

Malaysia reiterates fear of losing policy discretion

Bt 3 1 MAY 2001

From HABHAJAN SINGH

JAKARTA, Wed: Malaysia today reiterated its fear of the danger that developing countries may lose their policy discretion at the coming World Trade Organisation (WTO) negotiations.

Prime Minister Datuk Seri Dr Mahathir Mohamad said developing countries were already disadvantaged by the imbalances contained in the Uruguay Round agreements.

Speaking on behalf of the Asian countries in the grouping of developing countries at the 11th Group of 15 (G-15) Summit here, he said developing countries are being pressured into agreeing to a new round of WTO negotiations.

"Indeed, if these new issues were to be included, developing countries would ultimately lose whatever limited policy discretion they still possess in pursuing their development dimension and nation-building process," he added.

Developing nations are now trying to get their act together in order to face the decisive upcoming talks at Doha later this year.

The preparation for the Doha talks in November, expected to have an important effect on the direction of the trade system, was a heated topic at the G-15 trade and economic ministers meeting last week.

The Prime Minister also expressed his disappointment with the lack of progress made to reform the international financial architecture despite the painful lessons that should have been drawn from the

Asian financial crisis.

"Sad to say, the focus has tended to be more on ideological rather than the practical issues," said Dr Mahathir who has one of the key proponents of reforming the issue.

The failure of the free market to self-regulate international finance as well as misallocated resources and volatile exchange rates have largely been ignored.

"Instead, the highly questionable value of free and unregulated markets is still being touted as the ideal which must be adhered to at whatever cost.

The ideology of market freedom it seems is more important than the wellbeing of human society," he said.

On the role of the International Monetary Fund (IMF), the global body currently involved in the financial game plan of host Indonesia, Mahathir noted that the IMF is more of a political instrument than one for financial rehabilitation.

On the financial front, one progress from the grouping of nations from Asia, Africa and Latin America has been the consensus that they would assume a more proactive role in the international financial architecture reform process.

To give effect to this commitment, Malaysia will convene a meeting of G-15 experts in the next few months, he said.

After a few years of highlighting the issue on the international stage, the G-15 decision to form the expert team seems to be the first concrete step towards addressing the issue in a more concerted way.

However, observers are still sceptical on the effectiveness of the initiative.

Dr Mahathir also highlighted on the issues related to information and communication technology (ICT), one of the core issues discussed at the summit themed "Harnessing the potential of the digital divide for development".

To achieve the stated objective of the theme, Dr Mahathir noted that the primary problem faced by developing countries was the low accessibility of the network, with service penetration especially to remote and rural areas where the majority now live.

The biggest hurdle we have to overcome is the cost involved in financing comprehensive infrastructure development, he said.

On the point of lack of infrastructure, Dr Mahathir highlighted that Malaysia had learnt that some intervention was required in order to rebalance a purely market-driven environment.

Malaysia would thus be instituting a Universal Service Provision, whereby a fund financed through mandatory contributions from licensed operators would be established to provide service to areas formerly neglected, he said.

The manner in which countries are conducting their relations have been affected by the march of globalisation, which has been accelerated by the revolution in ICT.

There is no doubt that the globalisation has exacerbated the vulnerabilities of developing countries and eroded their national policy-making capacity, said Dr Mahathir.