

07/05/2002

PM: No plans for non-tariff barriers to shield automotive sector

Kamarul Yunus

PRIME Minister Datuk Seri Dr Mahathir Mohamad quashed speculation that Malaysia will introduce non-tariff barriers to protect its automotive industry when the sector is liberalised under the Asean Free Trade Area (Afta) in 2005.

"It is (just) talk... we have no such ideas in mind," he told newsmen after opening the 35th International General Meeting of the Pacific Basin Economic Council in Kuala Lumpur yesterday.

Asked why Malaysia has not started reducing import duties for automotive products with the deadline just two years away, Dr Mahathir said the sector should be more efficient and cost-effective by then.

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

The Prime Minister also said there may be a need for Asean members to review various Afta terms of reference.

For one thing, Malaysia's national cars which have a 90 per cent local content would be less competitive than those assembled in other member countries as the latter only need to meet a 40 per cent local content level under Afta to be treated as national products.

"In the original agreement, we decided that certain products with local content of at least 40 per cent will be considered national products, and be given access to other Asean countries tax free or at a minimum tax.

"That would put products with much higher local content at a disadvantage... like Malaysia's national cars.

"We have to give due consideration to that."

Asked if Malaysia will seek a review of this policy, Dr Mahathir said Malaysia remains committed to the clause.

Rice production is another area of concern, he said.

"When I visited my constituency (Kubang Pasu) recently, the farmers were very worried... their production cost is much higher than that in neighbouring countries.

"They asked what will happen to them (under Afta)... their cost is now almost twice that in the neighbouring countries (whose currencies had seen much deeper devaluation than the ringgit). They may have to stop production completely unless the Government provides some subsidy.

"We have to look at this issue which did not arise at the time of the original negotiations."

Regardless, Malaysia still subscribes by Afta and will honour its commitments, Dr Mahathir said.

On the bilateral free trade pacts Singapore has pursued with several non-Asean members, Dr Mahathir said the republic should not take advantage of its membership in Asean to benefit itself.

"We are watching (the situation) closely.

"We think countries should belong to natural groups such as East Asia or South-East Asia. Once you leap into all kinds of groupings, it becomes confusing and may be non-productive."

The Prime Minister was asked to comment on Singapore's invitation to other Asean members to join its trade pacts with countries outside the grouping.

"We are watching all these Singapore-US, Singapore-China, Singapore-

Japan economic cooperation plans, whether they will be good for the republic or not... for us (Asean).

"As far as we are concerned, if we join every economic zone, it will be just one global economic zone, instead of regional groupings... it becomes meaningless."

In the case of Asean, it is meaningful for the region's nations to come together, not only on the basis of geography but also similarities in culture, Dr Mahathir said.

(END)