Trade barriers and restrictions in malaysia

Introduction

Every nations and regions have its trade barriers and restriction including Malaysia as well. Trade barriers are the restrictions set by government on international trade and national trade. For instance, customs duties, import and export taxes, import licenses, export licenses, subsidies, import quota, trade restriction, and etc. The purpose of having trade barriers and restriction instead of free trade system basically is because government need to control the cost of goods and services trading in and out the country. Governance over the goods and services price are critical due to it will strongly affect the specific nation's economic efficiency such as gross domestic production index, in serious issue may affect depreciation on the nation's monetary currency and eventually lead to bankruptcy. Besides, reducing the trade barriers and restrictions would have an absolute advantage which is increase market opportunities and foreign investment allowed to improve the economic growth.

Malaysia is a founding member of the World Trade Organization (WTO) since 1957 until today, through active participations in WTO negotiations, Malaysia continues to ensure that trade regulations and trade measure that are negotiated are fair and provide the flexibility for Malaysia to continue its development policy. As refer to WTO's trade policy review report Malaysia's edition year 2014, Malaysia's trade policy is focused to become a self-reliant and industrialized nation by year 2020. Various new trade-related laws have entered into force: the Quarantine and Inspection Service Act, the Strategic Trade Act, the Competition Act, and the Price Control and Anti-profiteering Act. Besides, Malaysia has signed and ratified the Trade Preferential System of the Organization of the Islamic Conference (TPS-OIC) and the Developing Eight Preferential Tariff Arrangement (D8-PTA).

In Malaysia, import prohibitions and restrictions are mostly for national security, religious and environmental reasons. For instance, prohibition import on drugs and firearms, imposed high taxes on tobacco and alcohol products. Export taxes or restrictions are also applied on certain goods such as timber and crude palm oil which to discourage exports due to prevent exploitation and product availability concerns. Export and import licensing and/or permit must obtain from assigned body which can be non-government or government agencies. For instance, all goods from Israel or to Israel must have special permit from government body to proceed.

Other than licensing, the Halal standards requirement is important for doing business in Malaysia due to Malaysia is a Muslim dominant country. All meat, processed meat products, poultry, and egg products, domestically produced or imported, must receive halal certified from the Department of Islamic Development Malaysia (JAKIM) or any foreign halal certified body recognized by JAKIM prior to importation or distribution in Malaysia. JAKIM recognizes the qualified Islamic organization in the exporting country/economy for monitoring the halal process in the slaughterhouse and issuing halal certificates for products exported to Malaysia.

Are trade barriers or restrictions always justified? Based on some of the case in Malaysia, we know that the trade barriers or restriction is justified. This case can be seen in services barriers which is in telecommunication service. The market of telecommunication in Malaysia have been regulated by the

Malaysian Communications and Multimedia Commission (MCMC), pursuant to the Broadcasting Act of 1998. However, Telekom Malaysia on the provision of fixed-line and cellular services was abolished in 1994 with the licensing of several competitor but the company have still remained the dominant provider of fixed-line services which estimated 90% of share in the market. In the year of 2005, the market of fixed-line have declining with 17 telephones for every 100 people. However, the cellular services have continued growth rapidly. At last, Telekom Malaysia is one of the leading mobile operators and has shifted the bulk of the company revenue base from fixed to mobile services. Telekom Malaysia have been awarded third-generation (3G) spectrum licences. Once there is more people using cellular services, it will help in increase of Gross Domestic Product (GDP) and will help the economics of the Malaysia to be growth. At last, Malaysia have approved the licence to Telekom Malaysia.

Other than that, Malaysian requirement for the licensing and operation of direct selling. However, the direct selling company must include 30% of Bumiputera equity. In addition, Malaysian government have approved a new guidelines on Foreign Participation in the Distributive Trade Services which is amended the 1995 guidelines. This is where the foreign distributor or operators of hypermarket must have 30% of their shareholding allocated to bumiputera partners. It is also new reported that have been confirmed that the government is considering imposing minimum stock requirement which need 30% of all goods on shelves must be from Bumiputera companies. This is because retail is the biggest contributor to Gross National Income among the 12 National key. This have shown that the economics of Malaysia have contributing RM100. 6 billion in 2010 and RM114. 4 billion in 2011. Therefore, this have shown that the economics of Malaysian have increase of having foreign distributor in Malaysia. The foreign distributor in Malaysia such as Carrefour (France), Tesco (UK), Giant (Hong Kong, China), and Makro (Netherlands).

Nevertheless, the insurance industry have remain dominated by the foreign providers which particular in life insurance. In the insurance industry, the Financial Sector Master Plan have been recommended in phased of liberalisation which including increasing caps on foreign equity, reinsurance industry have fully open to foreign competitors, and lifting restriction on employment of expatriate specialists. The 15 foreign firm that are active in Malaysia have hold about 40% of the equity and 50% of the assets in the market. This is because they dominate the fast-growing life insurance market. As in part of the 1997 WTO Financial Services Agreement, the existing foreign shareholders who have the original owner of locally corporate insurance have been agreed by Malaysia to increase their shareholding to 51%. However, the new entry by foreign companies and aggregate foreign shareholding may not exceed 30% although this limit has been subject to negotiation. The leading foreign insurance company in Malaysia such as Great Eastern Life Assurance (Singapore), American International Assurance (United States), and ING Insurance (Netherlands). Other significant firms include Kurnia and Hong Leong (both of Malaysia), Allianz (Germany), and Prudential Assurance (United Kingdom).

