



Asia-Pacific
Economic Cooperation

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Economy Report - Malaysia

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COUNTRY REPORT

MALAYSIA

INTRODUCTION

- Malaysia's total merchandise trade grew from RM394.3 billion in 1996 to RM716.6 billion in 2003 and as a percentage of GDP, it grew from 155.4 per cent to 182.8 per cent. This indicates the increasing importance of international trade to Malaysia. In 2003, Malaysia was ranked the 18th and 20th leading exporter and importer in the world, respectively. This is mainly due to the ability of the Malaysian business community to compete for increasing market opportunities as a result of the global liberalization process and the government's pragmatic policies.

- Malaysia's trade policy is to pursue trade liberalisation through the rule-based multilateral trading system under the World Trade Organisation (WTO). To complement the multilateral liberalisation approach, Malaysia has also chosen to pursue regional and bilateral trading arrangements.

- The WTO allows for free trade agreements (FTAs) provided that tariffs are eliminated substantially on all trade. One of the important principles of a WTO consistent FTA is that all parties to the agreement must eliminate duties according to mutually agreed rules and timeframes. Further, it must not be more trade restrictive to non-members of the FTA concerned.

- FTAs have traditionally been confined to trade in goods. However, after the establishment of the WTO, trade in services has been included in many FTAs. FTAs provide the means to achieve quicker and higher levels of liberalisation that would create effective market access.

- Recent trends indicate that countries prefer Closer Economic Partnership (CEP) agreements that are more comprehensive in scope and coverage. Consequently, CEP agreements cover not only liberalisation of the goods and services sector but also include investment, trade facilitation and economic and technical cooperation.

- FTAs essentially grant preferential treatment to participants of the FTA. In order to ensure tariff preferences (i.e. elimination of import duties) are enjoyed only by members of the FTA, specific rules and disciplines are incorporated in such agreements. One such discipline is Rules of Origin (ROO). The ROO stipulate the conditions under which only products originating from parties to the FTAs benefit from preferential market access.

MALAYSIA 'S OBJECTIVE

- Malaysia 's objectives in negotiating FTAs are to:
 - seek better market access by addressing tariffs and non-tariff measures;
 - further facilitate and promote trade, investment and economic development;
 - enhance the competitiveness of Malaysian exporters; and
 - build capacity in specific targeted areas through technical cooperation and collaboration.

NEGOTIATION STRUCTURE

- WORKING GROUP ON
 - GOODS
 - SERVICES
 - INVESTMENT
 - ECONOMIC COOPERATION

- The FTAs or CEP agreements currently pursued with selected countries are not confined to liberalisation and market opening measures alone. They are comprehensive and include investment, trade facilitation, intellectual property rights (IPR) as well as economic cooperation in areas such as:
 - competition policy;
 - standards and conformity assessment;
 - information and communication technology;
 - science and technology;
 - education and training;
 - research and development;
 - financial cooperation;
 - Small and Medium Enterprises (SMEs) development; and
 - paperless trading.

CURRENT RTAs

- ASEAN – CHINA
- ASEAN – KOREA
- ASEAN – INDIA
- ASEAN – CER
- ASEAN – JAPAN

CURRENT BILATERAL FTAs (UNDER NEGOTIATION)

- MALAYSIA – JAPAN JOINT ECONOMIC PARTNERSHIP AGREEMENT
- MALAYSIA – KOREA
- MALAYSIA – AUSTRALIA
- MALAYSIA – NEW ZEALAND
- MALAYSIA – PAKISTAN
- MALAYSIA – INDIA COMPREHENSIVE ECONOMIC PARTNERSHIP (UNDER SCOPING STUDY)
- MALAYSIA – US TRADE AND INVESTMENT FRAMEWORK AGREEMENT (TIFA)

CONCLUSION

- Most of the FTAs/RTAs are under negotiation process and yet to be concluded.