



POLICY IDEAS No.16

PUBLIC PROCUREMENT IN FTAs: The challenges for Malaysia

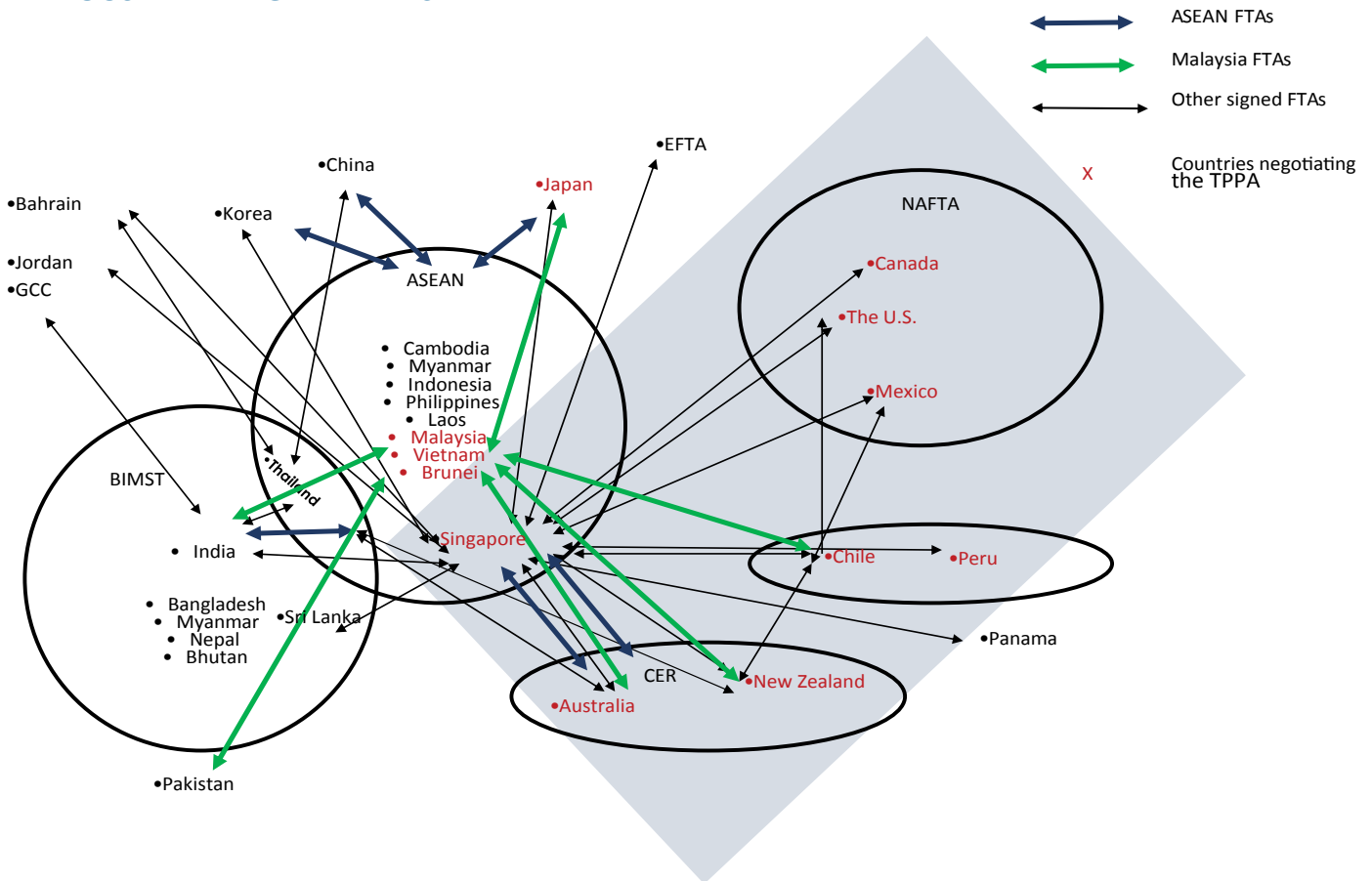
By David Seth Jones

Mutual access to the procurement market is important in any free trade partnership since procurement expenditure is worth a lot both in absolute value and as a percentage of GDP, especially in high income countries with a sizeable public sector.

