

21/02/2000

Greater Unctad role in global financial issues

Hardev Kaur in Bangkok

BANGKOK, Sun: The United Nations Conference on Trade and Development (Unctad) will have a greater role in ensuring financial stability "including enhancing the early warning and response capabilities for dealing with the emergence and spread of financial crisis".

This is viewed as a step forward in "financial issues" even though Unctad would do so through the traditional means of "relevant analysis from a development perspective".

Previously, the organisation comprising mainly of developing countries, including some of the world's poorest, was not even allowed to touch on matters dealing with financial issues.

Many developing countries, taking the lead from Malaysia, spoke out on the need for a reform of the international financial architecture that has failed them miserably causing untold misery to millions.

Prime Minister Datuk Seri Dr Mahathir Mohamad has on numerous occasions spoken out on the need to regulate and control devastating short-term financial flows.

In his keynote address to Unctad last week, he called for the effective participation of developing countries in the decision-making process in all international institutions, stressing that international institutions must have the mechanisms to allow the views of all to be heard.

In the Plan of Action agreed to, after much horse trading, Unctad should "contribute to the debate" on issues related to the strengthening and the ongoing reform of the international financial institutions.

Unctad's role in the reform of the international financial architecture was one of the most contentious issues, with some developed countries adamant that it should have no say.

Some developed countries, including the US, opposed the earlier version which called on Unctad through its analytical work, "to assist developing countries in advancing their development objectives" in the ongoing reform of the international financial institutions.

The developed countries do not want to change the status quo even as they continue to call on developing countries to implement structural changes, be transparent and restructure their companies and their economies and liberalise. But the developed countries are not prepared to do the same when it applies to them.

The Plan of Action, which outlines the work programme for Unctad over the next four years, also called for improvements "on as broad and liberal a basis as possible" of market access conditions for agricultural and industrial products of export interest to least developed countries (LDCs).

The plan also urged developed countries to grant duty free and quota free market access for "essentially all" exports originating in LDCs.

It was pointed out that many developing countries face problems when trying to diversify into higher value added and manufactured exports with more dynamic demand prospects.

It is clear, the Plan said, that while the rules-based system seeks to establish a level playing field, remaining trade barriers have a negative impact on developing countries. While trade barriers in the main markets are now generally low for most trade of developed countries, there is a lack of "equal opportunities" for developing countries' exports.

The number of export products of particular interest to developing

countries such as textiles are subject to high import barriers, including non-tariff barriers. In addition, the support for agriculture production, investment and exports in developed countries was seen to have negative impact on developing countries' export and production capacity.

Though developing countries sought strong words on developed countries' support for their farm sector, the final text was mild: "Subsidies can affect the relative competitive positions of countries and have a distorting effect on developing countries".

Currently agricultural and food subsidies in developed countries runs into billion of dollars and compete directly with developing countries' produce which are also subjected to tariffs and quotas.

One estimate is that the removal of tariffs on agricultural imports from developing countries will provide an additional US\$30 billion (US\$1 = RM3.80) to US\$45 billion for developing countries which will provide some impetus for poverty alleviation and development in developing countries.

Poul Nielsen, the European Commissioner for Development, maintained that the enlargement of the EU had compelled it to "restructure and drastically reduce the level of subsidies". In terms of market access, in comparison with US and Japan "we are not in any way in a position where we have to apologise", he said.

On another contentious issue - corruption and good governance - the Plan took into account the views of developing countries and called for "accountable governance" and pointed out that corruption affected both developed and developing countries.

The 171-point (change from 169) Plan of Action also looks into the plight of the highly indebted poor countries, the question of debt relief, foreign direct investment flows, trade liberalisation and the declining Official Development Assistance (ODA) in which the developed countries collectively missed the 0.7 per cent GDP target set by the UN. In many African countries, ODA represents less than 0.2 per cent of total GDP.

(END)