together with commercial and social expectations come into conflict.

It was with much reluctance that foreign firms came to accept the need for tariff barriers imposed by many Asian nations to protect their emerging domestic industries before an equal playing field could be established.

But, for the computer equipment industry, this argument did not really apply as most of the equipment had to be directly imported from the developed nations and it was only later that manufacturing concerns in this field set up their operations in Asia - but still under foreign control.

As such, the policy of taxing the rich inevitably came to play as computers and related equipment were seen as rich men's toys - a perception that was quickly dispelled when the importance of computer equipment to industries became recognised.

Given this change in outlook, tariffs on computer equipment were gradually slashed or done away with to promote the use of such technologies.

The proposed Information and Technology Agreement that is expected to take effect worldwide later this year takes these efforts one step further - the complete abolishment of all tariffs and taxes on computer equipment.

Despite the apparent unfairness of such a privileged class of businesses being established, the rationale for the move is sound as computer equipment and related technologies have already proved to be the critical foundations for the growth of economies.

Malaysia is clearly in agreement with this principle, judging by past remarks made by Prime Minister Datuk Seri Dr Mahathir Mohamad and International Trade and Industry Minister Datuk Seri Rafidah Aziz.

During the inaugural World Trade Organisation Ministerial Conference in Singapore late last year, Rafidah about 60 per cent of Malaysia's IT products was already at zero tariff, and that Malaysia had much to gain since it was the world's largest producer of semiconductors.

Even so, she managed to persuade the ITA's main proponent, the acting US Trade Representative Charlene Barshefsky, to allow the timetable for complete tariff removal be flexible for developing nations.

In so doing, Rafidah won the most important concession of all on the part of more developed nations - an open outlook at the current on-going ITA negotiations at Geneva, which is due to be completed by April 1.

Under the ITA, products to come under the zero-tariffs category include capacitors, photocopiers, fibre optic cables, computer monitors, telecommunication equipment, graphic display tubes, all computer software and semi conductors.

Tariff cuts will take place from July 1997 in four stages up till Jan 1, 2000 at the latest.

Since then, Malaysia has agreed to sign the ITA in July after examining the draft document in detail and to ensure there are no hidden agendas buried in the agreement.

Rafidah said there were only about 10 product items covered by the ITA which Malaysia was looking at more closely. But given the Government's strong support for computerisation, this matter now seems to be a foregone conclusion.

Together with Malaysia, the Philippines and four other Asian countries yesterday declared their intention to join the Information Technology Agreement, a decision that would give the much-needed critical mass for the agreement to take effect.

The six countries together comprise six per cent of the total global IT trade. For the ITA to take effect, it will have to be agreed to by enough countries to constitute 90 per cent of the world IT trade.

Last year, the ITA was formally endorsed by 28 countries representing 85 per cent of global IT trade. In addition to the US and EU members, countries that signed the agreement are Australia, Canada, Taiwan, Hong Kong, Iceland, Indonesia, Japan, Korea, Norway, Singapore, Switzerland and Turkey.

How this agreement will benefit everyone and the MSC project in particular is clear - cheaper equipment to allow for even lower start-up costs such that the funds get to go to skilled staff, where they are needed most.

Also, the ITA will allow for the export of such equipment abroad with a guarantee that Malaysian-made products will be able to compete on an equal footing in any country around the world.

This is exactly what the MSC project is meant to achieve - the globalisation of Malaysian products and skills via the most futuristic means possible so as to be perceived as the best possible in an increasingly more competitive trade environment.

And despite the seeming contradiction, Barshefsky agreed to the open trade environment and even praised Malaysia for having a vision to set up the MSC project, which ultimately will create the world's first paperless Government.

For in an open trade environment, an equal playing field is created without artificial barriers to unfairly prevent a competitor from peddling his products - with the ultimate loser being the average consumer.

And in the increasingly global trade environment, every average consumer becomes the next trade partner and a vicious circle gets formed - as can be seen by the annual confrontations between the US with China and Japan.

During such instances, everyone sits up to watch as it only takes one unfriendly move to spark off a slinging match in which everyone inevitably gets dragged in and all international trade could come to a halt should the final arsenal of trade embargoes be instituted.

But, what about the protection of domestic industries?

Understanding the MSC project's spirit provides a clear answer to that question. If an industry needs protection, it is obviously lacking in the necessary resources to compete and should address that shortfall first.

Being the best is not about having a protective umbrella under which one brashly boasts of having the biggest market share within a certain market. It is about going head-to-head with the best and earning the respect of all.

And that's the attitude the MSC project means to convey, and an attitude which all Malaysians should be striving for. Otherwise, Vision 2020 will end up being nothing more than a joke.

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