

'M'sia's TPPA participation in own national interest'

MalaysiaKini.com

Dec 3rd, 2015

Malaysia's participation in the Trans-Pacific Partnership Agreement (TPPA) is in its national interest while the opposite also holds true, according to a cost-benefit analysis study released by the International Trade and Industry Ministry (Miti).

"Non-participation places the country's policy of close and friendly relations with countries at risk," according to the national interest analysis (NIA) prepared by the Institute of Strategic and International Studies Malaysia (Isis).

At the political level, it said Malaysia maintains good relations with most countries, while in terms of formal institutional economic arrangements, Malaysia is engaged mainly with Asean and its dialogue partners.

By not joining a comprehensive agreement such as the TPPA, it said Malaysia would be sending a strong signal that there are countries that it wishes to develop close economic and commercial ties into the future, and others which it either places lesser priority or does not.

"Closely related is the fact that Malaysia passes on a major opportunity to diversify its economic relationships, which increases the possibility of it being subject to disproportionate political influences," said Isis.

According to the NIA, the most direct and obvious consequence of Malaysia's non-participation in the TPPA is the inability of Malaysian exporters to access the lower or zero tariffs of Malaysia's export markets.

The industries, at present, that stand to be affected include palm oil, textiles and clothing and, prospectively, automotive components.

On palm oil, for example, Canada currently levies an import duty of one percent on Malaysian refined palm oil and palm kernel oil, while Indonesia, a non-TPPA participating country which enjoys Canada's GSP privileges, can export duty free.

For the textiles and apparel industry, the US is Malaysia's most important export destination, followed by Japan and by opting out of the TPPA, Malaysia risks experiencing trade diversion, as participating countries have preferential access to one another's markets.

The overall impact at the national level may not seem large, but the costs of trade diversion can be very important for specific industries and for Malaysia's export earnings, it noted.

The NIA also indicates that investments received as a result of TPPA participation would be potentially larger and thus a greater loss in the event of non-participation.

Malaysia's forward interest, that is, its investments made abroad, will also not be covered by the higher standards and stricter rules that the TPPA countries will have to adhere to.

Hence, the decision not to follow through with the TPPA is unlikely to be positively viewed by investors, both foreign and domestic.

"Given that the 2005 US-Malaysia free-trade agreement (FTA) negotiations are now integrated into the TPPA, US companies, investors and bankers, in particular, are expected to be especially negative," it said.

If Malaysia is not to participate in the TPPA, it is also unlikely to be able to restart the Malaysia-European Union (EU) FTA negotiations as the latter has similar requirements and standards.

"Thus, the failure to effect the TPPA could turn out to be a double jeopardy by denying Malaysia both access to Trans-Pacific and European countries," the NIA study revealed.

'Significant competitive advantage'

Countries within the TPPA that have finalised arrangements with both regions will have a significant competitive advantage compared to those that do not.

Six TPPA countries have already concluded EU arrangements, namely, Canada, Chile, Mexico, Peru, Singapore and most recently Vietnam.

Meanwhile, the US and the EU are in the midst of negotiating the Transatlantic Trade and Investment Partnership (TTIP) and have met more than 10 times.

Australia, New Zealand, Japan and Malaysia have indicated their interest to either start or restart FTA negotiations and if the TTIP is concluded, together with the TPPA, it will be the largest of such arrangement among developed countries, setting the de facto standards for global trade and investment.

"If Malaysia were not to join the TPPA, it could be the only country to do so and also not secure an arrangement with the EU," it said.

The NIA said the TPPA too provides a first layer of defence against rising protectionism in the form of non-tariff measures (NTMs).

The World Trade Organisation has consistently reported a nett rise in the stock of trade restrictive measures since 2008, even as tariffs overall have declined.

As of May 2015, 1,828 measures remained in effect and despite removals by some members, new ones have been added, it said.

“Members of an agreement such as the TPPA are not entirely free from NTMs, but given the transparency rules, complaints and dispute settlement procedures, may be expected to be much less frequently experienced than would otherwise be the case,” it said.

By joining the TPPA and adhering to certain requirements such as labour and environmental provisions, Malaysia may be able to limit the extent to which it is subject to new measures.

Lastly, without the TPPA, the NIA said Malaysia would not have sufficient incentives to liberalise its economy and unlikely to undertake economic reforms and thus, lifting welfare.

- Bernama

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <https://www.malaysiakini.com/news/322027>