

'Sabah has much to gain from FTA'

By Barnard Yaang

KOTA KINABALU: Sabah stands to benefit tremendously from the Malaysia-US Free Trade Agreement (FTA) if it is agreed to by Malaysia.

Former Chairwoman of the US International Trade Commission (ITC), Dr Paula Stern said Sabah would also become a powerful magnet in the region, drawing businesses and trade to its shores.

But in order to do that, she said the government must be willing to remove its economic and trade barriers and restrictions to allow for more business transactions so that Sabah can scale greater economic heights.

With Malaysia currently the 10th largest trading partner of the US, she said there would be even more huge benefits through the FTA.

"The FTA could increase market access to sectors such as agriculture, textiles, electronics, knowledge-based (biotechnology and pharmaceuticals) and government procurement, among others," she said when delivering her talk entitled The US-Malaysia Free Trade Agreement: The Benefits of Liberalisation at Universiti Malaysia Sabah (UMS), here, Thursday.

She said the liberalisation would also advance the development goals of the Ninth Malaysia Plan (9MP), which holds the greatest potential for growth.

According to her, Malaysia enjoys a good image as an economic force among politicians in the US.

In 2004, Malaysia's exports to the US were one fifth of its total exports, which netted the nation approximately US\$23.8 billion, she said.

In retrospect, the US exports to Malaysia were valued at US\$10.4 billion, second only to Japan, she said.

Dr Stern, who was voted one of the top women influencing the American economy by MS Magazine in 1986, is currently the chairwoman of The Stern Group, Inc., an economic analysis and trade advisory firm based in Washington.

When she was the commissioner at the ITC from 1978 to 1987 as well as the chairwoman of the 500-person agency from 1984 to 1986, she was the second highest-ranking woman in the US government.

As to why the US is keen to forge FTAs with countries throughout the world, she said it is simply to remove economic and trade barriers so that the economies can be energised as well as to benefit the producers in the countries.



Dr Stern

Dr Stern said the freer trade negotiation was initially started by former US president George W. Bush, Sr., who emphasised bilateral approach with particular focus on Muslim nations.

"Bush contended that Asian economies are important trading partners and that if the US sent a wrong signal, they might lose its status as the global economic power," she said.

Subsequently, she said former President Bill Clinton, initiated this process by negotiating the first FTA with a Muslim country (US-Jordan FTA, 2000).

"The Bush (Jr.) administration has since negotiated FTAs with Morocco, Bahrain and Oman," she said.

However, she said terrorist attacks on American soil on Sept 11, 2001, shifted the present US administration's attention elsewhere.

It was only later that the president saw the need for a tighter yet peaceful economic reciprocal arrangements with other countries.

Dr Stern said once Malaysia enters into a FTA agreement with the US, they could participate in bidding for US government procurement contracts.

According to her, the procurement contracts were worth almost US\$330 billion in 2004, accounting for defence agency and civilian agency procurements.

She said it would be wise if Malaysia considers the liberalisation of trade barriers and restrictions.

To illustrate her point, she said because of tremendous auto import restrictions such as tariffs, which are as high as 200 per cent, domestic consumers in Malaysia were "forced" to buy the Proton-made cars.

She said the cost of business services in Malaysia was relatively higher than in Thailand, Singapore and Hong Kong, among others, which makes the country less competitive.

"Subsequently, it may become impoverished which inevitably would cause lower business transactions," she said.

As a nation with a population of only 25 million, Dr Stern said Malaysia could not compete with China and India in terms of cheap labour.

So, instead of competing, the country might want to consider producing quality goods and services as well as create high quality jobs with better payment structures, she said.

At the same time, she said Sabah manufacturers and industry players should go into downstream processing of raw materials such as oil palm, petroleum, methanol and supply woods, among others.

She said by creating finished goods they could bring about more employment and products, which is what US policymakers want to see.

In the case of Sabah, Dr Stern said there was a big question mark as to why it was the richest state in Malaysia in the 1970s but now the poorest.

"Clearly, there are government policies that have manifested but not brought the desired results," she said.

Towards this end, she said they might want to review the policies especially now that Vietnam and China are joining the FTA.

The FTA, she said, is self-rewarding and would not only benefit the US but the people and Sabah as well.

She said the barriers could be removed without even having to go through the negotiation process, simply by reviewing the legislation just as long as it is not discriminating.

Currently, investors coming to Malaysia, she said, have to comply with its rules and regulations particularly that they can only own a certain fraction of a company.

This requirement, she said, is like to a big red light to investors who are probably keen to do research on oil palm.

Therefore, she said even if the Malaysian government does not enter into a FTA agreement with the US, it could still do it unilaterally for the sake of the country.