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KL has non-tariff options

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MALAYSIA can introduce measures, allowed under a market liberalisation pact, to equalise treatment for local and imported products, International Trade and Industry Minister Datuk Seri Rafidah Aziz said yesterday.

She reiterated that Malaysia will never introduce non-tariff barriers on imported motor vehicles when the sector is liberalised under Asean Free Trade Area (Afta) in 2005, as it is against the liberalisation pact.

"However, the Government can introduce other measures, such as certificate of eligibility or other duties," she told a news conference on the sidelines of the 35th International General Meeting of Pacific Basin Economic Council (PBEC) in Kuala Lumpur yesterday.

Rafidah said this when asked to comment on Prime Minister Datuk Seri Dr Mahathir's statement on Monday that the Government does not plan to introduce non-tariff barriers to protect its automotive industry in 2005.

Non-tariff barriers on trade between countries include standards, conformity assessment and technical regulations.

She said according to market liberalisation rules, participating nations have to give the same treatment for local and imported products. She said import duties are discriminatory for foreign products and that is why market opening exercise seeks to dismantle import tariff so that local and imported products are treated equal.

"When we remove the import duty, we have to give equal treatment to both products. We may impose same taxes to local and imported products," she said.

The minister said the Government, like any other governments, will find new ways of equalising treatment without losing revenue which it received from the discriminatory import duty.

Rafidah said other measures which are not amounting to non-tariff barriers include higher sales tax, surcharge or certificate of eligibility - measures which other countries have adopted.

"There are many options which other countries have done, so we have to look at other options," she said.

When asked whether Malaysia will introduce such measures in the automotive sector come 2005, she said the Government has not decided on it yet and that the matter is under the Finance Ministry's jurisdiction.

Malaysia was granted a two-year deferment of the full liberalisation of its automotive sector by the Association of South-East Asian Countries (Asean), to allow it time to recover from the impact of the 1997-98 Asian financial crisis.

On the bilateral free trade pacts Singapore is pursuing with several non-Asean members such as Japan, Rafidah said they are not under bilateral free trade area (FTA) but are actually close economic partnership agreements.

"An FTA undertaken by any Asean country with a third party involving tariff negotiation is unlikely because once you negotiate tariff with a third party and start giving concession, you have to give the same to the rest of the Asean members.

"So, it cannot be a bilateral FTA as everybody is dragged into it," she said.

She said agreements signed by other Asean members with non-Asean nations are not constituted as bilateral FTAs as they are only some form of arrangements to allow greater market access or freer flow of people or

goods, without involving tariff negotiation.

"Singapore and Japan have signed a close economic partnership agreement... essentially, it is not a bilateral FTA," she noted. The minister also said that developed countries like Japan, Europe and the US should discard their political motives when negotiating under the World Trade Organisation (WTO).

She said Malaysia believes that unlike developing countries which are economically motivated, developed countries are moved by political motives when discussions about important issues at the WTO are being carried out, such as agriculture.

"That is why things are not moving as it should at the WTO," she said, citing the US trade negotiator who has to go back to the Congress everytime before any decision is taken during the negotiations.

Rafidah had earlier met the visiting Deputy US Treasury Secretary Kenneth W. Dam for a half hour discussion.

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