

More open services sector vital for Malaysia

By Rupa Damodaran
rupabanerji@nstp.com.my
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KUALA LUMPUR: Malaysia is not yet a major trading partner with the European Union (EU) in services but its liberalisation policies and partnership with the EU will help it achieve a high-income status, said EU ambassador Vincent Pilet.

Competition and willingness to create openness in services are vital for Malaysia to forge ahead.

Malaysia is the EU's second largest trading partner within Asean (the Association of Southeast Asian Nations), after Singapore, with bilateral trade in goods reaching $\text{€}31.9$ billion (RM140.68 billion) in 2010. Services were estimated to have contributed about $\text{€}1$ billion (RM4.4 billion).

He was speaking at the dialogue session on improving Malaysia's competitiveness in the services sector organised by the EU Malaysia Chamber of Commerce and Industry (EU MCCI).

Sharing the EU experience, he said Europe prides in its innovation as well as education system but that was due to the region's liberalisation process in becoming a single market (with 27 member countries).

Political compromise too, he said, has been fundamental in raising EU's share of services (in the economy) with cross-border competition as well as free movement of goods, capital and services.

"In the case of Malaysia, what is needed now is a holistic approach in the liberalisation of services, one that will send signals to EU firms and others to set up businesses here," adding that the current regime posed legal hindrances to engineers, architects and lawyers from entering the market.

Liberalising the services sector would raise wealth and provide jobs even though there may initially be a monopoly of some players, but at the end of the day, the playing field would be welcomed by all parties.

It is estimated that the Malaysia-EU FTA, which will include market access to services, would contribute an 8 per cent growth to Malaysia's cumulative GDP growth in 2020 and 2 per cent to the EU's GDP.

In 2009, Malaysia liberalised 27 services sub-sectors, allowing 100 per cent foreign equity in sub-sectors ranging from tourism to education and maritime services. Senior director Apec Division, from the International Trade and Industry Ministry Datuk N. Vasudevan said the liberalisation of services is a challenge as it involves many players and professional associations whose opinions and views need to be sought.

"Malaysia needs to progressively liberalise its services sector - we have to see the cost and benefits to the economy as well as industries as it involves their market share." More than getting foreign labour, the biggest hurdle, he said, involved reviewing domestic regulations as they are mostly governed by Parliament which meant that any review could entail a lengthy process.

Vasudevan, who is also involved in the Malaysian negotiating team in the Malaysia-EU FTA talks, said opening the services market should lead to foreign players using Malaysia as a base to enter the Asean market.

One of the suggestions Talent Corp Malaysia's (TCM) Johan Mahmood Merican received during the panel discussion was for Malaysia to tap new talent from countries like Indonesia and India.

TCM has adopted the demand approach by addressing the talent needs for key industrial critical areas and has started its programme with the electrical and electronics sector in Penang, which needs to move up the value chain.

In its list of compiled issues and recommendations this year, the EU MCCI has called for policy consistency and clear direction in the development of policies; a competitive taxation and tax incentive climate; a review of equity conditions; intellectual property rights (IPR) protection and enforcement; and a conducive environment for innovation and creativity.

Apart from liberalisation of services , it is also seeking enhanced transparency and minimising the level of corruption, improving the security level and also implementation of green technology.

The EU MCCI is into the second year of its three-year project to enhance EU-Malaysia business dialogue and cooperation in the services sector in Malaysia.

The project focuses on logistics, environmental technologies, financial services and ICT.