

The Plenary Session Of The Tenth United Nations Conference On Trade And Development (UNCTAD X)

Bangkok, Thailand 12 February 2000

I would like to thank UNCTAD for inviting me to address this distinguished gathering. This conference is timely in the light of recent developments impacting the global economy, particularly of developing countries.

2. This Conference provides an excellent occasion for us to take stock of the lessons and experiences of the past; and to look forward to new ideas and new programmes, to meet the developmental needs of the 21st century. The theme of the Conference is most appropriate as we all want to see the benefit of globalisation being shared by all including the developing countries.
3. Looking back at the last few decades, I cannot but acknowledge that it has been a time of significant changes for developing countries. For many of us, managing our own destiny is new. Our experience with development therefore, has been comparatively limited. A number of us have achieved some measure of success in economic development; but there are many which have yet to achieve any significant progress.
4. Many of us have on our own undertaken liberalisation measures by opening our markets to trade and investment, evolving our institutional and regulatory systems, orientating our economies to external challenges and eventually welcoming globalisation, in the hope of benefiting from the opportunities afforded by this process.
5. These developments have occurred against a backdrop of changes over which we have little control. Political stability, natural and human resources, capital and investment, were once the only ingredients in the formula for development. But today technological advances, borderless flows of capital and the advent of a knowledge-based economy have complicated the development equation. We are not certain we can deal with this new complex environment which changes even as we try to adjust to them. And because we are not so competent in dealing with these, our development have been and will be affected adversely.
6. What we do know is that the path to development has never been easy even at the best of times. Despite our efforts we see rising inequality between developed and developing countries, with continued high levels of poverty and unequal and inequitable benefits from globalisation. We see increasing uncertainty of the global economic environment. We see greater marginalisation as a result of the globalisation process. And we see growing inadequacy of global institutions to deal with developmental problems.
7. Income inequity is growing. There are growing divergences between the incomes of the richer group of countries and the poorest. The major developed countries have GDP per capita over 25,000 U.S. Dollar while the poorest have

as little as 100 U.S. Dollar. It seems that the benefits of international trade and investments have been unequally shared among countries. The current belief by the global community, that countries must embrace liberalisation and adopt global rules and development would then follow, have not been proven correct. It would seem that the current practices in trade and investments are not capable of distributing wealth equitably.

8. The instability in the global financial system has also adversely affected us. Just two years ago, a number of East Asian economies were badly affected by a severe financial crisis. Although there is recovery now but the global financial system continues to be characterised by volatile capital flows and excessive speculative activities of the hedge funds and highly leveraged institutions (HLIs). Developing countries continue to remain vulnerable to another crisis unless reforms to the international financial system are undertaken.

9. Meanwhile the affected economies, including Malaysia, have undertaken strong economic measures and instituted financial reforms to address weaknesses that have emerged and to restore confidence in the economy. Although in the initial stages Malaysia found it necessary to follow the advice of the IMF, we had to abandon the IMF prescription because things actually got worse faster. We noticed that the IMF approach of high interest rates and tight liquidity, far from reviving confidence, led to a severe contraction of the real economy and an overhang of debts.

10. We were thus compelled to adopt and implement measures consistent with our domestic circumstances in order to address the issues of economic recovery. These measures although unorthodox, have helped to put the economy on a path to recovery. We relaxed fiscal policy, reduced interest rates and imposed selective exchange controls to eliminate the internationalisation of the Ringgit and regulate volatile short-term portfolio flows. No controls were imposed on movement of funds for international trade settlements and Foreign Direct Investment (FDI). These are free to come in and leave the country at any time. The controls brought about sustained stability which enabled us to take various measures to bring about the on-going broad-based economic recovery.

11. 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. Current account deficits and bank borrowings which were on the high side, are 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 is it really necessary to have financial crisis every now and then, especially the severe kinds which affected the East Asian tigers and dragons? Cannot we have liberalisation and globalisation with less disruption for economies which are as yet not too resilient? 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.

12. It is disappointing that the international community cannot think of any other

solution to the crisis in East Asia except to call for improvements in transparency and governance. The argument is that 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 had in the past given them good returns. Cannot there be other ways of responding to the discomfort? It seems that the international community is now more concerned to avoid periodic crisis and has set up various committees and working groups to study these and to suggest a new architecture for the international monetary system. This include the setting up of the Financial Stability Forum and the G-20.

13. But Malaysia remains pessimistic on the outcome. The membership of the G-20 seems to make it heavily influenced by the views of developed countries. We hope the G-20 agenda will not be limited to promoting information exchange and co-ordination among national authorities, international institutions and international regulatory or relevant expert groupings. 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.

14. We are also concerned that although much discussion has taken place, and agreement reached on certain specific issues, implementation details have yet to emerge. We recognise that some progress has been made to address the issue of transparency and disclosure as well as indirect regulation of market players. But even in these areas we are yet to see concrete measures. Until and unless there is a reshaping of the international financial architecture, we can expect the global economic system to remain inherently unstable and this would not be conducive to further development, particularly for the developing economies.

