

BY JEFF OOIInternet and e-business consultant in Kuala Lumpur.
jeffooi@usj.com.my**Beware of neo-hegemony in ICT-aided multilateral trade.**

TRANSPARENCY IN GOVERNMENT PROCUREMENT

Several divergent issues were discussed at the Global Public Policy Conference, which concluded in Kuala Lumpur last month. While the theme was on sharing opportunities in the networked economy, the general agreement was that public policy, seen as a bureaucracy, might stifle innovation.

Many speakers say that it benefits no one if public policy was not synchronised with the mega trends currently happening in technology and global economic development models.

However, having followed most of the plenary sessions, I discovered that the real issues loom larger than what was discussed on the conceptual level. It appears to me that the big fight is on how we should approach ICT and leverage its full potential to promote liberalisation, while at the same time, ward off hegemony in global trade. As it is, Malaysia is still in the wading pool when it comes to dictating global trading terms to its favour.

In this context, I find the presentation by Mary U Musacchia, a representative from US-based SAS Global Government Affairs, rather thought-provoking. She advocates setting ICT priorities to break the impasse at the Doha Round of the WTO negotiations – which focused on developmental issues. She says the ICT industry should be working to energise the WTO negotiations with a clear agenda, that is, the world should not subordinate the interests of our market segments to agriculture.

There you are, it's a big fight between production-based and knowledge-based economies. But the battle lines are well-drawn as global dynamics and economic drivers have changed drastically since ICT took precedent in most business processes. This can be interpreted as the severe fault line that separates most of the developing countries from the developed ones, including powerful members of the Organisation for Economic Cooperation and Development (OECD). There are facts to ground the validity of the argument.

According to the latest statistics published by the WTO, agricultural trade accounted for less than 10% of all world merchandise trade in 2003. In contrast, the services and industrial sectors significantly outweigh agriculture in terms of economic output, employment and potential gains from liberalisation.

The fact is, a standoff is looming between the US and other agriculture-based economies, and there are tremendous forces representing the technology sector that do not want WTO

negotiations to be hijacked by non-agreements over agriculture. This is reflected through the setting up of non-agricultural market access (NAMA) discussions that lobby to expand the coverage of the Information Technology Agreement (ITA) in the coming WTO negotiations. One such lobby is the push for all WTO members to join the ITA and to expand its coverage to reflect new technology products like multi-function printers.

With that come other agendas because issues like transparency in government procurement, competition policy and foreign investment are being highlighted acutely, much to the chagrin of developing countries.

Currently, the ITA has 63 member countries. The lobby is progressing to get more countries to sign up for ITA, without or without the completed Doha Round. The industrialised economies are now aligning all resources to ensure progress on two key WTO multilateral agreements: the ITA and the Government Procurement Agreement (GPA).

At the moment, only 37 countries make up the membership of GPA, which represents the technology industry. However, most of them are from OECD countries. In pushing for transparency in government procurement, they are, in fact, eyeing the government ICT market, which is enormous. For illustration purposes, *Digital Planet 2004* estimated government ICT spending at US\$ 6.1 billion in 2003. By 2007, this spending is expected to double to US\$ 15.5 billion.

The mantra of the advocates for transparency in government procurement is very simple. Governments, including agencies, education systems and health services, are the largest purchaser of IT products and services in virtually all economies. In other words, their purchases are instrumental for the sustainable development of the IT industry, including those indigenous ones.

This is where the advocates are stressing that any policy that differentiates between domestic and other suppliers is impractical for the ICT industry. Digitalisation and networked economy has made the industry truly global in nature. Today, a product and related services can be conceived in one country, created in another, beta-tested in a third or fourth before it's deployed in many others.

The coming tide favours global market growth and development where the landscape has been changed by ICT and the networked, borderless economy. Can these countries, Malaysia included, cope? **mb-e**