

Hard nuts to crack on the way to a deal

With pressure looming for an accord on the free trade agreement with the United States, there is a need for both sides to show imagination and ambition to achieve a consensus on outstanding issues, writes DEVA MOHD RIDZAM

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SINCE the Malaysia-United States bilateral trade talks began in Penang some eight months ago, many of the details have been understandably kept from the public eye.

At the fifth round of negotiations in Kota Kinabalu, both sides, however, acknowledged that progress had at best been patchy.

The time limit on the negotiations, which must end by June, added a sense of urgency. Indeed, it is unlikely that the now Democrat-dominated Congress will extend President George W. Bush's "fast track" trade promotion authority.

Notwithstanding the remaining one-month window of opportunity — the US Congress needs 90 days from the end of March to consider a deal — both International Trade and Industry Minister Datuk Seri Rafidah Aziz and US Trade Representative Susan Schwab remain cautiously hopeful of an eventual deal.

On her part, Rafidah decided that the time has come for the Cabinet to be apprised of the status of negotiations. She wanted to ensure that there was no backsliding from earlier Cabinet directives.

Last week she, besides putting things in its broader context, must have also felt that it was time for "plain talk" with her Cabinet colleagues.

The following could have been some of the things highlighted:

First, a deal is still "doable" and also "necessary"; and when something is necessary and doable, it must happen.

Second, the negotiations to date have been slow largely because some officials in the negotiating team had little or no guidance from their respective ministers. Without clear policy direction, officials were sitting on their hands at the various rounds. They expected Miti to not only speak, but also to think and negotiate on their behalf.

To make matters worse, low-level representation had also resulted in the Malaysian team lacking coherence and even purpose.

Third, contrary to the general perception, the New Eco-



International Trade and Industry Minister Datuk Seri Rafidah Aziz and US Trade Representative Susan Schwab (left) remain cautiously hopeful of an eventual deal being struck despite the slow progress in talks. — Bernama picture

nomics Policy (NEP) was never an issue in the negotiations. After all, even the ultimate free market economy, the United States, practises affirmative action.

The Americans also know that the NEP is intended to advance a sense of egalitarianism within the country, one designed to empower the economically disadvantaged.

Fourth, Malaysia in particular needs to crack the "hard nut" post-haste. The 58 so-called "contentious issues" revolve around core areas such as government procurement, financial services, competition policy and intellectual property rights.

These issues are in themselves not insurmountable. In such deals, there will always be in-built "transitional arrangements"; "agreed threshold levels" and other flexibility mechanisms to allow for gradual, progressive and incremental steps in the implementation process.

Fifth, Malaysia agreed to a bilateral agreement with the US for the best of reasons. Competition in the international market place is intense. The list of competitors grows year by year. Malaysia must sustain productivity growth, improve efficiency and competitiveness at home and abroad.

The larger picture is that sustained economic growth is the ultimate tonic for poverty eradication, income redistribution, and much more.

Sixth, while Malaysia's trade regime is relatively open, it can be improved further. Compa-

nies export more to or from markets that employ "best" trade policies and practices, and national trade policies "compete" to attract trade and investment flows.

The current rather impressive economic trends, including trade and investment figures for 2006, underscore the importance of sustaining these positive developments over the longer haul. Otherwise, they could turn out to be short-lived.

An FTA with the single largest market will be seen by American companies and others alike as further "improving" Malaysia's trade policy regime. It will also increase the commercial presence of American, European and other companies in the country.

Overall, there will be positive net gains from an FTA in terms of increased trade and investment flows, greater technology and human resource transfers and capacity building.

There are other issues that ought not to pose problems. Principal among them is the question of transparency. This issue will have to be a major component of the FTA. If Malaysia is to achieve developed-nation status we need transparency across the board. Transparency has a lot to do with our national development goals. It would only help to reinforce and further enhance them.

Liberalisation of trade in services would be the other important feature in a Malaysia-US FTA. It is a genuinely difficult area for Malaysia. We do not yet have the requisite legisla-

tion and regulations in place. This sector also encompasses many businesses.

However, it is a new growth area and Malaysian companies need to co-operate with American companies in a synergistic way. Opportunities for strategic alliances and joint ventures should be harnessed to gain access to new and expanding markets and improve management performance. This is an area for win-win outcomes.

At the same time, our government-linked companies (GLCs) must learn to be transparent and be ready to compete. The waves of globalisation are at our doorstep. Welcome globalisation or perish under its surge. It seems paradoxical that our GLCs are prepared to invest and compete abroad on a more level playing field, while at home they desire government protection.

In strengthening economic relations, Malaysians and Americans must recognise that the proposed FTA is not going to change what we are as nations and peoples. Let us, therefore, not bring in extraneous factors into the equation.

After all, an agreement with the US will not make us less Malaysian, only more prosperous just as the FTA with Japan did not make us more Japanese. Unfortunately, there are politicians in both countries who mix trade and politics.

The test of whether a foreign policy is distinctively Malaysian is not whether it is sharply different from the US or any other

US should exercise more flexibility in talks

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country for that matter. Rather the test is whether it serves Malaysia's national interest.

In managing our international relations, we must make use of all available avenues: multilateral, regional and bilateral. In future, we may even have to enter into plurilateral agreements. Nowhere else is this more evident than in trade and economic relations.

The majority of Malaysians generally view an FTA with

the US as in the country's long-term interest.

The fact that the ministers concerned were given one week to resolve outstanding concerns shows that the Cabinet believes there is still a lot of convergence between the two countries despite the slow pace of negotiations. More importantly, there are many things going for both countries on the economic front.

For the US, it needs to purposefully engage with a fast-developing Malaysia which is one of its major trading part-

ners. American and Malaysian businesses have prospered over several decades.

It is also well worth remembering that the proposed FTA will be the first ever the US would clinch with a substantial Muslim trading nation.

Malaysia has a proven record of a functioning pluralist democracy. No less significant is the fact that Malaysia has been an enduring friend and continues to have multi-faceted relationships with the US. Missing this opportunity for an FTA with Malaysia

could send the wrong signal.

The US should, therefore, facilitate the negotiation process by showing some flexibility. It should not hold on to a very rigid template with a "take it or leave it" stance.

The US cannot have a one-size-fits-all approach. It must recognise the differences between its various FTA partners, both developed and developing.

The furore after the Kota Kinabalu meeting may have sounded dangerously alarming. In reality, it was more like

a timely wake-up call that much more needs to be done to clinch a deal.

Malaysia should not miss and the US should not squander this opportunity. What is required is both imagination and ambition on their part.

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