

FTA has potential to attract investments

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THE free trade agreement (FTA) Malaysia hopes to sign with the US could potentially boost bilateral trade and attract more investments into the country.

Investment would come not just from American companies, but also third countries that want to make Malaysia their production and export centres to enter the US market.

International Trade and Industry Minister Datuk Seri Rafidah Aziz said by setting up operations in Malaysia and using high local content, foreign investors could take advantage of our FTA with the US to gain market access.

There are three main aspects of the FTA talks with the US. The first is opening of markets in the US and Malaysia for certain products and services; second facilitating trade and investment; and third economic cooperation and capacity building.

Malaysia and the US have listed out the products and services that each party wants to be liberalised. Malaysia's list has 600

products and services that it hopes will get lower or zero tariffs when entering the US market.

The product categories include textiles and clothing; chemicals and chemical products; rubber products; wood-based products (including plywood and veneer); ceramics; iron and steel; and electrical and electronic products.

Malaysian textile goods, for example, now pay import duties ranging from 16 per cent to 32 per cent.

If the US cuts or removes import duties on textiles from Malaysia, then the latter's exports will be more competitive compared with similar products from other countries that still have to pay high import duties.

"Malaysian products will be able to capture a bigger market share. It is forecast that with the existing production capacity, textile exports could see annual growth of 30 per cent with the FTA. If our companies increase their capacity, then their exports could also increase several folds," Rafidah said.

In 2005, Malaysian exports, slapped with import duties and taxes in the US, were worth RM16.1 billion. Through the FTA, the US could potentially reduce duties in the region of RM1 billion for exports from Malaysia, which would make our products more competitive in the US market, she added.

In terms of services, Malaysia wants the US to open up its markets to our firms in the accounting, higher education and tourism sectors.

To make it easier for Malaysian professionals to enter and work in the US market, the Government has also proposed a framework for a Mutual Recognition Agreement, where both sides recognise and accept certain qualifications and experience; and accreditation of educational institutions and academic programmes.

Malaysia also wants to negotiate with the US export processes and procedures; customs regulations, processes and practices; determination of standards, importation of

meat by the US; and the labelling of genetically modified foods.

Besides the trade and investment aspect, the FTA should also boost economic co-operation in various areas, including development of standards; protection of intellectual property rights; customs procedures; electronic trade; small and medium enterprise development; and sanitary aspects for agriculture products.

The US is Malaysia's biggest trading partner and export market. In 2006, the value of bilateral trade reached RM170.8 billion, or 16 per cent of Malaysia's total trade globally.

Exports to the US totalled RM110.6 billion, or 18.8 per cent of Malaysia's total exports.

In terms of investment, the US was the biggest source of foreign investment in the manufacturing sector between 2000 and 2006, with a value of RM24.4 billion. In 2006, US investments in Malaysia totalled RM2.5 billion.