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Problems seen in Singapore's free trade agreements

Nuraina Samad in Tokyo

MALAYSIA is concerned that Singapore's proposed free trade agreement with Japan and the United States will have disastrous effect on the economies of Asean countries.

Prime Minister Datuk Seri Dr Mahathir Mohamad, expressing this view yesterday, said he found it strange that Singapore, which was already a free-trade area, would have such an arrangement with Japan and the US.

(Singapore has already signed a similar agreement with New Zealand).

"We want to know the conditions in the co-operation between Singapore and these countries.

"We want to know Singapore's contributions ... whether it is giving more than that, whether there is any link to AFTA.

"We don't want anyone entering through Singapore and use privileges under AFTA," he told Malaysian journalists at his suite at the Imperial Hotel here.

He was asked to elaborate on this issue which he raised during a dialogue at the Seventh Nikkei International Conference on the "Future of Asia Beyond Globalisation".

Dr Mahathir singled out the automotive industry which he felt would be badly hit if foreign cars which were assembled elsewhere but were using 40 per cent local content (as required under AFTA) enter local (Asean) markets at cheaper prices.

He said while Malaysian-made cars contain 90 per cent local content, the country's production was small compared to that of other big foreign companies with huge economies of scale which design and test their cars elsewhere.

"So Malaysian cars with 90 per cent local content cannot compete with foreign-made cars assembled in an Asean country and having 40 per cent local content," he said.

When it was pointed out that there had been criticisms that the 40 per cent (of local content) was too low, thus making it all too easy for other countries to enter local Asean markets, he said when negotiations were made for AFTA, Asean governments had not experienced the results of globalisation.

"Our experience has shown that opening like that (Singapore's free trade arrangement) can have disastrous effect on our economy.

"We discovered late, that's why we have asked for deferment to 2005, instead of 2003."

Earlier, during the dialogue with participants of the conference, Dr Mahathir was asked on Malaysia's stand on Myanmar, to which he replied that Malaysia did not believe in isolating a country and punishing its people because it disagreed with the policies of its government.

"Isolating a people will mean that we have no influence over them and we will have no way of helping them along the way."

Dr Mahathir said because Malaysia believed in "talking" to Myanmar, it has established good relations with the country including having trade and investments.

He pointed out that a Malaysian, (Tan Sri Razali Ismail) has been appointed by the United Nations as special envoy to Myanmar.