FTA with the US:

To sign or not to sign?

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Comment

by **Chandra Muzaffar**

WHILE there are some benefits that will accrue to Malaysia from a Free Trade Agreement (FTA) with the US, the disadvantages, it is apparent, will outweigh its advantages.

In trading terms, the US, it is true, is Malaysia's biggest single country market. The total value of our exports to that country stood at RM110.56 billion in 2006. 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 under the Agreement, 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 (Nafta) and consequently opened the floodgates to subsidised corn from the US. It impoverished at least three million of Mexico's 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 from the US when there is a possibility that it could lead to the closure of our own factories and the mass retrenchment of our workers? It is estimated that in Senegal a third of the workers in the manufacturing sector lost their jobs as a result of an FTA with the US that lowered drastically the West African nation's industrial tariffs. In Chile 8% 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 a hundred thousand workers could become unemployed if an accord was inked between the two states.

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 multinational 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.

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Consequently, the worker's right to unionise and his access to other benefits such as health insurance are sometimes curbed and controlled. Going on the basis of the FTAs it has 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.

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 the ethnic imbalance between the communities. Perhaps even more important, if the government yields to the US demand, it would unwittingly grant the US a strategic role in the Malaysian economy.

The government should also be firm on the vital question of intellectual property rights (IPR). What the US FTA is asking for goes beyond the IPR obligations of World Trade Organization (WTO) 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 of the economy 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 that Malaysia will not acquiesce with since certain industries such as telecommunications are of strategic significance to the nation.

Neither should the Malaysian government agree to surrender its sovereign right to impose capital controls if and when it deems necessary. For the US FTA 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 1997-8, 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.

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. An 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 neighborhood. It is a littoral state which has sovereign rights over the Straits of Malacca, 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.

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For all these reasons, the Malaysian 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 an FTA with the US will show that Malaysians as a whole will have much more to lose. Which is why we must protect our interests – and our dignity.

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