

MALAYSIA SHOULD REJECT TRANS-PACIFIC PARTNERSHIP AGREEMENT

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By Super Admin

Datuk John Lo

1. Coming out from Atlanta, USA is news that trade ministers from 12 countries in the Pacific area have reached agreement on TPPA [Trans Pacific Partnership Agreement]. It has taken them 5 years of secret negotiations. Apart from little glimpses, not much of what has been agreed is known to the public. This is not a healthy practice as it is the people of the 12 countries who will either enjoy or suffer from its outcome. Like all trade treaties, there will be winners and losers. It is all a matter of degree. A lot of noises have been made on the following features to justify and/or reservations on the coming of TPPA: [a] 12 countries that command 40% of world trade or 20% of world economy. This is large by any standard. On the surface, it certainly looks good to enter into this trading block with no or little tariffs. [b] The 12 countries, with total population of 800 millions are USA, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. **Appropriate now for Malaysians to question why several important USA's political and economic allies have chosen to stay out. They are Thailand, South Korea and Taiwan. And even Philippines, an ex USA colony and now under American protection in its fight with China over territorial rights in South China Sea, has declined the "TPPA banquet". Malaysians will be wise to ask why we are so keen to go in when these important American allies have feared to tread.** But all of them have joined the AIIB [Asia Infrastructure Investment Bank] founded by China. Why???????? Indonesia has also decided to be a spectator. Have these countries seen something that Malaysia has been blind to notice? [c] USA which is the initiator of TPPA has not invited China to join. This is intentional due to American phobia of China overtaking it as the No. 1 economy in the world. USA is more than keen to wrap up these TPPA countries under her political and economic wings and isolate China. Again, Malaysians should also ask – will our participation adversely affect our trading relationship with China which is our largest trading partner, keeping in mind that President Xi Jinping and PM Najib have agreed to increase bi-lateral trade to US\$170 billion yearly by 2017? The Federal Government should make public her perception of China's reaction on this matter and exactly what are the cost and benefits of TPPA.

2. **MTEM [Malay Economic Action Council] is right to demand the Federal Government to withdraw from TPPA.** I am particularly happy to see that MTEN's objections are based on national interest and has quoted 2 credible studies in support of its case – by former World Bank chief economist Stiglitz and Roosevelt Institute senior economist Adam Hersh who wrote that the TPP would make Malaysia "worse off", predicting that industries like iron and steel, aluminium,

mineral fuels, plastics, and rubber would be among the sectors in jeopardy. On the whole, I cannot see how Malaysia can come out smelling like roses in TPPA.

3. Apart from geopolitical consideration and containment of China, USA has been open in saying that it wants to dominate the Pacific trade in agriculture products, manufactured goods and services. This being the case, what can Malaysia gain from TPPA? To do this, we must look at ourselves in the mirror and ask the honest question of where are our comparative advantages and/or competitive edge. This is important as when the trade tariff barriers among nations are down, it's all about efficiency and productivity. There is no better way than examining the major components of our economy. [a] Agriculture which means palm oil only. China is our largest customer for palm oil. Unlikely any TPPA country or all TPPA countries can equate the volume China can buy from us. **Now that we have sided with USA by our TPPA participation China may switch some or all her purchases to Indonesia which has refused to join TPPA.** Malaysia must remember that USA, not so long ago, has mounted a vicious campaign against consumption of palm oil. Many Americans are still reluctant to consume palm oil products to this day. The demand picture for palm oil in TPPA area will not change much even with lowering of tariffs. Its main competition is soya and corn oils. On the contrary, Malaysia is a net importer of food, especially basic food stuff like wheat, barley and related products. If their prices do go down, this may have major negative impacts on our rice farmers in Kedah and Sabah. [b] On manufactured goods, Federal Minister of Trade has specifically mentioned electronic and electrical that Malaysia can benefit. I don't agree. Unfortunately, Malaysia is only at the assembly level in the food chain for these 2 products. Simply put, we do not have innovative capacity and thereby cannot produce cutting edge products that can fetch higher prices. [c] Malaysia cannot hope to reap benefit from services [tourism not counted], especially financial services. If any country from this part of the world that will benefit from it, it will be Singapore which is head and shoulder above us in this sector. Our banking sector is at least 10 to 20 years behind Singapore. [d] In as far as autos is concerned, Proton is in no position to compete in the context of TPPA. Standing to gain most will be the Japanese who want to expand their sources of component supplies. The Americans want a larger market with little or no tariff. It is quite easy to imagine how helpless Proton is in this industry of the giants! I am afraid Tun M's dream for Proton is likely to be shattered to bits! [e] Health care, especially high value drugs will be a lot more expensive. Malaysia's pharmaceutical industry is a baby compared with those in other TPPA countries. We have none or little research based capacity that can propel us to the forefront. Singapore has devoted huge resources in this area for many years. Please look at Singapore's Biopolis, an S\$3 billion research initiative to capture the exciting economic benefits of the new area of bio science/medicine. Recently, in collaboration with an American medical research company, it has discovered cure for several type of cancer. The American FDA has given approval for

test on human beings. Such cutting edge breakthroughs will give Singapore tremendous economic advantage in TPPA regime.

