

## **Malaysia: Pacific Trade Pact hard to complete this year**

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Talks on a 12-nation Pacific trade pact may be hard to finalize this year after a deadline for completion was missed last month, a Malaysian minister said.

"It's tough," Mustapa Mohamed, Malaysia's international trade and industry minister, said in an interview at his office in Kuala Lumpur yesterday. "It's difficult to say when" talks could be wrapped up, he said. "You cannot rush into things. This is a very big trade pact, going beyond the conventional areas of tariffs. It's natural that it's taken quite some time."

Countries negotiating the US-led Trans-Pacific Partnership, including Malaysia, did not meet an end-2013 deadline to conclude the deal and have not announced a new time line for talks to be finished. Malaysia's government could rely on rising exports to support growth this year as consumer spending is poised to falter due to rising local prices.

Negotiators have yet to decide when and where the next ministerial meeting would be held following talks in Singapore last month, Mustapa said. Nothing substantive has been planned on the sidelines of the World Economic Forum in Davos this week, and a meeting may happen within the next one to two months, he said. TPP negotiators previously flagged a meeting for February 2014.

The TPP would create a free-trade zone linking an area from Australia to Peru with about US\$28 trillion (RM91 trillion) in annual economic output. Malaysia has expressed wariness over some parts of the deal, including those related to state-owned enterprises and government procurement. Leaders from the US to Malaysia and Japan must deal with opposition to the pact from lawmakers at home, obstacles that will have to be overcome for the agreement to be ratified.

### **Domestic Issues**

"Lots of issues, domestic issues as well, these are real concerns," Mustapa said. "The pace, we cannot be pushing the TPP at the expense of our national interest and national agenda."

The government is looking for exports to rise at a time when consumer spending comes under pressure as Malaysians grapple with the biggest increase in state controlled electricity and gasoline prices since 2008. Domestic demand has supported growth in the past two years as the global economy faltered.

"We expect net exports to do better this year, contribution to growth will be a bit more," Mustapa said. "There are some brighter spots throughout the world. Nothing to shout about, but that's still better than last year."

### **Exports Climb**

Exports climbed 6.7% in November from a year earlier, less than economists estimated. The ringgit has weakened about 1.8% against the dollar since Dec 18, 2013, when the Federal Reserve said it would start trimming bond purchases to unwind its unprecedented stimulus,

making it the second-worst performer among Asia's 11 most-traded currencies tracked by Bloomberg.

The ringgit was little-changed at 3.3170 to the dollar as of 11:34am in Kuala Lumpur today. Malaysia's government expects to post a 17th annual budget deficit this year and its current-account surplus has fallen below RM10 billion (US\$3 billion) for three straight quarters, underscoring the currency's vulnerability as shifts in the US central bank's policy spur outflows from emerging markets.

The TPP, championed by US president Barack Obama, goes beyond typical trade deals that focus on tariffs and market access, with discussions on protection for companies that compete against government-backed businesses and stricter safeguards for patents and copyrights.

### **New Members**

The final stretch of talks to seal the deal will be "more challenging" than what's come before, and Malaysia must meet its own needs to join the pact, prime minister Najib Razak said in an interview last October. "We want TPP, but we want TPP on our terms," Najib, 60, said. "In other words, we won't sacrifice our national interests."

The TPP is being designed as a "living agreement" that can incorporate new members, as well as new issues. South Korea will seek to join the talks, president Park Geun Hye said in an interview this month with Bloomberg News, as an appreciating won threatens exports.

The admission of new member countries shouldn't hold up negotiations, Mustapa said. Newcomers would have to accept what has been agreed upon at their point of joining and are not supposed to unravel earlier consensus, he said. The delays in reaching a deal so far are due to disagreement on issues and not because of new participants, he said.

The countries in the pact are the US, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. China, which has been excluded from the TPP, is separately moving on trade talks with countries such as South Korea, Japan and Australia.

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