

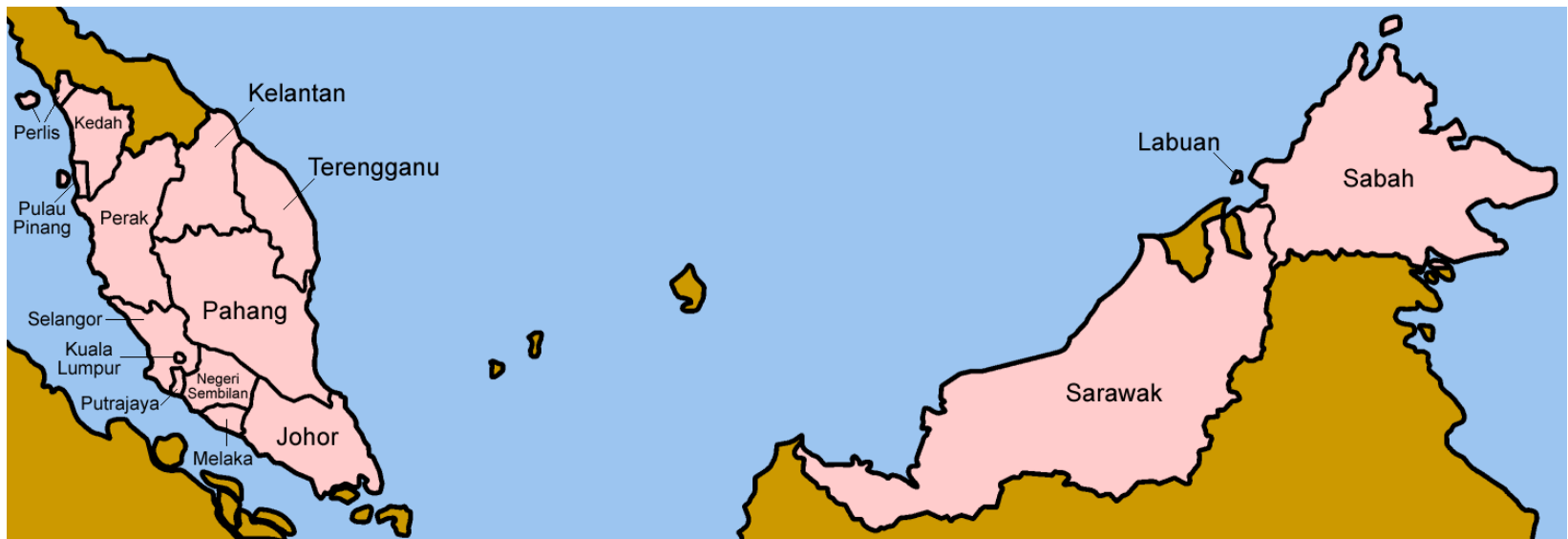
Removing Barriers to Trade: Our experience in Malaysia

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About Malaysia (1)



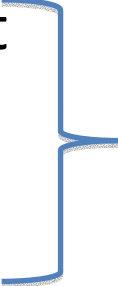
- Population = 28 million
- Federation of 13 states
- Constitutional monarchy
- Islam is the official religion

Malay	Chinese	Indian	Others
51%	24%	7%	19%

Muslim	Buddhist	Christian	Hindu
60%	19%	9%	6%

About Malaysia (2)

- International trade is very important to Malaysia
- Top exports:
 - Electrical & electronic products
 - Palm oil & palm oil-based products
 - LNG and Crude petroleum
- Top imports:
 - machinery and transport equipment
 - manufactured goods and articles
 - chemicals



Many are
intermediate
goods

About Malaysia (3)

Top ten export destinations:

- Singapore
- China
- USA
- Japan
- Thailand
- Hong Kong
- Republic of Korea
- Australia
- Indonesia
- Netherlands.

These ten countries contributed 70% of Malaysia's total exports in the first eight month of 2009.

Top ten import sources:

- China
- Japan
- USA
- Singapore
- Thailand
- Indonesia
- Korea
- Germany
- Taiwan
- Hong Kong.

These ten countries contributed 75.2% of Malaysia's total imports in the first eight months of 2009.

Government attitude to trade (1)

- The government actively pursues bilateral arrangements
- Key bilateral objectives are:
 - Better market access
 - Trade and investment facilities and promotion
 - Greater competitiveness for exports
 - Capacity building through technical cooperation and collaboration
- Gradual liberalisation of domestic markets
 - Recently liberalised the services sector

Examples of trade arrangements / ongoing negotiations:

- Japan-Malaysia Economic Partnership Agreement
- US-Malaysia Free Trade Agreement
- Australia-Malaysia Free Trade Agreement
- New Zealand-Malaysia Free Trade Agreement
- India-Malaysia Comprehensive Economic Partnership Agreement
- Korea-Malaysia Free Trade Agreement
- Pakistan-Malaysia Free Trade Agreement
- Chile-Malaysia Free Trade Agreement
- Efta-Malaysia Free Trade Agreement

Government attitude to trade (2)

- Some industries are protected (e.g. auto, agriculture)



Mercedes CLS (2006)

Malaysia = USD180,000

UK = USD32,000

Diff = circa USD150k

Per capita income =
USD6300

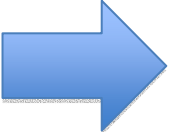
Government attitude to trade (3)

- However, in general the government is supportive of free trade



This should be a good thing, but it actually creates a challenge for us!!

Why is it a challenge?

- The current administration (National Front) has been ruling Malaysia for 52 years
 - They are increasingly unpopular because
 - Detention without trial (ISA)
 - No press freedom
 - Corruption is widespread / crony capitalism
 - Playing racial cards
 - Opposition to the government is increasing
-  By extension, it is unpopular to say that they are right to liberalise, because it sounds as if we are defending the government

The Dilemma

- Support the government's "liberalisation" effort and we may be seen as supporting a corrupt and racist regime
- Criticise the government on their shortcomings and they will shut the door to us (but we will be popular among opposition parties who are not fully economically liberal!)

What we try to do

- Work on cross-partisan basis
- Focus on public education, especially through newspaper articles
- Target all main political parties by going to their HQ for closed-door discussion about free market
- Form partnerships with regional and international organisations to share best practices

Conclusion

- Malaysian government is generally pro-trade
- While they promote “liberalisation”
 - they have allowed widespread corruption
 - they are increasingly unpopular
- Therefore supporting them may be seen like supporting an unpopular government

Thank you!

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