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Malaysia must prepare now for next WTO meet

Tan Sri Ramon Navaratnam

ENTERING 1997 we are grateful for the prosperous past years, including 1996. We feel confident that this year too will be rewarding. Indeed the economic outlook as far as we can see up to and beyond the year 2000, also looks very promising.

Malaysia is all set to continue to progress. Economic growth at about eight per cent per annum is attainable. Inflation is under control at around four per cent per annum.

The threat of a deterioration in the Balance of Payments has receded considerably. The employment situation will be favourable. Opportunities for business and personal advancement will thus be attractive.

Despite rumours and speculation, the strong political leadership necessary to ensure continuing socio economic stability is well placed. Sound economic management and the smooth implementation of national policies will now undoubtedly continue. All this will help to promote both domestic as well as foreign investment, and provide the engine for vibrant and sustained socio-economic development.

But we need to be prepared for more aggressive competition from abroad which could threaten our impressive success.

The recent World Trade Organisation meeting should make us more alert to the growing competition we will face in the next few years.

WTO:

Malaysia scored top marks at the First Ministerial Conference in Singapore from Dec 9-12. Clearly the tough stance taken by our Prime Minister Datuk Seri Dr Mahathir Mohamad in warning that the WTO could be used by the industrial countries to exploit the developing countries, helped to set the tone and marshal support from the Third World, against the determined offensive launched by the industrial countries.

The WTO meeting set the stage for a trade battle between the North and the South i.e. the industrial countries and the developing countries.

We can take pride that our Minister of International Trade, Datuk Seri Rafidah Aziz ("Rapid Fire" Rafidah) strongly supported by her officials, gallantly led the developing countries to gain some victories against the onslaught from the North.

However, it appears that the developing countries' earlier resolve to resist the West broke down against the determined attacks from the industrial countries.

The Issues:

The industrial countries burdened by their slow growth rates, and high unemployment were desperately trying to blunt the growing competitive edge of the emerging developing countries. They have been disturbed by the outstanding economic performances of some of the Third World countries especially those of East Asia i.e. China, Korea, Taiwan, Thailand, Indonesia, Malaysia and Singapore.

The Quad countries i.e. the United States, the European Union, Canada and Japan, went all out to ensure that the WTO meeting in Singapore would adopt "social clauses" pertaining to labour standards and human rights to protect themselves against competition from the developing countries. They raised the following "contentious issues" to make further inroads into the markets of the Third World: (i) agriculture protection, (ii) government procurements (iii) national status for investment (iv) competition policies and (v) textile protection.

These Quad countries were bent on getting an agreement on the Information and Technology Agreement as they felt that "the climate was right". They exploited the opportunity of the presence of 125 countries represented at the WTO Conference to get an ITA deal and they got what they wanted.

The developing countries on the other hand were keen to wipe out these new issues from the agenda and only concentrate on reviewing the progress made in implementing the WTO agreement. They felt that there was so much "unfinished business" to be done to ensure the proper implementation of the procedures and observance of the new WTO rules.

However, neither the North nor the South got all they wanted. On balance I think the South gained more than the North. When you consider how much preparatory work the North did, how strong and determined they had been to settle the labour and human rights' issues and how weak the South was before the WTO meeting, it was surely a victory for the South, to come out relatively unscathed.

Now all these "contentious issues" have been relegated to only "Study Groups" and the labour and human rights' issues have been put aside. This is the essence of the victory of the South.

ITA:

With regard to the ITA, it must be accepted that the US, European, Japanese and Canadian tactics were unethical and unbecoming. Here was where the WTO earned its name as the 'Rich Man's Club'. What they could not get within WTO, they got outside the WTO. It reminds me of the song "Whatever Lola wants Lola gets". But this is not new. The West has dominated the South through colonialism and imperialism in the past. Now it seeks to reestablish its dominance through trade battles and trade wars. So we have to defend ourselves effectively and even take the offensive to survive and succeed.

But the South did not lose out entirely on the ITA. While it is true that the Quad countries will be the main beneficiaries of the US\$500 billion (RM1.2 trillion) Information Technology trade, others like Malaysia will gain too. Consumers worldwide will benefit from lower computer prices. Developing countries will be able to leap frog in the IT field and become more efficient in economic management and business.