Abstract

The paper examines opportunities and challenges for Malaysia if it accedes to a Free Trade Agreement (FTA) that has public procurement provisions. It examines the key provisions in the procurement chapter of an FTA, and the core principles that shape them, viz. non-discrimination, convergence, and transparency. The paper considers what suppliers must do to take full advantage of the opportunities offered by access to a much larger procurement market, and the consequent benefits to each partner country. The benefits to Malaysia from the inclusion of procurement in an FTA are then identified, including the increased chances for Malaysian businesses to win contracts in foreign procurement markets, the resultant boost to exports, and improved procurement practices as a result of convergence and transparency. The challenges that arise as a result of the necessity to modify the protection given to Bumiputera businesses and local small and medium enterprises are also discussed. It is argued that the impact may be mitigated by higher value thresholds, by exemptions for certain types of goods, procuring entities and businesses, and by transitional concessions, the most important of which are off-sets.

FIGURE 1: MALAYSIA'S POSITION IN VARIOUS TRADE AGREEMENTS



**Source: World Bank. 2014. Malaysia economic monitor : boosting trade competitiveness. Washington, DC : World Bank Group. <http://documents.worldbank.org/curated/en/2014/06/19734290/malaysia-economic-monitor-boosting-trade-competitiveness> p. 86*

Introduction

As at 2012, Malaysia is signatory to at least 11 bilateral and regional Free Trade Agreements (FTAs), none of which to date has included public procurement. Nonetheless, procurement has been on the agenda in recent free trade negotiations such as with the EU and Trans-Pacific Partnership Agreement (TPPA) which involve 12 countries including Japan, Australia, South Korea, Malaysia and Singapore. Except for Malaysia and Vietnam, other TPP countries have opened their procurement market under the Government Procurement

Agreement of WTO or under other FTAs, even though the degree of openness may vary.

Public procurement in Malaysia has been used to support national public policy objectives, in particular to encourage greater participation of Bumiputera in the economy. Many fear that the inclusion of procurement in the FTAs will impair the ability of the government to use procurement for national policy objectives and will deprive Malaysian suppliers of their businesses.

While FTAs may require Malaysia to modify some of its procurement policies and will result in lower opportunities for local suppliers to gain local contracts, the benefits of opening the public procurement markets in other states for Malaysian businesses is apparent. This paper will explore these benefits and make recommendations that can be put in place to mitigate possible losses that Malaysian suppliers may experience should it sign up to such FTAs.



Free trade and procurement

Up to recently, protectionist policies were generally accepted in developing and emerging countries (and in some developed countries). Such policies created barriers to trade in goods and services, as well as imposing restrictions on investment. Protectionism also entailed restrictions in public procurement through the barring of overseas suppliers from tendering for particular goods, services or projects, or through preferences of one type or another in favour of local suppliers. Where contracts were awarded to overseas suppliers, it was due to the absence of any local supplier able to provide the goods, services or works required. Typically this was seen as a last resort and even then the overseas supplier was still obliged in many cases, where it was possible, to team up with a local supplier in a joint venture.

Over the years, many developing and emerging countries in Asia, Africa and Latin America favoured the retention of these barriers for a variety of reasons. They were part of a policy to encourage local investors and develop local industry, to minimise current account deficits, and overall to achieve self-sufficiency and economic independence. They also played well with local electorates impressed by the appeal of economic nationalism. India was a classic example until it began trade liberalisation and market reform in the early 1990's.

However, the protectionist model was increasingly questioned from about the 1980s. It was recognised that market reform, foreign direct investment and trade liberalisation were vital to development. FTAs, both bilateral and multilateral, fit into this new paradigm, being aimed at dismantling barriers to trade and investment between two or more countries.

Many FTAs incorporate public procurement, with the intention of mutually dismantling barriers to suppliers from the partner countries. This is partly achieved in the first place by bringing down trade barriers for suppliers from any partner country, but more importantly by reducing obstacles to their participation in tenders and ability to win contracts. Mutual access to the procurement market is important in any free trade partnership since procurement expenditure is worth a lot both in absolute value and as a percentage of GDP, especially in high income countries with a sizeable public sector. In OECD countries it is worth about 13% and globally 15-20% of GDP (OECD, 2008). A further intention of the procurement provisions in an FTA is to raise the standard of procurement in each partner state so that they are brought into line with international best practices advocated by various international organisations such as the UN, World Bank, ADB, OECD and WTO.

