

DIALOG



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UNDERSTANDING THE ISSUES SURROUNDING THE MALAYSIA-EU FREE TRADE AGREEMENT

In 2007, the European Commission launched negotiations for a region-to-region FTA with ASEAN countries. However, progress in these negotiations was slow and both sides agreed in March 2009 to take a pause. As the EU remains committed to strengthening its competitiveness through increased market access in ASEAN countries, EU Member States have now asked the Commission to pursue, on a case-by-case basis, negotiations with those individual ASEAN countries showing interest in negotiating comprehensive FTAs bilaterally.

To date, Singapore and Vietnam have expressed an interest to do so. Discussions and negotiations are now also underway between the EU and Malaysia to explore the possibility of concluding such a bilateral agreement.

The stakes are high for both sides. The EU is Malaysia's fourth largest trading partner and is the second largest source of foreign direct investment into Malaysia. Malaysia is also important to the EU and is the EU's second largest trading partner within ASEAN, with there being currently more than 2,000 European companies present in Malaysia.

DIALOG sat down with the EU Ambassador to Malaysia, H.E. Vincent Piket, to get his thoughts on the issues and hurdles surrounding the EU-Malaysia FTA. Datuk Rebecca Fatima Sta Maria, Deputy Secretary-General of Malaysia's Ministry of International Trade & Industry (MITI) and a member of the MEF's Board of Trustees, also weighed in with her views on the matter.

How have negotiations for a EU-Malaysia FTA proceeded so far? Are the signs from the Malaysian government encouraging?

To be clear, negotiations have not started yet at this stage. We are in the process of exploring together if the conditions are there for this FTA to be launched and successfully concluded. In the jargon of trade negotiators, this process is called "scoping". We do it with all our negotiating partners. With Malaysia the scoping has just started. At this stage, I can only say that the signals are encouraging. I see the FTA very much as part of the NEM and its emphasis on promoting a business-friendly economy and on increasing the private sector share in GDP. All this is with a view to attracting trade, quality investment, capital, skills and know-how. An FTA with the EU would certainly contribute to this objective. I think we can say that we have seen these signals in the scoping process.

How would the EU gain from an FTA with Malaysia?

For the EU, Malaysia represents a growing market for exports and investment, as well as a crucial link to the wider ASEAN region. European companies which are thinking of setting up shop in one of the ASEAN countries will be encouraged by the FTA to do so in Malaysia, as FTAs naturally promote bilateral investment. The EU would gain by improving market access conditions for its economic operators in Malaysia, both in goods and in services. Moreover, by creating a contractual relationship between the parties, the FTA will provide a stable and secure business environment for European exporters and investors.



H.E. Vincent Piket

How would Malaysia benefit from an FTA with the EU?

The EU is the world's largest trading bloc. Trade within the Union, and between the EU and the rest of the world, account for almost one fourth of global trade. Six of the ten largest trading nations are in the EU.

The EU remains a significant trading partner for Malaysia. The EU was Malaysia's 4th largest trading partner in 2008, while Malaysia was the EU's second largest trading partner in ASEAN. An FTA with the EU will serve to:

- progressively increase market access opportunities for goods and services from Malaysia, including those sourced from small and medium enterprises (SMEs), into the EU;
- further facilitate and promote trade and investment flows;
- enable mutual recognition of standards and qualifications;
- enhance competitiveness; and
- facilitate the implementation of capacity building programmes.



Datuk Rebecca Fatima Sta Maria

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What are the priority areas the EU would like opened up under the FTA?

Bilateral trade deals must be compatible with and supportive of the multilateral trading system of the WTO. This means that they must be trade creating, not trade diverting. To make sure that this is the case, FTAs must cover "substantially all trade" and bring about a real integration of the economies of the negotiating parties. Which means that they must also cover sensitive areas where liberalisation and opening to competition are more difficult, for political and economic reasons.

This is all to say that the EU's priority is negotiating an ambitious and far reaching FTA, covering trade in goods, technical standards, services, investment, rules on intellectual property and competition and gradual opening of the public procurement markets. All these issues are priorities for which the EU will seek ambitious commitments from Malaysia.

Moreover, we will need to safely anchor these commitments in the concept of sustainable development. We have no intention to dictate the rules or impose our standards, but we are firmly convinced that trade can no longer take place in isolation from the wider objective of sustainable development. And we want to cooperate with Malaysia to make sure that our FTA will contribute to, rather than detract from, the achievement of this objective.

What are the EU's strategies in approaching the issues that are sensitive to Malaysia?

We know that some areas are sensitive for Malaysia. But these areas are sensitive in all negotiations. We know that we need to take into account the different level of development of our partners and the specific national sensitivities. I think this can be done, through an open and constructive negotiating process, provided that the final package is

H.E. Vincent Piket – Ambassador and Head of Delegation, Delegation of the European Union to Malaysia

Ambassador Piket has been Head of the EU Delegation in Kuala Lumpur since May 2008. He joined the European Commission in 1992 and has worked since then on the EU's external relations covering countries such as Bulgaria, Romania, Slovenia and Russia.



ambitious and brings meaningful benefits to the economic operators in both parties and to their societies writ large.

