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`Prospects bleak for developing nations in new millennium'

PRIME Minister Datuk Seri Dr Mahathir Mohamad said the prospects are very bleak for developing countries in the new millennium especially in the face of "tremendous pressure" from the developed North.

At the same time developing countries are also divided and they cannot stand united and fight against any proposal from the North.

On the trade front the developing countries are expected to face strong forces to open their markets, lower tariffs and to abide by policies decided by the developed North which will be "pushed down the throats of everyone."

The Prime Minister, speaking to the Malaysian Press covering the Southern African International Dialogue in Victoria Falls, said as a result in the World Trade Organisation meeting in Seattle next month, chances are "that the policies of the North will just be pushed down the throats of everyone. I think this is grossly unfair."

He explained that the stand of many developing countries was the same as Malaysia's, they appreciate Malaysia's stand, but on the other hand Malaysia cannot push the issues and arguments through.

Even in the financial sector and the discussions on the proposed new financial architecture, developing countries and those most affected by the recent crisis have been left out of the Group of 20.

"I suppose they will decide everything without our being there to give our views," Dr Mahathir said.

"But then that is democracy as interpreted by them. We must have democracy in our country, which includes the right to riot, right to burn houses and all that.

"That is democracy in our country. But democracy internationally means only the rich and strong will make decisions and the poor and weak will have to receive whatever they decide."

The IMF set up a committee comprising 20 countries, including the IMF and its sister organisation, the World Bank, to consider the new financial architecture. However, there are no Asean members nor any of the developing countries most affected by the recent crisis. The only Asian members in the grouping are Japan, by virtue of the fact that it is a member of the Group of Seven developed countries, South Korea and China.

Asked on the IMF proposal to "write off" debts of the Highly Indebted Poorest Countries (HIPC), Dr Mahathir said "just write it off and that is all that is needed."

The countries can then use the "savings from debt service payments for whatever projects they have and poverty eradication is one of them."

Even if the IMF says that it would write off the debts of the HIPCs, there are tight strings attached. Among them is that each nation must work out a plan to use the money freed by debt reduction and these plans must be approved by the IMF.

It is understood that indebted nations must also agree to financial conditions that "assure" that the debt relief was "well used."

Dr Mahathir said: "In the first place, I do not understand this writing off ... Even before writing off they said that they have to sell IMF gold", which immediately sent the price of gold tumbling to a 20-year low. This in turn caused mines to close and people to be thrown out of jobs. I don't see why they should sell the gold."

It is understood that the IMF is also insisting that African countries

should open up their markets and some of their products, such as sugar, compete with imported products.

African countries, which are high-cost producers, cannot compete with sugar from Europe, and as such, with this opening up of markets the African sugar industry will suffer.

"I always believe that developing countries should be allowed to have tariff barriers until such time when they have the capacity to compete."

"But apparently the IMF which lent money to some of these countries is insisting that they must open their markets and lower tariffs. That means they will not have any revenue and their own products will not be able to compete," Dr Mahathir said.

The Prime Minister was also asked about the external pressure on Malaysian investments in Africa, especially on the power project in Zimbabwe.

He said the World Bank has its own project which may not take off, but it still will hamper the progress of the YTL project in Hwange.

Asked how the "problem" could be overcome, he replied that "we can try moral suasion. What else can we do?"

He disclosed that the issue was brought up with Datuk Seri Anwar Ibrahim, who is a "good friend" of the World Bank President James Wolfensohn, when Anwar was Finance Minister.

Anwar is reported to have said that Wolfensohn, agreed to the Malaysian project. However, work on the project could not progress.

"I am not sure whether Wolfensohn, agreed to do it or not, but what is clear is that nothing is happening on the ground," Dr Mahathir said.

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