Procurement in FTAs: Core principles and key provisions

GOVERNMENT PROCUREMENT AGREEMENT (GPA)

The procurement principles and provisions in an FTA are usually adopted *mutatis mutandis*, with only minor modifications from the World Trade Organization's (WTO) GPA, signed in 1996 (revised in 2012). The GPA gives suppliers from the 26 signatory states (mainly developed states) open and non-discriminatory access to each other's procurement market. It has become the template followed by subsequent FTAs incorporating procurement.

CORE PRINCIPLES

There are three core principles that shape the procurement provisions of an FTA. One is the principle of non-discrimination, which guarantees that goods, services and suppliers from any partner country will receive 'treatment no less favourable than that accorded to domestic goods, services and suppliers'. Local suppliers with affiliation to a company registered in another partner country or which are owned by persons from a partner country may also claim equal treatment, as may local suppliers providing goods and services (e.g. as a distributor) from that country. The provisions on non-discrimination may explicitly prescribe discrimination by a government in favour of any supplier in which it has a shareholding (such as a government-owned or government-linked company).

The second core principle is convergence by which the system of procurement in the partner countries will become more or less similar. Thus, partner governments may adopt similar formats for a tender notice, a common framework to cover different methods of tendering, common procedures for submission and evaluation of tenders, similar pre-qualification tests and registration systems, a common format for announcing bid awards, and similar arrangements to allow and process bid challenges.

The third core principle is transparency. This commitment is essential to ensure proper implementation of the procurement provisions of the FTA, and to guarantee equal treatment, and accountability in conducting tenders.

KEY PROVISIONS

The procurement provisions of an FTA usually affirm competitive tendering to be the main method of procurement in conformity with the principle of non-discrimination. This covers open tenders (all registered suppliers with the relevant supply/work head and financial grade from each partner country may bid), or selective tenders (the suppliers undergo a pre-qualification to determine their suitability to tender). Limited tenders (where a two or more suppliers are invited to submit bids) may be allowed in certain circumstances.

To ensure that tenders are non-discriminatory and fully competitive, the procurement provisions usually stipulate that technical specifications for goods and designs are not drafted in such a way as to favour particular local suppliers. The concern is that specifications may

be tweaked to favour goods and designs with certain components, produced in a particular way or traded under a specific name, which only local suppliers provide, although equally suitable alternatives are available. To avoid this possibility, the FTA may emphasise performance or functional criteria within the specifications and generally follow international specification formats for such goods and designs. Where product composition or design components are mentioned, it could be qualified by inserting the word 'equivalent'.

An FTA may stipulate that the requirement for suppliers to be registered for procurement purposes should not be used to bar access to those from the other partner states. Often foreign suppliers are not registered and therefore cannot participate in tenders of a partner state. One option to address this problem is to allow suppliers to be registered at the same time as a pre-qualification test or tender submission.

As mentioned above, important provisions in an FTA require transparency in procurement. This includes widely disseminated procurement notices, publication of the method of procurement to be adopted, clear statements of technical or design specifications, tender award criteria, and procedures to follow in tender submissions, announcement of the tender outcome (name of the successful tenderer and value of the contract). Also necessary in achieving transparency is publication of laws, regulations and manuals that govern procurement. Such requirements can be met by the adoption of comprehensive E-procurement and by posting such information on a special procurement portal.

Most FTAs which include procurement lay down value thresholds at or above which non-discrimination applies (referred to as covered procurement). This of course restricts the coverage of the FTA to medium and high value procurements. For example, although the thresholds can vary, the GPA typically covers goods and services procurement at or above 130,000 Special Drawing Rights (SDR) for goods and services and SDR 5 million for construction projects, equivalent to RM 632,190 and RM 24,268,310 respectively (SDR 1 = RM 4.86).

In addition, procurement provisions in an FTA often include standard prohibitions on the disclosure of confidential information. Confidentiality protection includes the non-disclosure of information contained in a pre-qualification questionnaire and in a tender submission such as a company's current financial health and product or design details. It is thus incumbent on those in receipt of such information such as tender evaluation and award boards and technical assistance committees to respect confidentiality rules.

