

U.S. Says Malaysia Trade Pact at Risk Without Advance Next Week

By Stephanie Phang and Angus Whitley
Bloomberg
January 11, 2008

U.S. and Malaysian negotiators meeting next week for the first formal round of free trade talks in almost a year need to make “substantial progress” or risk delaying the pact indefinitely, a U.S. ambassador said.

“Clearly there is a time limit on how much energy both governments can put into this,” James R. Keith, the U.S. envoy to Malaysia, said in an interview in Kuala Lumpur today. “There is only a certain amount of time left before this administration in the U.S. runs out of time.”

Failure to conclude talks by the end of summer this year would make it harder to achieve further progress, as U.S. leaders prepare for presidential elections in November that will bring in a new administration, Keith said.

Officials from the two countries seeking to bolster \$52 billion of two-way trade will meet in Kuala Lumpur to begin the sixth round of trade talks on Jan. 14, after missing a U.S. deadline to conclude discussions last year. The last round of negotiations was held in February last year.

“I am very hopeful that we can make it happen by next summer,” Keith, who has been in Malaysia since September, said. “If we don’t, we’ll continue to look for another partner in the region. We’ll find someone else to negotiate with.”

Malaysia's reluctance to open up its rice market, change policies that benefit ethnic Malays and meet requests to increase access to government contracts are among the issues that have delayed the signing of a pact.

‘Bottom Line’

“A bottom line for us on government procurement is transparent and reciprocal market access,” Keith said. “We have to have that. If we don’t have that, then it would become a deal stopper. We’ve got some absolute requirements.”

Keith said he doesn't expect to conclude talks on government contracts next week, although U.S. negotiators will be seeking “substantial market access” in areas including financial services.

The U.S., which started the free trade talks in June 2006, is Malaysia's No. 1 overseas market, buying almost a fifth of the Southeast Asian nation's exports.

Malaysia's Trade Minister Rafidah Aziz is out of the office and not immediately available for comment, her press secretary said in an e-mail.

U.S. negotiators had sought to reach agreement before April last year in order to push a deal through Congress before President George W. Bush's trade promotion authority expired at the end of June 2007. A trade promotion authority allows the president to present Congress with trade agreements that it can accept or reject, not change.

'Roll of the Dice'

U.S. Assistant Trade Representative Barbara Weisel said in July the U.S. plans to conclude a free-trade agreement with Malaysia in the first half of this year.

"We still have time left to conclude the agreement by the summer," Keith said today. "If we don't, it's a roll of the dice. You want to be careful about what you pass on to a new administration."

The U.S., which hasn't signed a free-trade agreement with a Southeast Asian country since a 2003 accord with Singapore, signed one with South Korea on June 30. The Korean agreement is likely to be the last such deal reached before Bush leaves office. It joins three other accords, with Peru, Colombia and Panama, that need to be approved by a Democratic Congress.

Malaysia's total trade with the U.S. grew 6.1 percent to 170.8 billion ringgit (\$52 billion) in 2006. Trade with the U.S. accounted for 16 percent of Malaysia's global trade.

An agreement would offer U.S. companies such as Microsoft Corp. and General Electric Co. greater access to Malaysia's \$149 billion economy, Southeast Asia's third-largest. The country is the 10th-largest U.S. trading partner.

Sixty percent of Malaysia's 26 million citizens are ethnic Malay. An affirmative action policy introduced in 1971 gives Malays preference in government contracts, housing, education and jobs.

To contact the reporter on this story: Stephanie Phang in Kuala Lumpur at at sphang@bloomberg.net ; Angus Whitley in Kuala Lumpur at at awhitley1@bloomberg.net .