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YEARENDER-GLOBALISATION

MALAYSIA EXAMINING WAYS TO BENEFIT FROM GLOBALISATION

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KUALA LUMPUR, Dec 12 (Bernama) -- While Malaysia has been very vocal on speaking about liberalisation and globalisation, it must be stressed that the country is not against these developments: it is particularly mindful of the need to maximise the benefits and minimise the risks associated with them at the same time.

For instance, Prime Minister Datuk Seri Dr Mahathir Mohamad had said in June this year that Malaysia recognised that it cannot escape the forces of globalisation and liberalisation but it would continue to suggest ways to ensure that they benefited more people.

The Minister of International Trade and Industry, Datuk Seri Rafidah Aziz, did say that market liberalisation, in theory, can lead to greater global trade.

But, unless domestic conditions are ripe for such liberalisation, there could be economic dislocations and instability, with the cost of liberalisation far outweighing the benefits, she said.

The most important issue that will be watched with great interest next year is the implementation of the ASEAN Free Trade Area (AFTA).

Rafidah had said that AFTA could provide a new substantial market of more than 530 million people and gross domestic product of more than US\$750 billion.

This, in itself, should provide the impetus for greater foreign direct investment flows inflows into ASEAN as well as spurring intra-ASEAN investments by ASEAN investors and manufacturers, she said.

In other words, ASEAN, with strategic synergising of complementarities, and mutual strengths, can create the necessary endogenous growth or growing from within.

Even before the coming into effect of AFTA, Malaysia, in the spirit of World Trade Organisation (WTO), has been gradually liberalising many sectors so that foreign investors can take part in the development of the country.

Measures to protect local industries have been also been dismantled except for a few industries.

To get things moving, Malaysia has set up the National Committee on Multilateral Trade Negotiations with 11 working groups to examine all the WTO issues with a view to co-ordinating and formulating national positions. It is also aimed at making Malaysia an effective WTO member and one that is familiar with global policies.

Members of the working groups include representatives from relevant ministries, government agencies, private sector and professional bodies.

Malaysia recently submitted a list of request for market access in the service sector to the WTO. These include market access in the construction and engineering, accountancy, telecommunications, financial and architectural services sector.

AFTA is to come in effect in just a matter of days. That is to be the real test for Malaysian industries to see whether they can survive under a globalised environment, although on a smaller scale.

Under AFTA, tariffs on Asean goods are to be reduced to between zero and five percent. Those who are competitive, efficient and productive may face little problems.

But what those who are not? Experts suggest that they should consider forging smart partnerships and seek win-win situations.

Besides AFTA, the next area of interest for Malaysian industries will be the Free Trade Agreements or FTAs. At present, Malaysia has yet to start any FTA negotiations.

But Malaysia is now conducting a study on the costs and benefits of bilateral FTA. And so far, Malaysia's participation in an FTA is directly or indirectly via Asean which has signed a framework agreement with China to negotiate a free trade zone by 2010.

The FTA between Asean and China was mooted by China at the 2001 Asean Summit in Brunei.

Not to be outdone, Japan, the world's second largest economy, and South Korea also decided to have a piece of the FTA action. Japan's FTA with Asean is to become a reality in 10 years from now.

Proponents of FTAs say they offer a means of strengthening partnerships in areas not covered by the WTO and achieving liberalisation beyond levels attainable under the WTO.

Entering into FTAs is also a highly useful way of broadening the scope of economic relationships with other countries, they say.

They add that FTAs lead to the expansion of import and export markets, the conversion to more efficient industrial structures, and the improvement of the competitive environment.

In addition, they believe that FTAs help reduce the likelihood of economic frictions becoming political issues, and help expand and harmonise existing trade-related regulations and systems.

The U.S had wrapped up an FTA deal with Singapore last month, marking the first free trade pact between U.S and Asean countries.

An observer believed that Malaysia might ink an FTA with the U.S as such a deal might not touch on "sensitive products". Under such an arrangement, the U.S is expected to continue using anti-dumping reasons to protect its agriculture products such as soya and steel while Malaysia may reciprocate to protect its automotive industry, he said.

Asean is also considering developing a trade investment and framework agreement (Tifa) with the U.S. This was sparked during the informal consultations between the Asean Economic Minister (AEM) and U.S Trade Representative Robert Zoellick in Manila in November.

The proposed Tifa came in response to U.S President George Bush's offer of bilateral FTAs to Asean through a new trade initiative called the Enterprise for Asean Initiative (EAI). The EAI offers the prospect of bilateral FTAs between U.S and Asean countries committed to economic reforms and openness.

Under the EAI, the U.S. and individual Asean countries will jointly determine if and when they are ready to launch FTA negotiations. -- BERNAMA

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