By way of example, in the areas of goods, we can explore together how to provide flexibility by means of limited cases of partial or delayed liberalisation. In the area of procurement, we are ready to explore how to negotiate gradual and smooth openings, provided that this brings improved market access to European bidders. There are no straight-jackets, it all depends on the negotiating process and the final package.

What are the benefits to Malaysian companies and industries, once the FTA is concluded?

The FTA would provide a long-term, stable trade relation between Malaysia and the EU as two equal partners. This would make a world of difference with the current unilateral granting of preferences by the EU under the so-called GSP (Generalised Scheme of Preferences). Essentially this is an EU scheme for developing countries and, evidently, we need to anticipate the day when Malaysia no longer qualifies for it. The gains of an FTA can be huge. A study conducted in 2006 indicated that Malaysia would be a clear "winner". Let me just quote one figure:

to already label some of the issues on the table as sticky or stumbling.

Clearly, both sides understand that there will be issues regarding the varying levels of ambition between Malaysia and the EU, as well as the need to recognise the developmental needs of Malaysia. These issues, while intricate, do not pose fundamental difficulties. Both Malaysia and the EU are hopeful that the interests, concerns and sensitivities of either side will be adequately addressed in the FTA through creative means.

What is Malaysia's strategy to accommodate these sensitive issues that the EU may raise?

Malaysia has indicated that the MEUFTA should be treated as a 'living' document that can and will evolve to accommodate the changing needs of both sides. While Malaysia and the EU should endeavour to achieve substantial outcomes from the onset of the FTA, certain allowances must be made to recognise the difficulties and sensitivities that exist on both sides. In these circumstances, the review mechanism(s) in the FTA should be allowed to provide for continuous improvements.

Malaysia's GDP would be boosted by 8% come 2020 if an ambitious and comprehensive FTA were to be concluded. The wider the scope of the FTA and the deeper the liberalisation, the more gains, especially in the services area.

Therefore, it makes eminent sense for Malaysia to get preferential access to the EU, the world's largest market. The EU with its half a billion of largely prosperous consumers is without doubt an attractive destination for Malaysian exports. Trading with the EU gives access to this immense, closely-knit market, in which goods, services, capital and people roam freely without borders.

What sort of timeline has Europe prepared for itself to conclude this FTA?

Our experience tells us that an FTA like the one we have in mind can be effectively negotiated in 18-24 months, provided that both parties engage in earnest and deploy the necessary resources. It will be a big effort, but it can be done. The risk of protracting negotiations is that the process may lose steam and momentum and the parties start looking elsewhere for alternatives.

Malaysia also wants the FTA to aim for reasonable reciprocity. Given the differential levels of development between Malaysia and the EU, full reciprocity or even reciprocity on a sector-to-sector basis may not be feasible. In the same vein, Malaysia is of the view that the MEUFTA should seek overall satisfactory outcomes and not equivalent obligations.

Has the Malaysian private sector expressed its support for such an FTA?

Yes, the Malaysian private sector is supportive of the MEUFTA initiative.

Do you anticipate resistance and protests from certain Malaysian organisations, similar to what occurred during the negotiations for the US-Malaysia FTA? If so, what will MITI do to alleviate these concerns?

Each FTA is unique and it is probably unfair to draw comparisons between Malaysia's FTA with the US and the MEUFTA. It should also be noted that the EU's approach in certain areas of concern, such as access to generic medicines, is notably different from the US. The EU has made

Save Our Planet
Malaysia

SAVE OUR PLANET – MALAYSIA: CIVIL SOCIETY TO THE FORE

The Malaysia-Europe Forum (MEF), in partnership with AseanAffairs, and with the support of Perception Management International, will be collaborating to host 'Save Our Planet – Malaysia' in Kuala Lumpur on Tuesday, 3rd August 2010, at the Mandarin Oriental Hotel, Kuala Lumpur.

The Save Our Planet Conference Series was conceived by AseanAffairs following the failure of the Copenhagen Climate Summit (COP15) to get governments to agree on an action to adopt.

'Save Our Planet – Malaysia' will gather together governments, companies, individuals, academics, members of the diplomatic community and civil society organisations to brainstorm ideas, and propose and chart a common path to follow as a practical model.

By grouping together senior government and corporate leaders, as well as diplomats, academics and NGOs, actionable intelligence, strategies and ideas can be proposed and formulated in order to allow civil society to have its voice heard.

'Save Our Planet – Malaysia' will be the third in a series of conferences scheduled to be held in various Asian capitals. 'Save Our Planet' has been hosted twice in Bangkok already, and is also slated to be held in New Delhi, Jakarta, Ho Chi Minh, Singapore and China. This will all culminate in a mega-conference in New York in 2011.

