

Distributive trade guidelines FTA issue

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by Kevin Tan

KUALA LUMPUR:

Malaysia's controversial guidelines on foreign participation in the distributive trade sector have become an outstanding issue in the ongoing free trade agreement (FTA) talks with the United States.

Minister of International Trade and Industry Datuk Seri Rafidah Aziz said there were 58 outstanding issues, one of which was the Domestic Trade and Consumer Affairs Ministry's guidelines on distributive trade.

The guidelines, first proposed by the ministry to the cabinet in December 2004, require companies with more than 15% foreign equity to have a 30% bumiputra equity participation and a paid-up capital of RM1 million.

Such joint ventures must also have boards, management and staff that reflect the racial mix.

Furthermore, each branch of such companies will be considered separate legal entities, each with a paid-up capital of RM1 million and separate mandatory auditing.

Several quarters have called for the guidelines to be scrapped, saying it would scare away foreign investors.

Domestic Trade and Consumer Affairs Minister Datuk Mohd Shafie Apdal had said the guidelines were under review after local investors raised their concerns.

Speaking at the Malaysian Industrial Development Authority's (Mida) annual media conference on the performance of the manufacturing and services sectors in 2006 yesterday, Rafidah said 16 of the outstanding issues came under the purview of the Domestic Trade and Consumer Affairs Ministry.

She said Malaysia's free trade talks with the US were not in a "deadlock" even though an agreement may not be reached before the deadline stipulated by the US negotiators.

"It's not a deadlock. It's ongoing. Whether it will meet the deadline depends on how fast we resolve the (outstanding) issues," she said.

The outstanding issues include intellectual property rights.

US negotiators want to conclude the negotiations before the White House's Trade Promotion Authority, which allows them to fast track a trade agreement, expires in July.

"Of course, we want to meet the deadline but we cannot do anything if we can't meet it," Rafidah said.

Malaysian and US negotiators recently concluded the fifth round of talks in Kota Kinabalu without reaching any agreement.

Rafidah said there would not be any negative impact on foreign direct investments (FDIs) even if Malaysia could not reach an agreement with the US.