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Developed nations unwilling to change status quo

Hardev Kaur in Bangkok

BANGKOK, Fri: Developed countries appear reluctant to change the status quo in trade liberalisation and are unwilling to "amend" the financial architecture even as they continue to preach to developing countries the "benefits" of liberalisation and demand concessions.

While condemning developing countries for not liberalising their markets, the developed countries themselves are not prepared to make concessions for even the Least Developed Countries (LDCs).

Disagreements between the developed and the developing countries remain and while many had hoped that some effort or progress would have been made to improve the environment after the lessons of Seattle, the gulf remains.

Mr Michael Bailey, a senior policy adviser of Oxfam, an independent organisation, said: "The rhetoric has certainly improved."

The US and the European Union (EU) continue to balk at allowing the world's poorest "unconditional" market access at the United Nations Conference on Trade and Development (Unctad) X being held here.

In addition efforts to reform the financial architecture are being hampered and blocked by major countries and players with vested interests.

The "Plan of Action" that is expected to be issued at the end of the nine-day meeting here will be a much weaker and watered-down version which many nevertheless will trumpet as a "step forward".

Instead of seeking a change of the financial architecture which has failed on numerous occasions, developed countries are only prepared to seek "reforms of the financial institutions".

Even the numerous forums, groups and organisations set up following the Asian financial crisis in 1997 have made no progress on the proposed new financial architecture.

In addition many crisis-hit countries such as Malaysia are not represented in the organisations, including the Group of 20.

Prime Minister Datuk Seri Dr Mahathir Mohamad in his keynote address to Unctad X called for the effective participation of developing countries in the decision-making process in all international institutions.

"The decision-making process must be transparent and must reflect not just the views of big business and big governments but those of the threatened small business and small governments as well," Dr Mahathir stressed.

Then again developing countries are not included or represented in the decision-making bodies of the existing international financial institutions. How are they to seek change and reforms in these institutions?

A section of the Plan of Action, which is to be released tomorrow, that calls for Unctad "to coordinate with other international organisations for reforms of monitoring and regulatory systems and enhanced early warning capabilities for dealing with the emergence and spread of financial crises" is still being resisted by developed countries.

Unctad X spokesman Habib Ounae said the revised text may be "less ambitious in its scope on commitments of industrialised countries".

Unctad, with a membership of more than 190 countries, including developed and developing, and some of the world's poorest, aims to provide the analytical capabilities which will be greatly useful to the poor who do not have the resources or the capabilities.

Some developed countries want to maintain the status quo with the overpowering influence that they have in the Bretton Woods institutions - the World Bank and the International Monetary Fund (IMF).

This is despite the fact and evidence that these institutions have not been able to deal with the crises and had in fact made the crisis and the economic situation in the affected countries worse than it should have been.

Delegates from some developing countries point out that Unctad providing assistance to the poor and coordinating with other "international organisations" would mean greater competition for the Bretton Woods institutions. And this does not go down well with some of the developed countries.

"There is a lot of hypocrisy and double talk," they point out.

Unctad will through its analytical work "assist developing countries in advancing their development objectives in ongoing reforms of the international financial institutions".

This, according to some developing country delegates, is a clear indication that the developed countries are not willing to change and "put their money where their mouth is".

They want the existing architecture to continue as it is, even though it has proven to be ineffective. But it serves the interests of the developed countries, they add.

Other issues that still continue to be a "problem" are market access for developing countries, especially access for "agricultural and industrial products of export interest to LDCs".

It has has been pointed out that the agricultural subsidies by developed countries distort trade.

Even World Bank president James Wolfenson said developed countries impose protection on agricultural imports from developing countires at average rates nearly five times higher than protection on manufactured goods.

Removal of tariffs on agricultural imports from developing countries will go a long way in assisting them. Some estimate that it will provide an additional US$30 billion to US$45 billion (US$1 = RM3.80) to developing countries which will provide an impetus for poverty alleviation and development in developing countries.

However, the developed countries, led by the US, are reluctant to remove the subsidies and the distorting tariffs and non-tariff barriers.

This is despite the fact that the high protection for the domestic food industry in some developed countries hampers diversification and value added production in developing countries.

The other issues that developed countries have been "preaching" and "lecturing" developing countries on - democracy, good governance, transparency, accountability and corruption - also remain unresolved.

The North-South divide on the issues, especially the work of Unctad on institutional reforms and capacity building, continues to be evident.

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