In conclusion, trade barrier and restriction of a country was based on itself a country statement set up the compliance condition upon the country variety issues by the government for protection and prevented to the conflict between people to people, people to business, business to business and business to government due to each of social unfairness and disrespect even unethical issues. The domestic barriers and restrict of issues derive social living such s race, religion, demography ratio allocation, ethics issues, and also balance of human living. For instance, all the Malaysia distributes channel cannot distribute those non-halal basic need food and product to Islamic store. This is an understanding of restriction of Islamic faith and also in respect of other religion belonging. Therefore, in the lives of the society, the government has to set up the rules and regulation which is trade barriers and restriction by according to variability issues of society in order to guide the society harmony and peaceful lives.

Moreover, in sight of Malaysia's international foreign trade by through import and export. The country trade condition has set up according to Malaysia business scale and social development are such as issues related to economic development, restrict the tendency of business corruption, cheating on workmanship and material and licensing and certificate of the product. The trade restriction of a country is important guide the import and export process make sure its security and transparent follows with criteria of international trade policy. Therefore, the Malaysia government enforce in the controlling of supervising in the import and export process.

Otherwise, it is also related to GDP and GNP economy condition where it is the import and export can be affect the GDP and GNP status. For instance, when import is higher than last year outcome, it may cause the GDP decline, but reverse of when the import has lower than last year outcome, it might lead the good signings in the GDP because the local production and domestic consumption have strongly signified the economy is on track and healthy economies. Besides that, for an example of GNP, when the GNP is higher that mean of foreign capacity investment at the local is popular and being invested by foreign by enforce development a part of the economy. This is good status it means the country has been rapidly developing to the next level of another international development country. Contrary, when the GNP is lower that means the foreign capacity investment is lower and it's unable to lead the economy surfing on country development. Therefore, the government has measured the trade restriction and barriers controlling economy of the Malays in order to lead the economy in balance allocation and stability to growth.

In Malaysia, the mobile sector is known as one of the fastest growing sectors within the telecommunications industry. According to the star newspaper, smart phones penetration in Malaysia has increase from 47% in year 2012 to 63% in 2014. Results shows that penetrations on smart phones has highly support the growth of mobile telecommunication sector. Telekom Malaysia's data and broadband services is their key driver for growth, as mentioned in Malaysian Economic Outlook 2014, Malaysian Institute of Economic Research (MIER) 2014 GDP growth outlook of 5. 5% with expected measures to rein in the budget deficit, tighter monetary conditions and enhanced downside risk. In order to satisfy the demand of bandwidth, more quality broadband services packaged are to be offered as well as the proliferation of smart devices and usage of applications. On the other hand, providing mobility solutions is also important from a customer experience. Telekom Malaysia will need to improve their services to meet the expectation of business segment users as their brand promise of “ Life and Business Made Easier”.

Retail from foreign country may have increase the economy of Malaysia. However, the equity of 30% Bumiputera share is not good enough. As other race of Malaysian are also contributing to the country’s economy, government of Malaysia should include the consideration of increasing the equity to 30% and above which includes Malaysians not counting races. This is because by giving the same chances to other citizens of Malaysia will increase the number of talents and experts. There are many well-known professionals choose to get out of Malaysia because of not having the equal opportunity as bumiputera to expand their business in retail sector. In other words, it will provide more job opportunity for Malaysians. Other than that, by having more retails from foreign country will increase the price of imported products when tariff is charged, as trade barriers forces consumers to pay more when import items are taxed. By promoting entrepreneur or starting own business locally will provide more selections to the economy as they will be an increase of GDP and having more jobs opportunity will boost the GNI.

As there are too many insurance company that is dominant by foreign providers. Malaysia can encourage more local company to build up insurance company. At the same time, local insurance company such as Hong Leong. They can look into creating more variety of insurance packages other than life insurance. This enables the options to be open. Government of Malaysia can also promotes more about insurance to create awareness. As there are many in the society these days does not aware of the importance of insurance in terms of emergency needs. For instance if one admitted into hospital after a major accident or an unexpected medical emergency, one may not need to have a second thought about paying the large some of bills as the healthcare expenses today is relatively high.

Besides that, for a country to increase GDP and increase of economy growth if the quality of human capital is improved by education. Therefore, Malaysia should aim to increase the quality of its workforce by increasing educational and vocational training opportunities and retraining those who need to take up work in new industries. Improvements in physical infrastructure and the level of technology in use also are contributors to growth. Hence, having the improvement of education we will increase the quality of work produce and it will be beneficial to the economy in Malaysia. In addition to this, the institutional infrastructure of the country in areas such as law, banking and government institutions is essential to GDP growth.

An enlightened immigration policy that attracts highly trained personnel from abroad may increase the quality of the country’s workforce. Where more skilled people may be brought into the workforce, either by policies to reduce unemployment, immigration or population growth combined with adequate education, GNP growth may be encouraged.