The procurement provisions also lay down clear guidelines in respecting patents or intellectual property rights that apply to certain goods, designs and research. The purpose is to ensure that the procurement process does not lead to the copying of patented designs, research and goods. Consequently, officials involved in the procurement process who may be in receipt of information relating to patents are placed under an obligation not to disclose such information to other parties. In respecting software patents, procurement provisions in an FTA may prohibit any recompilation of the software with only minor modifications of the original.

Other important provisions in the procurement chapter of an FTA specify rules of origin to be applied to procurement, which normally replicate those found in sections of the FTA dealing with the trade in goods. A further stipulation is to require signatory governments to set up an appeals mechanism. As a result, a tenderer from any of the partner countries can appeal against an award if it feels aggrieved at having been treated in a way contrary to the FTA.

Opportunities for Malaysia by including procurement in FTAs

The Malaysian economy is middle size (globally ranked by the IMF at 35th according to GDP in 2013). It includes, as well as a major commodity sector, a wide ranging export-based manufacturing sector, comprising traditional low and middle value industries, and increasingly high spec manufacturing and knowledge-intensive services.

Many of the goods and services produced are typically needed by government agencies. Public spending constitutes 25.6% of GDP (RM 261 billion; SDR 54 billion) in 2014, which includes both operating and development expenditure. One possible measure to estimate how much of this comprises procurement expenditure, is to aggregate spending on supplies and development expenditure. On this calculation, procurement expenditure was RM 80.2 billion (SDR 15.7 billion) in 2014, which was 30.7% of total spending (Department of Statistics, 2014; IMF, 2014).

GREATER MARKET ACCESS

Obviously, an FTA that includes procurement will result in much more competition in the Malaysian procurement market and a possible loss of some public contracts previously awarded to local suppliers. The total value of those lost contracts is, of course, difficult to estimate. On the other hand, Malaysian suppliers would have access to the much larger procurement market of partner states. In the prospective TPPA referred to above, the potential partner states include developed



countries such as Australia, Canada, Japan, Singapore, South Korea, Taiwan, and USA, and any deal with the EU in the future would cover all the countries in the 28 member bloc.

An impression of the opportunities that can arise by including procurement in FTAs with major trading partners, such as the prospective TPPA and a possible FTA with EU, may be drawn from figures given in Tables 1 and 2.

Table 1 shows the value of procurement contracts as a percentage of GDP in certain Pacific Rim countries and in major EU countries published by the OECD in 2008 and updated in 2011. The data covers general government procurement, and for EU procurement by public utilities as well. In the Pacific Rim countries, expenditure on procurement ranged from 11% to 15% of GDP, and in the EU countries, it ranged from 12% to 26% of GDP. Given the size of the economies of these countries, such percentages point to significant procurement opportunities for foreign suppliers, including Malaysian suppliers, under an FTA.

The figures in Table 2 are calculated from procurement returns sent to the WTO by five Pacific Rim jurisdictions who are signatories to the GPA, and include only contracts above the GPA thresholds (i.e. medium and high value contracts).¹ The table shows that the total value of the procurement market above the GPA thresholds was just under

SDR 1,000 billion with the dominant country being the USA for the years the data was collected (2008-2012). These figures are a further pointer to the size of the procurement market that could be opened up through FTAs such as the TPPA.

TABLE 1: PUBLIC PROCUREMENT (GENERAL GOVERNMENT) AS % OF GDP (OECD FIGURES UPDATED 2011)

	Total public procurement as % of GDP
Pacific Rim Countries	
Australia	12
Canada	12
Japan	13
New Zealand	15
South Korea	12
USA	11
Major EU countries*	
France	18
Germany	17
Italy	13
Netherlands	26
Spain	15
UK	19

¹ Japan and Canada which submitted returns are excluded since their returns were arranged on a different basis.

* EU figures include procurement by public utility companies.

Source: OECD, 2011.

TABLE 2: VALUE OF PUBLIC PROCUREMENT CONTRACTS ABOVE GPA THRESHOLDS IN CERTAIN PACIFIC RIM COUNTRIES (RETURNS SUBMITTED TO WTO)*

Country and year	Value in SDRs (Billion) and year when recorded	Estimated value in SDR (Billion) in 2013
Hong Kong	6.0 (2011)	6.8
Singapore	3.2 (2010)	3.7
South Korea	20.7 (2010)	23.0
Taiwan	6.9 (2012)	6.0
USA**	945.5 (2008)	914.6
Total	982.3	954.1

* The figures include procurement spending by central government entities, autonomous government entities and sub-central entities.

