

08/08/2004

Rafidah in the eye of FTA storm

By K.C. Boey

"MALAYSIA signs on free trade"; "Australia and Malaysia explore FTA", go the headlines. FTA is the acronym of the moment: free trade agreement. It is a complex matter further complicated by the politicians intent on using the issue to their advantage, with Prime Minister John Howard poised to call the election.

Into the fray flew International Trade and Industry Minister Datuk Seri Rafidah Aziz, on a nine-day swing through Sydney, Melbourne and Perth, heading a delegation conducting seminars on business opportunities in Malaysia.

The seminars involving officials from the ministry, the Malaysian Industrial Development Authority (Mida) and Malaysian External Trade Development Corporation (Matrade) were organised in conjunction with the 11th meeting of the Malaysia-Australia joint trade committee that Rafidah held with her counterpart Mark Vaile in Melbourne.

In the climate of the moment, the focus moved inevitably to parallel bilateral FTA issues taxing the politicians and exercising business, analysts and the media in the dust-up over whether Australia should sign the bilateral free trade agreement with the US (AUSFTA) that President George W. Bush signed off last Tuesday.

Howard and the conservative coalition of his Liberal Party and the country National Party want the deal, concluded in February, passed at the current session of Parliament, which resumed sitting on Tuesday.

The opposition Labor Party headed by Mark Latham has stood firm to block passage of the deal in the Senate unless the Government agrees to amendments to safeguard local content in film and the arts, and to amendments to protect pharmaceutical benefits.

AUSFTA is not only to do with trade. There are those who would have us believe it has as much to do with Australia's alliance with the US. Howard has said as much, in challenging Latham to sign on.

The agreement that Rafidah and Vaile struck, for Malaysia and Australia to separately carry out scoping studies to see if the two countries should go on to negotiate a bilateral free trade agreement, is being similarly looked on beyond trade.

The agreement is being taken to be as much a gauge of improved relations between the two countries as for prospects of exchange of complementary goods and services between the two economies.

Rafidah, among Australians, has long been seen as representing more than her trade portfolio. "Feisty" is the adjective long used to describe her, in the image of former Prime Minister Tun Dr Mahathir Mohamad, held among many as the obstacle to Australia's entry into membership in the region.

That Rafidah should agree to the scoping studies is seen to represent "a major thawing of icy political relations" between Malaysia and Australia.

As Greg Sheridan, keen observer of the region as foreign editor of The Australian, says of the breakthrough: "No single politician was more closely associated with (Dr Mahathir's) ideological worldview than his feisty trade minister, Rafidah Aziz.

"That she would sign on to this deal personally makes it much more likely to happen, and demonstrates how comprehensively the official Kuala Lumpur attitude has evolved."

The view in Australia is that Prime Minister Datuk Seri Abdullah Badawi is better disposed towards Australia.

Rafidah dismisses the idea that the change in leadership in Malaysia has influenced any shift in the relationship.

"It's the same Government, just a different Prime Minister," she says. "The same policies, fine-tuning as we are going on, as it should be."

Whatever the impetus, the shift opening the door to a possible free trade agreement between Asean and the Australia-New Zealand Closer Economic Relations is greeted with relief.

Australia has been promoting a two-track policy in pursuit of global free trade, driven to seeking bilateral and regional arrangements because of difficulties in getting the 147 members of the World Trade Organisation to come to agreement.

The proposal for the FTA with Malaysia would be the third bilateral agreement Australia has in the region, after Singapore and Thailand. Australia is also conducting scoping studies with China, and is exploring similar moves with Japan.

Malaysia already almost has free trade, says Rafidah. There are no tariffs on 60 per cent of imports into Malaysia, and on 96 per cent of products, tariffs are at or below five per cent.

Tariffs on automotive products will go by January, as required under the Asean free trade agreement.

If Rafidah sounds a note of caution, it is that the scoping study in Malaysia would look at the benefits to the country of a bilateral FTA.

It would not be for fear of competition, says Professor Ross Garnaut, professor of economics at the Research School of Pacific and Asian Studies at the Australian National University in Canberra.

Garnaut is a regular participant at forums of the Institute of Strategic and International Studies (ISIS) Malaysia, with established insights on Malaysia.

"Malaysia has built its economy on good trade policy, based on the multilateral trade system," Garnaut tells the New Sunday Times. "If it is cautious on the scoping studies, it will be less to do with any fear of competition as the prospect of any change to a proven system."

Garnaut, who is inclined towards the multilateral system of trade, is confident that headway made at the World Trade Organisation talks that concluded in Geneva last weekend would take the momentum from bilateral agreements.

It would be good for agricultural producers such as Australia and Malaysia and other members of the Cairns Group, and encourage a return to commitment to the multilateral system.

(END)