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Include all in decision-making

ctad) 2000" by Hardev Kaur; Kasmiah Mustapha in Bangkok
MALAYSIA has called for the effective participation of developing countries in the decision making process in all international institutions.

In making the call, Prime Minister Datuk Seri Dr Mahathir Mohamad said international institutions must have the mechanism to allow the views of all to be heard.

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

In his speech at the United Nations Conference on Trade and Development yesterday, Dr Mahathir said the special situation of developing countries was often not given adequate treatment in trade liberalisation negotiations.

Even the membership of the G-20 makes its heavily influenced by the views of developed countries.

The G-20 was conceived in September 1998 as an informal forum to discuss ways of reforming the global financial system. Members include the Group of Seven Industrialised countries, plus 11 emerging and other economies.

The European Union (EU) together with the EU Central Bank president and the managing director of the IMF are also members.

Malaysia remains pessimistic about the outcome.

It seems that the international community is now more concerned about avoiding periodic crisis and has set up various committees and working groups to study and suggest a new architecture for the international monetary system.

These include the setting up of the Financial Stability Forum and the G-20.

"We hope the agenda of the G-20 will not be limited to promoting information exchange and co-ordination between national authorities, international institutions and international regulatory or relevant expert groupings," he said.

Dr Mahathir, who has been criticised for his call on the need for regulations on hedge funds and control of unfettered capital flows, repeated his message loud and clear.

"In our view, central to the issue of reform of the international financial system is the need to address the volatility of capital flows, particularly through direct regulation of hedge funds and highly leveraged institutions," he said.

The existing international infrastructure is inadequate to deal effectively with the developmental problems and crises.

The international institutional machinery - comprising the UN, the IMF and the World Bank - has not been able to cope with the challenges confronting the developing world.

"The Asian financial crisis has clearly shown the inability of the developed world and the international institutions to respond to crises and the effects of contagion."

Poverty and unequal distribution of wealth have resulted in security and social problems. And they are likely to continue, particularly in developing countries.

There was a need to be sincere and earnest in finding solutions to enable countries to realise their full potential, he added.

On the Asian crisis Dr Mahathir said: "As a recalcitrant and heretic, I would like to insist that the affected economies of East Asia were practising the right economic policies, which enabled them to enjoy high rates of growth."

He said the current account deficits and bank borrowings, which were on the high side, were to be expected, given the openness of these economies and their high rate of economic growth.

Some believe that periodic financial crises may be a small price to pay for the development resulting from liberalisation and globalisation.

But, he asked, was it really necessary to have financial crisis every now and then, especially the severe kinds which affected the East Asian Tigers and Dragons? "Can't we have liberalisation and globalisation with less disruption to economies which are as yet not too resilient?"

In answer he said: "I think we can if we are not too rigid in our thinking about globalisation and liberalisation and our tolerance of abuses of the system."

He said it was disappointing that the international community could not think of any other solution to the crisis in East Asia except to call for improvements in transparency and governance.

The argument is that the lack of transparency and accountability makes it difficult for markets to function well.

And when the players in the market feel uncomfortable they just pull out, regardless of the consequences to the countries which have in the past given them good returns.

Cannot there be other ways of responding to the discomfort? he asked.

Dr Mahathir, who was the first speaker at the conference, told the gathering which included the United Nations Secretary General Kofi Annan, that it was imperative to take serious notice of the fears of developing countries about what was happening to the world's economy, the world's financial system in this era of interdependence and globalisation.

"You have also to let the developing countries have a say in the interpretation and shaping of the new forces that are being unleashed by a globalised world, where policies and practices are to be standardised so as to facilitate trade and investments," he said.

The recent WTO Ministerial Conference in Seattle clearly demonstrated the need to involve the NGOs in the decision making process, he said.

"It is time the relevant NGOs be given proper forum to air their views. Street demonstrations can serve as a wake-up call but their usefulness is quite limited," the Prime Minister said.

Unctad, Dr Mahathir reminded the audience, was not just trade. It is also very much about development.

Unctad is one of the few forums concerned with development and because of that, it is extremely important to the developing countries.

Unctad must assume a leading role in setting a new direction for development, in terms of a new development strategy that embodies elements that would enable, in particular, developing countries to meet the challenges of the 21st Century.

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