** The return submitted by the USA includes procurement spending by State governments on contracts below the GPA thresholds.

Source: Calculated from WTO, 2013.

INCENTIVE FOR LOCAL SUPPLIERS TO BE MORE COMPETITIVE

Additionally FTAs that include procurement may encourage local firms to be more competitive. Studies show that opening procurement markets provides incentives for suppliers in each partner country to become more cost efficient and to improve the quality and environmental standards of the goods, services and facilities they provide so as to win profitable public contracts especially in the other partner countries (Anderson et al, 2011). For example, to compete in foreign markets, Japanese air-conditioner manufacturers have improved the energy efficiency performance (the amount of cooling for each watt of electricity used) of its units and other features to reduce energy consumption, together with comprehensive warranties. This has put them in a good position to compete in tenders for air conditioning units or systems in government buildings not only in Japan but in the partner states of the FTAs that Japan is a signatory to.

IMPROVING DOMESTIC PROCUREMENT STANDARDS

The third benefit that Malaysia may gain stems from the convergence of procurement systems of partner countries required by an FTA. The template adopted in creating convergence is to a greater or lesser extent based on internationally accepted best practices, e.g. competitive tenders, transparent procedures and protection of confidential information. In partner countries, in which the procurement system requires reform as a result of being restrictive, wasteful and not providing value for money,

convergence is likely to involve major improvements in the way procurements are managed and tenders conducted. This ultimately enhances the quality of public services, and the quality of the public infrastructure, and at the same time leads to better management of government expenditure, and cost savings for procuring entities (Anderson & Arrowsmith, 2011; Anderson et al, 2011; Lo, 2011). This ultimately benefits the Malaysian public who will be recipients of better quality products and services and ensures a more efficient and effective use of public funds derived from the taxes and charges they pay.

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Challenges in opening the Malaysian procurement market

Opening up the Malaysian government procurement market in which local suppliers and contractors have been protected for decades is especially challenging. Extensive FTAs such as the TPPA and a possible FTA with the EU will result in changes in the various preferences given to local and Bumiputera companies. The preferences in the form of set-asides, quotas and preferential price margins would have to be modified. As a result, suppliers or contractors that previously obtained contracts through the current preferential system may not secure contracts in the future.

What's more, there are fears that Malaysian firms will not be able to compete with multi-national large companies in providing better and cheaper products and services for government agencies. Large companies in the more developed partner states could use the advantages of scale, superior technology, global name, and access to market networks to capture a significant share of the procurement market, at the expense of local suppliers (Anderson et al, 2011). These concerns are addressed in the next section.

Measures to alleviate disadvantages for Malaysian suppliers

Normally the procurement chapter of an FTA allows signatories to modify provisions to alleviate the disadvantages to their own local suppliers. These take the form of special exemptions and allowances. Such measures may be divided into those which will be implemented during a transitional period and those which are a permanent arrangement.

TRANSITIONAL MEASURES

The procurement chapter of an FTA may allow transitional arrangements to enable signatory states to adjust to its impact on local suppliers especially within their domestic procurement market. Such arrangements may be particularly valuable to developing and emerging countries which sign an FTA with developed countries. In view of the need for such adjustment, the WTO has incorporated a new set of provisions in the revised GPA to address the concerns of developing and emerging states.

Article V of the GPA affirms that developing countries shall be given 'special consideration' that allows 'special and differential treatment' and takes into account their 'development, financial and trade needs and circumstances'. The Article specifically mentions the use of higher value thresholds, exemption of certain procuring entities, retention of preferential margins for prices, and off-sets. It also stipulates that signatories 'shall give due consideration to any request by a developing country for technical cooperation and capacity

building in relation to that country's accession to, or implementation of, this Agreement'. Although the concessions are to last for an agreed transitional period (normally 3-5 years), allowance is made for the period to be extended (WTO, 2014). During the transition, it is reasoned that local suppliers in developing and emerging countries have the opportunity to build up their capacity, experience and competitive edge in procurement markets (WTO, 2011; Muller, 2011).

Malaysia may apply for such transitional concessions to mitigate the impact of opening up its procurement market for a certain period. It may request the retention of preferential price margins and the exemption of certain procuring entities from GPA coverage such agencies at the State level during this period. Further it may negotiate for higher thresholds during the transitional period, as discussed below.