15. While some countries have adjusted and benefited from the liberalisation and globalisation process, many because of their low level of development have not managed to get a share in the benefits of globalisation. In the context of the present environment, capital flows have been channelled to where the returns are highest, and not where capital is most urgently needed to uplift the level of development. Considering that we place such faith in market forces, this is only to be expected.

16. Further, the benefits resulting from the rules- based multilateral trading system as embodied in the WTO, have not been equally distributed among all countries. Tariff reductions in industrial and agricultural products, as well as improved trading rules are of little consequence to these countries, if the products of export interest to them are not granted market access. Commodity exports, the mainstay of many developing economies, continue to experience severe declines in their terms of trade.

17. Existing international infrastructure is inadequate to deal effectively with the developmental problems and crises. The international institutional machinery, comprising the United Nations, the IMF and the World Bank, have 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.

18. Poverty and unequal distribution of wealth have resulted in security and social problems. And they are likely to continue to do so in particular in the developing countries. We must be sincere and earnest in finding solutions, solutions that can realise the full economic potential of developing economies, and to reduce significantly the problems of poverty, hunger, ill health, aids, illiteracy and gender discrimination.

19. The responsibility to address the issue of development is a collective one. Developed countries must play an active role in assisting countries affected by these problems. However, developing countries must accept that we too have to do our bit to ensure that sustainable growth and prosperity can be attained.

20. Firstly, developing countries must continue to enhance domestic resilience and capacity. We must continue to invest in human resource development, to be equipped with the skills and knowledge to cope with a rapidly changing world dominated by technological innovations and advances. Investment in education with emphasis on science and technology must be given priority. Attention must be given to strengthening domestic institutions and the framework of laws, rules and regulations to ensure resilience in the face of challenges posed by globalisation.

21. Secondly, apart from the efforts of developing countries, industrial countries also have a special responsibility to facilitate this process, by assisting developing countries gain access to knowledge, ideas and inventions, which must be made available at a reasonable price. Intellectual property must be protected but consideration must be given to the needs of the poor. By all means profit from the intellectual rights but make those who can afford pay more while reducing the profit from the poor.

22. The new millennium will continue to witness rapid advances in information technology, which will have wide-ranging implications on developing countries. The Internet has become a force of tremendous potential. Those who can see the usage it can be put to will gain tremendously. Those who are still dazed by the ease of access to information, to the market and to people in general will just stare at the screen while their little businesses get pulverized by the amazing dot-coms companies. By the time they awake to the potential it may be too late. UNCTAD could undertake a set of programmes to promote better understanding and capacity building in this area.

23. Thirdly, all countries must work together to manage the globalisation process for our mutual benefit. The trading regime under the WTO can bring both benefits and challenges. In the context of trade liberalisation, greater flexibility must be given to developing countries for a wide variety of options and responses to deal with the complexities of development and nation building.

24. This aspect and the special situation of developing countries are often not given adequate and appropriate treatment in trade liberalisation negotiations. Developing countries cannot and should not be expected to undertake obligations at similar levels as developed countries. Market opening measures expected of developing countries must be commensurate with the level of development. The principle of progressive liberalisation must not only be an integral element of any WTO trade liberalisation initiative, but must be fully recognised by all.

25. Fourthly, to be able to manage the pace and direction of liberalisation and globalisation, developing countries must be allowed to effectively participate in the decision making process in all international institutions. International institutions must have the mechanisms to allow the views of all to be heard. 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. The recent WTO Ministerial Conference in Seattle clearly demonstrated the need to involve even the NGO's in the decision making process. It is time that the relevant NGO's be given a proper forum to air their views. Street demos can serve as a wake-up call but their usefulness is quite limited.

26. Frankly speaking I am worried and frightened at the preparations being made by corporations in certain industries and business activities in order to take advantage of liberalisation and globalisation. I am referring to the mergers and acquisitions which are making big corporations even bigger. Now many of these corporations are financially more powerful than medium sized countries. While we welcome their collaboration with our local companies, we fear that if they are allowed into our countries unconditionally they may swallow up all our businesses.

27. A situation of worldwide oligopoly seems already to be emerging. If market forces are allowed free play then oligopolies may end up as monopolies. I believe that the general consensus is that monopolies are unhealthy. Can it be possible that a corporation is not a monopoly in its country of domicile but a monopoly in the rest of the world? In such a case whose laws will apply? And if we restrain them would we be accused of not subscribing to globalisation and liberalisation?

28. Clearly UNCTAD 10 has a big agenda before it. If you want to make globalisation an effective instrument for the development of all countries and people, it is imperative that you take serious notice of the fears felt by the developing countries about what is 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 standardized so as to facilitate trade and investments.

29. We must not forget that UNCTAD is not just about trade. It is also very much

about development and development is the particular need of developing countries. Other fora are already exclusively concerned with trade. UNCTAD is one of the few concerned with development and because of that it is extremely important to the developing countries.

30. I am confident that the deliberations during this Conference will result in concrete outcomes that will set 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. UNCTAD must assume a leading role in achieving this objective.