

Sitting out TPPA won't do Malaysia any favours
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COMMENT There has been considerable debate in Malaysia lately about the Trans-Pacific Partnership Agreement (TPPA).

Broadly speaking, the TPPA is a free trade agreement (FTA) involving 12 countries, namely Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, Vietnam and Japan.

The concept was first mooted in 2005 but the first round of negotiations was only held in 2010 in Australia.

The agreement will apparently consist of 29 chapters covering both traditional and new areas of trade, from market access to government procurement.

The TPPA - if it goes through - will emerge as one of the world's largest FTAs, which will cover 40 percent of the global gross domestic product (GDP) and nearly a third of its global trade.

Malaysia's involvement in such a trade deal is ostensibly a good thing.

After all, trade is and has always been the lifeblood of our economy. The World Bank estimated that in 2013 exports made up some 83 percent of our GDP.

Moreover, many of our key trading parties, including the United States and Japan, are to be members of the TPPA.

Nevertheless, the TPPA has been the subject of sustained controversy in Malaysia. There have been questions over what impact it will have on us politically and economically.

These are valid concerns and they should be welcomed - not least because they highlight growing consciousness in the public domain over such issues.

However, one must conclude that the TPPA will overall be a good thing for Malaysia.

There have been questions over whether FTAs like the TPPA will really benefit Malaysia's economy.

Well, Malaysia already has some 13 FTAs, including with major TPPA players like Japan and Australia.

These FTAs have resulted in greater inflows of foreign direct investments (FDIs). For instance, FDIs from Japan rose to RM32.4 billion in 2009 to RM65.4 billion in 2013.

These bilateral FTAs have not unduly hurt Malaysia's economy.

A country open to trade and business

Indeed, they have reinforced Malaysia's reputation as a country open to trade and business. It is hard to see how a deal like the TPPA - admittedly a multilateral FTA - will be any different.

At the same time, the TPPA will open global markets to crucial Malaysian goods, including textiles and palm oil. The scenario for palm oil is particularly promising as it is expected to help reduce tariff barriers for key markets such as Canada, making Malaysian palm oil more price-competitive.

Fears however, have been raised about the impact that the TPPA's investor-state dispute settlement (ISDS) clauses will have on Malaysia's policymaking and legal sovereignty.

Critics - despite the government repeatedly assuring otherwise - claim that the ISDS will allow multinational companies to sue the government over policies like tobacco control.

But Malaysians should keep in mind that such ISDS clauses also work both ways.

While it is true that they will protect the interests of foreign investors into our country, the same level of protection will be extended to our companies if and when they venture abroad - which is an increasingly frequent occurrence.

Another criticism raised has been the idea that the TPPA will hurt government-linked companies and erode affirmative action policies for the bumiputera community.

These are of course extremely sensitive political issues and the debate is always likely to be emotive once they are raised.

Also, one detects a tone of condescension in these criticisms. They would appear to imply that there is no way that local - including bumiputera - companies and workers will be able to compete on a global stage with the advent of the TPPA.

Well, I for one believe that Malaysian businessmen and workers have what it takes to succeed.

Indeed, we have no choice but to give in to growing international economic competition, as well as the advent of the Asean Economic Community in 2015 which will push South-East Asian integration further and deeper in.

Malaysia cannot seal itself from these developments off forever if it wants to avoid

stagnation.

Of course, honesty is the best policy and the government must continue to address concerns about the TPPA, as well as engage all relevant stakeholders.

But sitting out of the TPPA will not do Malaysia any favours. Indeed, it will only hurt us in the long run.

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