But perhaps the most significant concession would be to allow a developing or emerging state to require off-sets which would then be written into procurement contracts. These require a supplier from a more developed partner state, in return for receiving a contract, to assist in the development of local businesses in one way or another, and to help the balance of trade. Off-sets are now accepted by the WTO and have been written into the revised GPA (Article V), and likewise could be inserted into other FTAs. In fact, the Ministry of Finance (MOF) in Malaysia has been a keen advocate of off-sets in procurement from overseas suppliers so as to benefit local industry (MOF, 2011).

Various off-sets are available, which may be incorporated into a procurement provision of an FTA. One is for the supplier of a product to sign a supplementary contract which allows a particular local company to supply components and accessories, or to supply replacement parts and after sales servicing during the useful life of the product. In the case of public works contracts, the off-set may entail sub-contracting of component work to local contractors, such as mechanical and electrical installations. Another type of off-set is for the supplier from another partner state to collaborate with local companies in specific R&D projects, or to engage with them in other appropriate ways in knowledge transfer. Such assistance would be written into the main contract. A third type of off-set is for the supplier from another partner state awarded a contract to allow less well-established and smaller local companies to use its access to global market networks (Ministry of Finance, 2011; WTO, 2014).

PERMANENT MEASURES (DEROGATIONS)

It is normal for the procurement chapter of an FTA to grant any signatory states special allowances and exemptions on a permanent basis where it can be justified. These are referred to as country-specific derogations. There are many examples of such allowances and exemptions, a few of which are mentioned below. In light of this, it is possible for Malaysia to also negotiate in the procurement chapter of an FTA special allowances and exemptions as permanent arrangements (and not just as transitional measures) to suit its circumstances and alleviate the disadvantages to local suppliers.

Firstly, Malaysia may secure thresholds higher than the standard. Procurement coverage in an FTA is normally restricted to medium and high value contracts with the standard value thresholds of the WTO being SDR 130,000 or RM 632,190 for goods and services and SDR 5 million or RM 24,342,500 for construction contracts, as mentioned above. Importantly, the procurement thresholds can be varied and will be set according to the needs of a country, and may be higher or lower than the standard thresholds. For example, in the GPA, the threshold for construction for sub-central and autonomous central government entities of Japan and South Korea is three times higher than the standard threshold. In Hong Kong and Singapore, the threshold for goods and services for certain autonomous government entities is also three times higher than the standard threshold (WTO, 2014). Taking this as a guide, it may be possible to secure thresholds higher than the standard to protect Malaysian companies who could lose out. MITI has already indicated that in the TPPA negotiations it is seeking a higher threshold for Malaysian government construction contracts at least for a transitional period (MITI, 2014). It may be possible to negotiate higher thresholds for certain ministries, statutory boards and also for state agencies. Possible new thresholds could be SDR 400,000 (RM 1,967,000) for goods and services and SDR 15,000,000 (RM 73,746,000) for construction contracts. The higher thresholds may be requested as permanent derogations, but equally they could be negotiated as temporary measures during the transitional period.

Secondly, Malaysia may negotiate permanent exemption for a particular type of business, procurements by certain procuring entities, or the procurements of certain goods and services. For example, Canada in its FTAs has negotiated exemption in the purchase of communication, railroad and airport equipment, and exemption for purchases by the procuring entities of its provincial governments. South Korea when it acceded to the GPA and in its other FTAs has negotiated exemption for small and medium enterprises, while Canada and USA have secured exemptions for small and minority businesses. MITI is seeking exemptions to protect Bumiputera businesses and local small and medium enterprises in the TPPA (MITI, 2014).

However, it should be noted that when a permanent exemption or allowance is granted, the other partner states may exercise their right to reciprocate and secure an equivalent exemption or allowance on their side on a quid pro quo basis. This will of course restrict Malaysia's access to the procurement markets of partner states. In the case of transitional measures for developing and emerging countries mentioned above, such reciprocal rights do not apply.

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Maximising the procurement opportunities in an FTA

Although Malaysia may seek special exemptions and allowances in the procurement provisions of its future FTAs, it will only reap the full benefits if Malaysian companies can compete effectively with companies of other countries.

For that to happen, these companies must be able to provide the range of goods, services and works required by the public sector in the partner countries and can compete on price against rival companies from the other partner countries.

