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Malaysia Country Report

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MALAYSIA

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Malaysia's development experiences

FTAs are seen as a route that enables Malaysia to achieve higher trade and growth. It should be noted that FTAs go beyond the reduction of tariffs, extending to include cooperation in industry, stimulation of technology transfer and direct or indirect push for economic growth.

Regional FTAs that involve the ASEAN hold the promise of creating a single ASEAN market, and such a market, given the size of ASEAN's population, makes the region extremely attractive. Obviously, if Malaysia can find a niche for itself within a market of such size, it will establish itself as an important center of trade as well as a key location for FDI.

The East Asian Summit: Issues raised and their relevance to Malaysia

Attempts toward an East Asian Community are more important now with the increasing significance of East Asia and India, and Malaysia attempts to identify its place in the new global landscape.

The spread of disease and the financial crisis are two significant events that have negatively affected the Malaysian economy, and could be solved within the context of a regional community.

There are certain areas, e.g., poverty eradication, where Malaysia has achieved remarkable success. In fact, Malaysia is in a position to share its experiences with other less developed countries in ASEAN. The presence of the other +6 countries in the community provides additional opportunities that can be tapped by these less developed ASEAN countries (particularly, the CLMV members) with the support of the more developed members in East Asia.

Malaysia could also benefit from cooperation and dialogue with members of EAC, such as in the area of energy security and environmental management.

The roadmap for East Asian Community

Without going into the details of the political and institutional requirements, it would be useful to summarize the key issues that need to be taken into account when designing a possible roadmap. The following are some of the outstanding issues that demand consideration:

- The ultimate objective of the EAC would be to create a single market, but this is to be accomplished on a consensual basis and without a binding timetable.
- Efforts to bridge the development gap among member-countries should be the focus of attention. Particular attention too should be paid to the CLMV countries.
- Monetary and financial cooperation will be the backbone of attempts to strengthen the economic and financial system of the EAC. This is important in forging intraregional cooperation and integration; it is also essential so as to strengthen the macroeconomic resilience of the region.
- As a step toward facilitating monetary and financial stability, a surveillance process should be instituted, with capital flows, in particular, being regularly monitored.
- Cooperation within the region for the development of infrastructure such as dams and transportation projects that run across a country or across borders, and energy projects, should be improved.
- An assortment of bilateral trade agreements increases transaction costs. Trade and investment will be better served if the region adopts a common trade agreement that encompasses the needs of member-countries and works toward binding EAC members, rather than working on individual bilateral FTAs.
- Important concerns that need to be addressed when working toward an overarching FTA are pressing issues such as rules of origin and a dispute settlement process.
- Other issues that require cooperation include establishing institutions to address cross-border environmental issues, epidemics, and disaster management. It is also necessary that a comprehensive roadmap considers cooperation on education, technology transfer, and scientific advancement.
- It is imperative that the research capabilities of the region be considered. Although national research institutions are already available, a region-wide research institution will have to be considered in developing the requisite research expertise for issues that have a wider, regional focus.

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What calls for more discussion are the areas on which ERIA has to build its capabilities. In order to clarify this issue, it must be noted that there are many

developing countries within the region that do not have the manpower (or sufficient manpower) to undertake the necessary policy research for pertinent issues.

There are three ways in which ERIA can lend support: (1) It can extend its competence by employing the available expertise from more developed member-countries to build the human capital stock in less developed member countries; (2) ERIA can undertake research and advise member-countries on issues that affect the region as a whole; and (3) ERIA can act as a coordinating agency that draws on the skills and abilities of research institutions in member-countries. The advantage of ERIA in the context of EAC is that it harnesses the expertise of those in the more developed member-countries and can share this expertise with the less developed countries. Another benefit arises from the possibility that ERIA can perform studies on policy issues that have regional implications. Finally, ERIA can play an empowering and coordinating role.