4. Malaysians must ask some basic questions, including what must Malaysia do to benefit from TPPA? [a] why many USA's closest allies in this part of the world have declined to be part of TPPA. The nearby markets covered under TPPA for Malaysia are the Asean countries. There is little advantage for Malaysia here as Asean is already a free trade zone. [b] Malaysia and China have a good trade relationship which we have not exploited sufficiently. It has population of 1.4 billion and a rapidly growing middle class. [c] I cannot see how Malaysia can reap additional benefits under TPPA from the North American markets [USA and Canada] for Mexico is just at their doorstep and enjoys tremendous logistical cost advantage. Australia is too good in agriculture and drugs. [d] Free trade block means lower tariff and more competition. Is Malaysia ready for more competition? I would say no. There is too much "protection" given to a very large portion of the Malaysian economy i.e. Bumiputra rights, GLCs, government procurements and monopolies given to political cronies. These need to be brought to realise competition, openness and accountability will be rule of the day in a globalized world. [d] Malaysia must clean up our act. There is too much corruption. [e] We must get our act together. The economic transformation that has been introduced at the beginning of PM Najib's premiership must be revived and implemented with all urgencies. To date, all that can be seen are some very impressive looking graphs and nice articles. Very little benefits have reached the ground or the pockets of ordinary Malaysians. [f] Malaysia must be honest in asking – what are we good at and in what sectors we are or can be world class so that we can compete effectively? Right now, it's a big NONE. Over the years, we have been spoilt by high oil revenue and have lost leadership in areas that we used to excel. Like PM Najib says recently, we must uproot ourselves to the knowledge industry. Leave the low price, low quality and low labour products. [g] **Now that our 9 Sultans in Council have issued a joint statement on 1MDB, no ways we can pretend 1MDB will not affect the economic performance of Malaysia. Benefits from TPPA? Most unlikely if there is no proper closure for 1MDB.**

5. For Malaysia to benefit from TPPA and other free trade agreements, we must undertake a very major transformation: [a] there must be a new style of political leadership and politics in the spirit of Their Majesties' Joint Statement. There should be no place for racial and religious bigotry to gain political support. The "slap the Chinese" politician should be banished from politics. He is an irresponsible political joker. His sort of divisive and racial politics will make Malaysians weaker and poorer. Easy to stir up racial and religious sentiments but to what ends? Will Malaysians, richer, work harder or more productive? [b] **For Malaysia to achieve high income status we must do away with the "politics of zero sum game" and "winner takes all". It is hoped that this new political leadership will form the bedrock of a new Malaysian family, for the common good and the source of**

hope of all Malaysians for better lives. [c] We must reduce big government. Big government means more red tapes, more corruption and more leakages and therefore less for ordinary Malaysians. [d] Revamp the administrative system so that all Malaysians can feel that the government is there to help them not to impose burdens on them. [e] We need a new approach to fiscal and monetary policies to strengthen the Malaysia's economic fundamentals. Such fundamentals can be meaningful only when ordinary Malaysians possess a feeling of financial security and a sense of belonging to a Malaysian nation that is united and well managed. [f] Most importantly, we need a set of policies of empowerment that will allow and encourage every Malaysian to excel in their chosen endeavours. And to render assistance to everyone who is in need.

6. My last word is for my home state Sabah. Like all other trade negotiations, the Federal Government has paid scanty attention on Sabah's interest. The Federal Government's negotiation approach is W Malaysia centric. I cannot see how or where Sabah can reap any realistic benefits from TPPA. There will be no tangible benefits in Sabah's 3 major sectors. What little manufacturing in Sabah will be killed off. Absolutely nothing in agriculture or palm oil. TPPA has no provision to cover tourism. TPPA is mostly negative for Sabah. TPPA will be tabled in Parliament. **Sabah's 25 Members of Parliament must now ask the Federal Government what and where are the economic benefits for Sabah in TPPA. We need to know the answer now before it is too late.**

7. I am against TPPA. So should all sensible Malaysians.

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