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KL, too, should have own list of trade offenders

Hardev Kaur

THE US issued an annual National Trade Estimate report which "documents foreign trade barriers to US exports". The report includes a "comprehensive list of unfair trade practices and barriers to American exports of goods, services, and farm products".

The "2002 inventory of Trade Barriers" covers 55 major trading partners, including Malaysia. It notes an increased use of barriers such as non-scientific sanitary standards, Customs procedures, government monopolies and lack of transparency in regulations as "a strategy to hamper trade".

After issuing the report US Trade Representative Robert Zoellick said, "By identifying barriers to trade, we can work with our trading partners, globally, regionally, and bilaterally, to eliminate these barriers while further liberalising our market at home".

This is ironic, as the Bush Administration itself has recently imposed tariffs to protect its steel industry. Zoellick had defended the steel tariffs arguing "if we are going to promote a free trade agenda around the world and have support for it at home, we have to be willing to use the rules available internationally and domestically to have those industries that have really got flattened".

Not everyone agrees. American companies that make products such as oil equipment and plastic mouldings have said that they will suffer irreparable damage if certain foreign steel products are not exempt from the 30 per cent import tariff.

A number of countries including South Korea and the European Union have said that they would take the case to the World Trade Organisation (WTO) while others threatened to slap their own tariffs.

To be sure, the US is not alone in taking stock of trade barriers of its trading partners. Japan also takes stock of barriers that Tokyo says hamper its export trade.

The lists and allegations, rightly or wrongly, form the basis on which views and concerns are shaped by the business and trading communities in the countries concerned.

In the mid-1990s the Japanese had complained that Malaysia was protecting its domestic economy and that Tokyo had drawn up a list of "duties and restrictions" which Malaysia imposed on Japanese goods, to which Prime Minister Datuk Seri Dr Mahathir Mohamad had responded that Malaysia too has its own list.

But unfortunately many countries, and especially the developing nations, do not have an answer nor do they have their own lists of trade offenders.

And many of them are more dependent on world trade than developed countries.

Malaysia as a major world trade partner, in gross national product terms, is more open and dependent on trade and than even the US and Japan. Malaysia's exports account for some 200 per cent of its gross domestic product compared with 10 per cent for the US and 9 per cent for Japan.

Malaysia's weighted average tariffs on all goods have declined from 3.90 per cent in 1998 to 2.99 per cent in 2000. The simple average tariff has declined from 9.30 per cent in 1998 to 9.18 per cent in the year 2000. Within Asean's Free Trade Agreement, Malaysia already has 60.3 per cent of tariffs at zero duty and the average Common Effective Preferential Tariff rate for Malaysia had been reduced from 10.8 per cent in 1993, to only 2.6 per cent in 2002. This is expected to fall further to 1.9 per cent next

year.

But the US' 2002 National Estimate Report on Foreign Trade Barriers says in Malaysia "tariffs are the main instrument used to regulate the importation of goods". It nevertheless adds, "17 per cent of Malaysia's tariff lines (principally in the construction equipment, agricultural, mineral and motor vehicle sectors) are also subject to non-automatic import licensing designed to protect import-sensitive or strategic industries".

Malaysia is not the only country that protects its strategic industries.

Even the US does so. Most of the protected industries in developed countries - be it the US, European or Japan, are politically very powerful. In the US, the agricultural sector is heavily subsidised. Its steel industry has just been given another protection with the 30 per cent import duty. The list can go on. The US, Japan and Europe in addition to a number of other countries impose restrictions on Malaysian exports. The country has had to resort to the WTO because of unfair practices.

In the face of rising protectionist tendencies, perhaps Malaysia too should undertake a comprehensive study and compile a list of "trade offenders" that erect tariff and non-tariff trade barriers that hamper and restrict its exports.

The list like that of the US should include an inventory of the most important foreign barriers affecting Malaysia's exports of goods and services, foreign direct investment by Malaysians, and protection of intellectual property rights.

The list should also provide quantitative estimates of the impact of the foreign practices and restrictions on the value of Malaysian exports.

According to the US trade report, "Such an inventory facilitates negotiations aimed at reducing or eliminating these barriers. The report also provides a useful tool in enforcing US trade laws, with the goal of expanding global trade, which benefits all nations".

Malaysia, which is more open and dependent on world trade than the US, too has vested interest in ensuring that global trade grows and that countries do not impose tariff and non-tariff barriers that will hamper and limit free flow of goods and services.

But it is not a simple matter. Negotiations at the bilateral, regional and multilateral level can be bogged down, stalled or even derailed as a result of overriding and powerful domestic interests. The more developed nations come well prepared for the negotiations than those from the poorer developing countries.

Armed with the research, studies and reports from their governments as well as the various think tanks, institutions, universities and businesses, the negotiators from the developed countries have much of the ammunition to deal with their counterparts. At times they have better information about the country with which they are negotiating than the local negotiators themselves.

Negotiators from developing countries, including Malaysia, have found themselves face-to-face with powerful business lobbies and businessmen from the developed countries. This is in addition to the large official delegations from the developed countries.

While there is no substitute for good and comprehensive preparation for negotiations, as the marathon sessions in Geneva and in other capitals show, stamina is just as important. Good research and reports would certainly be very useful and helpful.

E-mail: hardev@alumni.KSG.harvard.edu

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