

FTA: To sign or not?
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While there are some benefits that will accrue to Malaysia from a Free Trade Agreement (FTA) with the United States, the disadvantages, it is apparent, will outweigh its advantages.

In trading terms, the US is Malaysia's biggest single country market. The total value of our exports to the US stood at RM110.56 billion last year. Since the FTA bestows a preferential trading position upon Malaysia, it is hoped that the volume of trade especially in manufactured goods will expand.

But an agreement seems unlikely. Those critical questions which have impeded negotiations for more than eight months now, remain unanswered after five rounds of talks in Malaysia and the US.

Will the FTA allow US agricultural products to overwhelm the Malaysian market, thus impacting adversely upon our farming sector? Even if our padi farmers are protected, what about other sub-sectors, such as poultry farming? We have the example of Mexico which lowered tariffs under the North American Free Trade Agreement and consequently opened the floodgates to subsidised corn from the US. This impoverished at least 3 million of the 10 million farmers.

At a time when agriculture and agro-based industries are being given renewed emphasis in our development agenda, does it make sense to encourage heavily subsidised agricultural products from the US to undermine our efforts to build a resilient farming community?

In similar vein, should we accede to the unimpeded entry of cheaper manufactured goods when there is a possibility that it could lead to the closure of our factories and mass retrenchment of workers?

It is estimated that, in Senegal, a third of the workers in the manufacturing sector lost their jobs as a result of a FTA with the US that lowered drastically industrial tariffs. In Chile, 8 percent of the industrial labour force was rendered redundant for the same reason. South Korean critics of their proposed FTA with the US argue that more than 100,000 workers could become unemployed if an accord is inked.

Apart from a loss of jobs, FTAs have also resulted in the curtailment of a whole gamut of labour rights. Since the US Establishment is clearly biased towards the multi-national and transnational corporations affiliated to it, there has been a tendency to protect their profits at the expense of the well-being of workers in the host country. Consequently, the worker's right to unionise and access to other benefits such as health insurance are sometimes curbed and controlled.

Going on the basis of the FTAs already concluded with a number of countries in South and Central America, it is quite conceivable that the US will impose similar conditions upon Malaysian workers.

Influence on economy

The US is also seeking equal access to lucrative government tenders and contracts. The

Malaysian government is very much aware of how this will affect its affirmative action programmes designed to rectify imbalances between communities. Perhaps even more important, if the government yields to the US demand, it would unwittingly grant the latter a strategic role in the economy.

The government should be firm on the vital question of intellectual property rights (IPR). What the US FTA is asking goes beyond the IPR obligations of World Trade Organisation member-states. It would have an adverse impact upon cheaper generic medicines and make drugs for HIV/Aids, for instance, much more expensive.

However, more than any of the other negative consequences spelt out here, the FTA could prove to be a disaster for Malaysia's service industries. The US is seeking total, comprehensive access to this sector which ranges from banking and finance to telecommunications and audio-visual services. It wants all limitations on foreign ownership to be removed. This is a demand to which Malaysia will acquiesce, since certain industries such as telecommunications are of strategic significance to the nation.

Neither should the government agree to surrender its sovereign right to impose capital controls if and when deemed necessary. For US negotiators, the unhindered entry and exit of equity capital is fundamental to financial liberalisation, the cornerstone of neo-liberal capitalism.

Having been a victim of such capital flows - otherwise known as 'hot money' - in the financial crisis of 1997-1998, and having overcome that crisis partly through the effective use of capital controls, Malaysia is being judicious and prudent in insisting upon its right to regulate capital flows.

Geo-political goals

A vigilant attitude on our part is imperative for yet another crucial reason. FTAs are not just about trade and economics. US FTAs in the Middle East and Latin America reveal that there are larger geopolitical goals at stake.

A FTA with Malaysia, it is quite conceivable, will enable the US to increase its political leverage with an important Southeast Asian country which is part of China's immediate neighbourhood. It is a littoral state which has sovereign rights over the Straits of Melaka, one of the world's seven most strategic sea routes - a route which is vital for China's economic ascendancy.

Since Malaysia is determined to protect its sovereignty and independence, it must ensure that it is not drawn into a relationship with the US which will jeopardise its own long-term interests in a region that is destined to be a new centre of global power.

For all these reasons, the government should continue to put across its legitimate concerns to the US FTA negotiating team. If due consideration is not given to these concerns, we should put the negotiations with the US in abeyance.

In any case, an objective cost-benefit analysis of a FTA with the US will show that Malaysians as a whole will have much more to lose. This is why we must protect our interests - and our dignity.