

13/03/1997

Slow and steady wins the race

MEMBERS of the largest-ever US business delegation to Malaysia do seem to have definite ideas on what Malaysia should do to improve trade and investment. Mr George David, who is chairman of the US-Asean Business Council, prescribes national treatment, a policy of equal treatment, without positive or negative bias, to domestic firms and foreign firms. Malaysia would be doing itself a favour and getting rid of a major obstacle to wider and deeper trade and investment relations with the US, in particular. Senator Lloyd Bentsen said present rules on minority ownership stakes were "onerous" and "not advantageous to Malaysia" at all. With competition for foreign investments heating up, Bentsen said foreign companies would reward governments and corporations where playing fields are level and full corporate disclosure emphasised.

Malaysia has said on many international forums why this will not happen anytime soon, and International Trade and Industry Minister Datuk Seri Rafidah Aziz's explanation to the US delegation on Tuesday was a mere playback. When the US called for drastic tariff reductions to create a level playing field among Asia Pacific Economic Cooperation (Apec) countries in Bogor in 1994, Prime Minister Datuk Seri Dr Mahathir Mohamad had stated Malaysia's stand clearly. This position was later adopted by most other Apec members. Various analogies - the David-and-Goliath analogy was one of the most popular - have been used to help the US and other pro-level playing field countries understand why smaller economies, like lesser golf players, need handicaps. At the World Trade Organisation (WTO) in Singapore last year, attempts by the EU to introduce a multilateral investment agreement were thwarted. The outcome of the WTO meeting was seen to mean that the developing countries' fears were justified and their point about liberalising their markets at their own pace had finally been taken.

Now and so soon, David, who represents the "Goliath" in the midget-versus-giant analogy used for the level-playing-field scenario, has attacked as dated and untrue the "typical argument" that large global corporations with unfettered access to the local market will swallow up smaller domestic players. The large companies, David argued, are usually responsible employers with a large number of local staff. The analogy that national treatment is like playing American football with small Malaysians against a large American team in a game which the Malaysians are not sure of the rules, is therefore "the protection of infant industries argument which is no longer relevant".

But as Rafidah told the US investors, Malaysia could go into "free market rhetoric" if it wants to but it will not. What the Government will do is continue to adopt a pragmatic approach in formulating policies and if one studies Malaysia's policies with regards to foreign investment since the early 1970s, they have been skewed quite significantly to the interests of the multinational corporations. From the days of the pioneer status, to the formulation of the Multimedia Super Corridor legislation and policies, the Government has consistently been supportive of foreign investors. The same policies were conceived to develop local expertise and wealth, and address socio-economic imbalances within local communities.

These policies have been obstacles to Malaysia's development. In terms of FDI, Malaysia has not been doing too poorly; last year, proposed investments reached RM41.7 billion, the highest since 1990. In terms of

trade, the country is in the top 20 largest exporter and importer group. While imbalances among the various races and between rich and poor persist till today, Malaysia has succeeded in almost eliminating poverty and charting above-8 per cent GDP growth for the last eight years. These have been made possible by way of pragmatic policies and the ability to efficiently implement them while safeguarding the interest of both local and foreign players. It will be silly to rush when there is no need to and when slow and steady is the better bet for winning the race.

(END)