

## MUCH ADO ABOUT GSP

*After all has been said and done, it appears Malaysia's GSP status will remain intact.*

IF ONE SOARS UP into the blue yonder and takes a bird's eye view of the entire Generalised System of Preferences (GSP) issue, one might just conclude that the issue has been blown way out of proportion. Also, one may also conclude that the issue has been overly politicised, with parties having in mind the general election, thought to be just around the corner.

The American Federation of Labour-Congress of Industrial Organisations (AFL-CIO) and the International Labour Rights, Education and Research Fund (ILRERF) have recently combined forces to attempt to deliver a knockout punch to Malaysia's eligibility for tariff preferences under the GSP programme. AFL-CIO's grounds for petitioning to withdraw Malaysia's GSP privileges were solely based on the slate of worker rights violation.

The Washington-based ILRERF accused Malaysia of a few charges. Among other things, Malaysia was accused of preventing workers in the electronics industry from exercising their rights to unionise; restricting workers from staging industrial strikes; and depriving workers of minimum wages and adequate protection against occupational hazards.

Deputy prime minister Ghafar Baba said in a recent Press report that the lobbying efforts in the United States to erase Malaysia from the American GSP list have shown traces of support from opposition parties like PAS and Semangat '46. Ghafar said the action is detrimental to the country's welfare because should the privileges be discontinued, many Malaysian workers will be unemployed and the competitive edge of Malaysian products will be eroded.

The GSP issue has also turned grown-ups to little kids at the Dewan Rakyat with the deputy human resources minister Datuk K Pathmanaban hurling allegations and throwing insults at the Democratic Action Party's Lee Lam Thye for having links with ILRERF. Pathmanaban's accusations were based on the fact that Lee had attended a picket by workers of Harris Solid-State (M) Sdn Bhd on May 12, and was photographed with Terry Collingsworth, ILRERF general counsel at the picket.

The Federation of Malaysian Manufacturers (FMM) says that the GSP should not be used as a 'political leverage to extract concessions from beneficiary countries'. The GSP concept was originally conceived to assist its recipients to gravitate towards industrialisation and increase its export earnings and economic growth.

Malaysia has, thus far, enjoyed its GSP privileges. They have contributed to the enhancement of Malaysia as an attractive investment environment which houses over 200 electronics companies employing some 123,000 electronic workers.

Even though the GSP has been primarily a trade issue, it has not been spared of irrelevant associations with labour problems. V David of the DAP and MTUC has put himself in an uncomfortable predicament in supporting the call for withdrawal of GSP privileges, especially since such support goes counter to the interests of Malaysian workers. And now even his own party members are pressing him for an explanation following a blaze of publicity over GSP issue.

In 1989, exports to the United States, Malaysia's second most important trading partner, accounted for 18.7 per cent of Malaysian exports. Exports under GSP contributed about 11 per cent of Malaysia's export to the US, or 2 per cent of Malaysia's total exports. Thus, GSP privileges do account for a significant portion of Malaysian exports.

Also, Malaysia is understandably concerned that the withdrawal of GSP privileges by the US may spark off a chain reaction and lead to withdrawal of similar benefits now given by the EEC countries, especially Britain, and by Japan. Malaysia is in no hurry to move up to newly-industrialised-country status which brings with it trade and other pressures.

Operating under the umbrella of GSP, Malaysia is furnished with duty-free access to the US market for a broad array of its exports. Due to significant tax exemptions, Malaysian products will be more attractive price-wise, and therefore more competitive in the US market. Apparently, American workers are not happy because the tendency for US companies to relocate their plants in Malaysia and other regions will result in the loss of employment for the US. Thus, the US labour movements do not lose any opportunity to have the GSP privileges withdrawn on the grounds of violation of worker rights.

Human Resource Minister, Datuk Lim Ah Lek in his explicit explanation of the country's labour policies, has repeatedly maintained that Malaysian labour laws are unique and good for Malaysia. 'These laws have contributed to the growth of the nation and the achieved socio-economic progress that we enjoy now,' Lim said. 'Our achievements speak for the laws we have. Malaysia's labour laws are relevant in the Malaysian context.'

Gregory E Crane, plant general manager of Baxter Healthcare S A in Penang, hopes that the GSP will not be taken away. 'Economically speaking, it would be beneficial for GSP to stay,' he says. Even though market share would not be affected should the privileges be withdrawn by the US Government, Crane says that profits would be eroded quite significantly. Additional duty would also mean that the consumers would have to dish out more money when making future purchases.

So, will Malaysia enjoy GSP privileges for a while yet? Trade and industry minister Datuk Seri Rafidah Aziz has expressed confidence that it will stay. She says: 'As far as Malaysia is concerned, it is very clear that there are really no grounds for the petitions, whether in the context of the trade union issue or workers' rights issue or the issue of market access.' She also chides inefficient industries in developed countries for pressing for countervailing duties and anti-dumping measures to be taken against countries like Malaysia. This she adds, is like 'penalising efficiency'.

The American Embassy's charge d'affaires, Paul Blakeburn, told Press recently that if the allegations contained in the petitions were found to resemble those of the 1988 experience, they would likely be rejected. Finance minister Datuk Paduka Daim Zainuddin is also confident that the GSP privileges would not be withdrawn. The move would be highly unlikely, he says, as it was politically motivated by people who are jealous of Malaysia's economic growth.

These notwithstanding, Malaysian industry must realise that GSP privileges will not be available forever. Once Malaysia achieves a certain standard of industrialisation and economic well-being, the GSP status will be withdrawn and reserved for more unfortunate countries. It is important that reliance on GSP for competitiveness of exports to the US and other industrialised countries should be rapidly reduced.