

The US' significance as a trading partner presents real opportunities to boost trade and investment under a proposed free trade agreement with Malaysia. Its economic strength, however, fuels concern that the end result would be a lop-sided agreement in its favour. **LOKMAN MANSOR** looks at how Malaysia plans to gain from the FTA without compromising national interests.

Opposition towards Malaysia's proposed free trade agreement (FTA) with the US boils down to concern that opening up of markets will see our industries and critical economic activities overwhelmed, or worse, forced out of business by the juggernaut American machinery.

This argument is flawed, the Government says, because it is premised on certain false assumptions about the FTA and its negotiation process.

Critics assume that the US will have unrestricted access to certain sectors, when in fact economic activities that are strategic to the country are not even on the negotiation table.

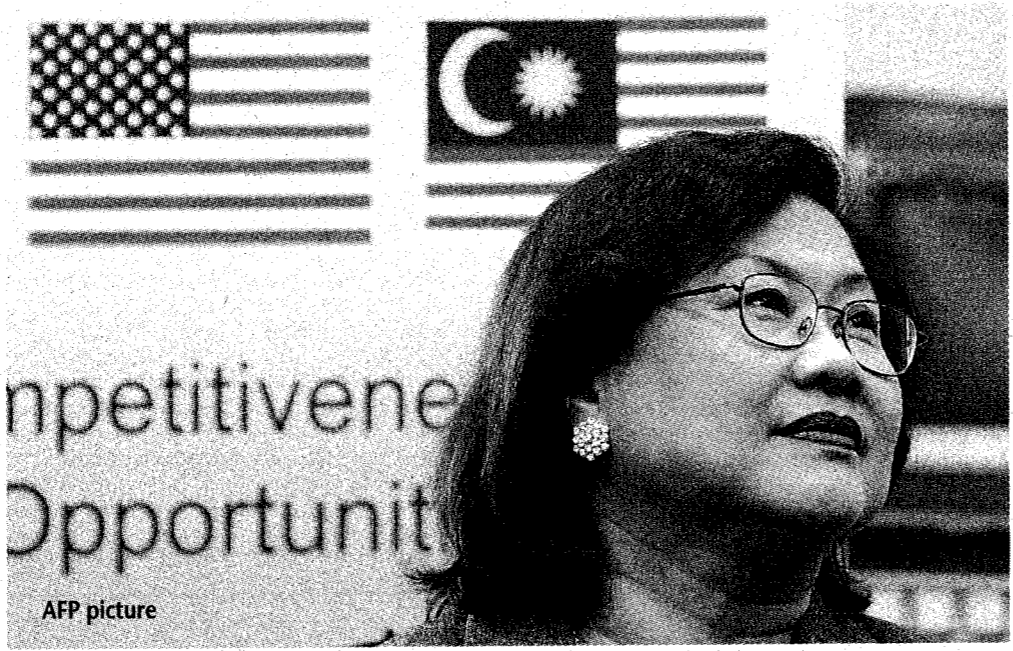
Sadder still is the assumption that the US will railroad its demands during the FTA talks and come out with the clear upper hand. This belittles the skills and reputation Malaysia has had over the years as a firm and tough negotiator.

In Parliament on Tuesday, International Trade and Industry Minister Datuk Seri Rafidah Aziz released a 21-page written reply to a question on the Malaysia-US FTA, explaining in detail the process and scope of talks, as well as measures in place to safeguard national interests.

The minister clarified that all related ministries and agencies have the mandate to negotiate issues under their respective jurisdictions. The Ministry of In-

National interest a priority in trade talks with US

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ternational Trade and Industry acts as the coordinating agency in the negotiation process.

"The negotiation process involves 10 ministries and agencies, responsible for negotiating on their own all the issues under their respective jurisdictions," Rafidah said.

Negotiations are being carried out in 19 groups led by the related ministry or agency. So far five rounds of talks have been held and five progress reports have been presented to the Cabinet for consideration.

A special briefing and discussion chaired by Deputy

Prime Minister Datuk Seri Najib Razak had also been held, which went through Malaysia's position on every issue and gave instructions and directions to each ministry and agency involved on where we stand in any particular issue.

"This session was attended by Cabinet ministers, deputy ministers, parliamentary secretaries and secretary generals of ministries," she added.

In the FTA talks with the US, as with any other bilateral FTAs that Malaysia has negotiated, there are key areas declared non-negotiable.

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Rafidah

The US cannot touch on policy and rules involving the New Economic Policy and the Bumiputera agenda, for example.

Malaysia's sovereign right to implement national policies for the good of its people, or for socio-economic objectives, is also off-limits.

The ministries and agencies involved in the FTA talks also gather input from the private sector to help determine how much of the Malaysian market can be opened up to US companies, as well as how much of the US market they would like to be liberalised.

"They (Malaysian businesses) themselves will guide the Government in terms of when they are ready to accept competition and the extent of foreign equity that should be allowed," Rafidah said.

Given the comprehensive FTA coverage, every issue is discussed carefully and properly negotiated, so that

the US will be more receptive towards our requests and vice versa, she said.

"So far, negotiations have reached the technical stage, and reports from the ministries and agencies indicate that there are claims by the US that we can consider, such as simplifying trade flows and customs processing," Rafidah said.

At the other extreme, there are also certain requests by the Americans that cannot be considered, because they are in conflict with existing policies or they have asked for more than what Malaysia is committed to give under the World Trade Organisation (WTO) or within the Asean Free Trade Area (Afta).

"And then there are those requests by the US that can still be negotiated further, perhaps by offering other options or counter proposals."

Similarly, there are proposals from the Malaysian side that the US can consider and others that it cannot accept for particular reasons.

"So now, discussions are focused on issues that have no opposition by either side. Both parties agree to negotiate in the spirit of reaching an agreement that is satisfactory to both sides, and to be flexible where it's appropriate and understand each other's sensitivities and positions," Rafidah said.

She said national interest is given priority, and Malaysia is not constrained by the time frame set by the US' Trade Promotion Authority (TPA) which expires at the end of June 2007.

TPA is the power given to the US administration to negotiate on a fast-track basis agreements within the WTO and other bilateral agreements, such as the FTA.

After June 30 2007, the US administration needs to get a new TPA approved by its Congress.

"The US has confirmed that negotiations can still continue in the WTO or through the FTA with Malaysia, even though the current TPA will expire on June 30 2007," Rafidah said.