Equally challenging in achieving competitiveness is to meet the quality standards for goods, designs, services and works laid down by procuring entities in the partner countries. The evaluation of tender submissions may take this into account as much as, if not more than, the prices offered. Quality covers a wide range of attributes, including the functionality of a product or facility (what functions it can perform), its durability (how long it will last and how frequently defects arise), and upgradeability (how readily it can be modified and upgraded in line with new products and designs). For products or facilities subject to wear and tear, consideration may be given in a quality evaluation as to how readily they can be repaired and replacement parts found together with warranty cover and after sale service.

Increasingly, part of the technical specifications and evaluation criteria adopted by procuring entities are the environmental attributes of goods, designs and works. These may cover the use of recycled and recyclable materials, timber sourced from conserved forests, energy and water saving technologies, building designs and materials that maximise air quality, cooling and heat conservation, and in the case of infrastructure projects, environmentally responsible site management.

Thus, for suppliers to be competitive and so take full advantage of open access to the procurement market of a partner country, a key challenge is to achieve internationally recognised environmental standards. This is particularly important in accessing the Canadian, Australian, Japanese, US and EU markets. In addition, access to public works contracts in a partner country may depend on incorporating work safety measures in the tender submission and having a good work safety record or even work safety accreditation (Jones, 2011; 2012). Naturally, achieving such standards, and meeting the criteria in pre-qualification tests will encourage companies to upgrade the professional and technical expertise of their staff through training and to recruit professionally and technically qualified personnel.

Improving the competitiveness of Malaysian companies is not an easy task. It is in this context that the importance of phasing out preferential treatment for Bumiputera and local companies should be emphasised because continuing preferential treatment without a time limit will not encourage local suppliers to compete. Malaysia should be firm to minimise derogations and

protections should be transitional with clear time limit for phasing out. This will ensure Malaysia can reap full benefits from FTAs, while at the same time catalyse the transformation of Malaysian companies, especially Bumiputera ones, into globally competitive enterprises.

Improving the competitiveness of Malaysian companies is not an easy task. It is in this context that the importance of phasing out preferential treatment for Bumiputera and local companies should be emphasised because continuing preferential treatment without a time limit will not encourage local suppliers to compete.

Conclusion

The inclusion of procurement in the FTAs that Malaysia is currently negotiating such as the TPPA and MEUFTA offers opportunities for Malaysian firms to access procurement markets of developed countries and holds the potential to make them more competitive globally. It creates, as well, a framework of convergence in which best practices can be adopted and transparency enhanced.

However, challenges lay ahead as suppliers and contractors in Malaysia are accustomed to protective barriers and may not have, at least initially, the capacity to compete for public contracts against larger or better known rival companies from more developed partner states. Malaysia may temporarily retain a certain degree of protection for a flexible transitional period. This can give Malaysian companies the chance to build their capacity to compete in more open procurement markets. In addition, if absolutely necessary, Malaysia may negotiate for long-term derogations though other partner states may exercise reciprocal rights on a quid pro quo basis.

This twofold approach may be advantageous to Malaysia. On the one hand, the suppliers in the manufacturing and service sectors stand to gain from access to larger procurement markets, with a potential boost to exports. On the other hand, they will not be immediately exposed to full-blown competition from foreign companies in the local procurement market through the retention of certain protective measures. A few aspects of the protection may be long-term derogations (e.g. higher

thresholds and a few selective exemptions to protect Bumiputera companies and SMEs) whilst many other aspects could be applicable for a discretionary transitional period (such as quotas, preferential price margins, most of the set-asides, and also off-sets). On the whole, it would be better if most of the protections are transitional in nature, instead of being negotiated as permanent derogations. In general,

protectionist measures should be gradually reduced and Malaysian companies supplying goods, services and works to government agencies should be encouraged to become more competitive so as to take full advantage of the procurement opportunities in future FTAs. We will then see competitive Malaysian and Bumiputera businesses having a much bigger impact in the global markets.

On the whole, it would be better if most of the protections are transitional in nature, instead of being negotiated as permanent derogations. In general protectionist measures should be gradually reduced and Malaysian companies supplying goods, services and works to government agencies should be encouraged to become more competitive so as to take full advantage of the procurement opportunities in future FTAs. We will then see competitive Malaysian and Bumiputera businesses having a much bigger impact in the global markets.

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