But here again Malaysia pushed forward and gained sufficient support from the South, to win 'flexibility' in the implementation of the proposed ITA. Those countries that cannot eliminate all tariffs on IT products by the year 2000, will be given more time.

Real Test:

The real test of strength and the final outcome of this trade battle between the North and South will, however, emerge in the years ahead. The next battle will take place in Geneva next year.

Then all the 'contentious issues' would be discussed more thoroughly as the recommendations of the study groups would then be available. At that time the US and Europe will do their utmost and use their dirtiest tricks to bulldoze their say and have their way. By contrast last year's WTO meeting would have been much easier.

The question is whether Malaysia and the South will be ready for the second bloody round next year? I am doubtful, judging from the way the South went about preparing for the First WTO meeting.

The Third World Network organised a seminar in Geneva last September for diplomats from developing countries. I was there and I was seriously concerned at how little they knew about the latest developments in the WTO and what was going on in the Northern camp. We must thank the Third World Network under Martin Khor and other NGOs for contributing so much to complementing the efforts of developing countries and their governments,

in preparing for the WTO meeting. We should work more closely with them in the discussions that will take place in Geneva from now.

The WTO Process:

The process of 'divide and rule' appears to have predominated at the First WTO Ministerial meeting in Singapore. Some of us succumbed to it.

The open, transparent and democratic approach was abandoned in favour of the 'closed informal consultations' among the industrial countries in the first instance after which wider consultations followed, but only with about 30 selected countries. This way the industrial countries were able to get their own views consolidated and pushed through by eliminating opposition.

May be that is why the WTO has been slow to admit Russia and China into the WTO. The US and other industrial countries would find it much more difficult to force their preconceived agreements down the throats of the developing countries if the the Russians and Chinese put up a united stand against the West. That is why Russia and should be admitted to the WTO before we lose out more.

Partly it's the fault of the developing countries. Many of them receive aid and concessions from the rich and powerful industrial countries. Many poor and weak countries are therefore "bought over" by rich and powerful industrial countries. That is the reality that we have seen and have to face. That is one reason why Malaysia is almost alone in our battles with the West - but we should also be steadfast.

Furthermore, we will have to accept that there are a few Third World countries that have now become members or close associates of the industrial countries. They have become so advanced that they have lost interest in fighting for the underdogs in the Third World. We have to be wary of them.

The chairman of the conference the Trade Minister of Singapore, Yeo Cheow Tong obviously had major problems in trying to bring about better balance between the developing countries and the powerful industrial countries, in the management of the conference.

The "small informal group consultations" enabled the industrial countries to get away with unfair and heavy handed tactics at the WTO meeting. They even managed to "use" the Singapore Conference to get support for the ITA. Many called this a "hijacking stunt", but it goes to show how unscrupulous some countries can be to get what they want.

Future Strategies:

Under these circumstances the developing countries will have to be much more vigilant and united to face the domineering strategies of the industrial countries in the WTO in the future.

Firstly, the developing countries will have to take on the offensive from now. They cannot afford to act defensively and to react to the initiatives and draft agreements hammered out by the industrial countries. We have to demand to put our own items on the agenda for the next WTO meeting, in addition to those raised by the North. We will have to have our own draft agreements and get the industrial countries to react to our own drafts instead. We have to be proactive and not reactive.

Secondly, the developing countries must develop their own research units and organise many more consultations among our research units, non-government organisations and government officials as soon as possible.

Thirdly, we will need to encourage the NGOs like the Third World Network to consolidate the Third World views and complement their governments' efforts. The NGOs could get stronger support of governments to function more effectively.

Fourthly, we have to start planning strategies from now and prepare for the WTO meeting at Geneva. We cannot wait until the last few months before

the WTO meeting when it may be too late.

Malaysia did well at the First WTO meeting. But we cannot be sure that we will be as successful in the next round and beyond.

I fear the tide is against us. Our sovereignty is at stake. We will have to prepare for battle against the North and also do more internally to raise our competitive levels before we are pressurised to do so.

The trade battle has started. We should battle on relentlessly or lose out resulting in our posterity being marginalised.

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