A final 'Save Our Planet' Report will be compiled after the mega conference in New York, incorporating the outcome of the Save Our Planet conferences in the respective Asian cities, including Kuala Lumpur. These deliberations will be put together in a comprehensive report that will be available to all and submitted to the United Nations Environment Programme (UNEP). It is hoped that this initiative would be seen as Asia's contribution to finding a solution to the climate crisis.

Sponsors of the 'Save Our Planet – Malaysia' conference include Mandarin Oriental Hotel, Kuala Lumpur and Malaysia Airlines.

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What would be the sticky issues or stumbling blocks in negotiating with the EU for the FTA?

Malaysia and the EU met for the first time to discuss the possible scope of, and expectations for, the Malaysia-EU FTA (MEUFTA) on 8-9 June 2010 in Kuala Lumpur. Hence, it is perhaps too soon to pre-determine the possible difficulties in the FTA. And it is certainly a regressive step



Datuk Dr Rebecca Fatima Sta Maria

Datuk Rebecca is currently the Deputy Secretary General (Trade) at Malaysia's Ministry of International Trade & Industry (MITI). She has extensive experience in negotiating Malaysia's Investment Agreements under Malaysia's bilateral and regional FTAs.

it clear that the MEUFTA will not contain provisions that curtail the flexibilities already available under TRIPS or the Doha Declaration on Public Health. MITI has also highlighted this fact in the ongoing Ministerial consultations.

Whilst MITI negotiates the FTA with the EU, how are negotiations on the Partnership & Cooperation Agreement (PCA) proceeding? Will these two different sets of negotiations work in parallel?

While MITI leads the talks on the FTA, the Ministry of Foreign Affairs assumes the leading role for the PCA negotiations. MITI views the FTA and the PCA as a separate but complementary processes. Hence, it becomes unnecessary to link the progress made in one to the other. The FTA will be on its own independent track with appropriate timelines.

What sort of timeline has Malaysia prepared for itself to conclude this FTA?

At present, there are no timelines. Malaysia and the EU may consider setting an appropriate timeline once actual negotiations begin.



Global Emerging
Markets Summit
BERLIN 2010

GEMS

The Global Emerging Markets Summit (GEMS) will convene for the third consecutive year, this time in Berlin – the gateway to the emerging market economies of Eastern Europe. Themed 'Redefining Economic Recovery: An Emerging Market Perspective', it will present views, ideas and strategies on key emerging market players.

The objectives of GEMS are:

1. To present the perspectives and focus on the world's emerging markets as well as emerging market leaders;
2. To provide a serious interface between leading players from the West and key personalities and decision-makers from the Emerging Markets to allow for better understanding and managing of the risks and rewards of investing in the emerging market economies;
3. To provide valuable insights on how to form partnerships and capitalise on the opportunities offered by these emerging markets for mutual growth;
4. To present specific business and investment opportunities in these emerging markets as well as discuss the success factors for engaging with and doing business in emerging markets.

GEMS has been deliberately timed to coincide with the Asia-Europe Meeting (ASEM) in Brussels on 4th and 5th October.

Confirmed speakers include:

- H.E. Dr Supachai Panitchpakdi, former WTO Director-General & Secretary-General, UNCTAD
- H.E. Tun Musa Hitam, Chairman, World Islamic Economic Forum (WIEF)
- The Honourable Tan Sri Rafidah Aziz, Advisor & Patron, Malaysia-Europe Forum (MEF)
- Dr Masahiro Kawai, Dean, Asian Development Bank Institute
- Tan Sri Zarinah Anwar, Chairman, Securities Commission, Malaysia
- Mr Nick Hood, Executive Chairman, Begbies Traynor Group



For further details, please visit the GEMS website at <http://www.thegemsummit.com>



THE 2ND MEF-EUROPEAN KUALA LUMPUR ROUNDTABLE 2010

The Malaysia-Europe Forum (MEF) is pleased to confirm that the 2nd MEF-European Kuala Lumpur Roundtable 2010 will be held on Tuesday, November 30th 2010.

In partnership with Mandarin Oriental Hotel Kuala Lumpur, the MEF will engage with senior Malaysian government officials, the diplomatic business community, think tanks, NGOs and corporate leaders from both Malaysia and Europe to dialogue and discuss current issues in order to facilitate a better understanding and appreciation of matters which affect and impact bilateral relations between Malaysia and Europe.

This Roundtable will be a closed-door event and is by Invitation Only. Should you be interested to attend and participate, kindly email the MEF's Executive Director, Ms Natasha Zulkifli [natasha@malaysia-europeforum.com].

UPCOMING EVENTS

- 1 Save Our Planet – Malaysia
'Towards A Sustainable Future'
Tuesday, 3rd August 2010
Mandarin Oriental Hotel, Kuala Lumpur
- 2 Global Emerging Markets Summit (GEMS)
'Redefining Economic Recovery:
An Emerging Market Perspective'
Wednesday, 6th October 2010
Hotel Adlon, Berlin
- 3 The Second MEF-European Roundtable
Kuala Lumpur 2010
Tuesday, 30th November 2010
Mandarin Oriental Hotel, Kuala Lumpur

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