



Personal Contribution to the Helsinki Process

Personal Statement for Helsinki Process report by Martin Khor

Martin Khor

Director, Third World Network
Malaysia

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The world is indeed facing major challenges, some of which are already crises. Therefore it is a good idea for the Helsinki Process to have been launched, as a contribution to understanding and tackling these problems.

In looking at many of these problems, the interface with the North-South divide and the need for equitable global and national solutions become more and more apparent.

On the environment, there are so many problems that remain to be solved, and the solutions appear even more out of reach despite the two Earth Summits of 1992 (Rio) and 2002 (Johannesburg). To a significant extent, this is because the driving forces of economic globalization (the drive towards greater liberalization, necessitating even greater competition among countries, firms and farms, and seemingly decreasing their space to undertake pro-environment economic reforms) have resulted in environmental issues being lowered on national agendas.

Yet the issues of climate change, biodiversity loss, the risks posed by genetic engineering, the looming water scarcity, the depletion of oil and the need for energy conservation and new environmentally-friendly sources of energy need to be handled within the framework of equity, with the principle of the equal right to make use of resources, and fair shares in environmental space. The North has to show an example but changing its unsustainable patterns of resource use, production and consumption, and assist the South in a joint quest for sustainable development. This has to be done quickly, as the limits have been reached of what the Earth can absorb of the pollution, contamination and resource depletion that humanity has inflicted on it. A renewed and deeper commitment implement the Kyoto framework agreement on climate change is necessary, with new targets for emission reduction. The developed countries should prove to themselves and to the world that they can set the needed new targets that can (hopefully) avoid catastrophe, and that they are serious in implementing them. The developing countries, seeing the seriousness of the North's own commitments, should also follow the path of clean energy and clean production, with technology and financial assistance provided to them.

On the economic side, the crises facing poor countries need to be better understood and handled. On trade, many developing countries continue to suffer their main problem---the low and declining prices of their export commodities. From 1980 to 2000, world prices for 18 major export commodities fell by 25% in real terms. The decline was especially steep for cotton (47%), coffee (64%), rice (61%), cocoa (71%) and sugar (77%). This has had devastating effect on incomes of poor communities around the world, and on the trade balance and debt situation of many countries. Resolving this commodity crisis should thus be a top priority.

Associated with this is the continuing distortion in agricultural trade, with export and domestic subsidies depressing prices and allowing developed countries' firms to export at artificially low prices. Developing countries' farmers not only are deprived of marketing to the subsidizing countries but also to third markets. Worse, many of them face competition from cheap imports which threaten their livelihoods and incomes. In many developing countries, agricultural tariffs have been reduced by structural adjustment loan conditionalities of the international financial institutions, to levels that adversely affect their small farmers. They are not allowed to increase the tariffs, even in the event of import surges, and even if their bound tariffs are higher than the applied rates. These conditionalities These unreasonable trade conditionalities should be reviewed.

As noted by many reports, there are many trade rules at the WTO but also increasingly in bilateral or regional free trade agreements that are imbalanced vis-à-vis developing countries and run counter to development objectives. The Doha work programme mandated that "development issues" be given highest priority, but so far the process of improving the status of development through strengthened special and differential treatment and through resolving problems of implementation of the WTO agreements, has yielded very few results. These two issues should be resolved as soon as possible. Meanwhile, the "development aspects" in the new WTO negotiations, on agriculture and non-agriculture market access, have not been properly integrated, beyond rhetoric. The great concern is that many developing countries will again be obliged to undertake liberalisation commitments that are heavier than they can afford to, thereby risking the share of participation (or even the very survival) of their local firms and farms in their own domestic economy.

It is true that when properly carried out, import liberalization can benefit developing countries, and increased exports can also be of benefit (but under conditions, such as that these do not contribute to over-supply and declining prices). However, the experience of the past decades has shown that trade liberalization does not automatically lead to growth or efficiency, and that in many cases, countries that undertake (often through the pressure of external conditionalities or trade rules) tariff cutting suffer from displacement of small farmers and deindustrialization. The negotiations at the WTO and in the bilateral/regional free trade agreements should fully take account of the vulnerabilities of developing countries in this respect and not lead to the imposition of more harmful liberalization.

Most poor countries have also suffered enough from debt servicing. It is time for the cancellation of the external debts of low-income countries and a systematic debt relief programme for other developing countries that are facing debt servicing difficulties. These actions would contribute immensely to freeing financial resources that can be used for development. It is equally important to prevent future financial crises. Governments should be allowed to regulate capital movements, and there should be stricter international controls on the flow of capital, to prevent financial speculation, which in the past several years has contributed to financial destabilisation. A more stable system of exchange rates is also badly needed. The call for a "new

international financial architecture”, that was heard some years ago, is in even greater need for an answer, as little has been done in that direction.

There is, as many have noted, democratic deficits at the international level. This has resulted in inadequate participation of developing countries in decision-making in the economic, social and political spheres. Within countries, local communities, workers and consumers are also justifiably asking for greater participation in national policy decision-making. The members states at the United Nations are discussing reforms to the UN and the international system. Reforms are indeed needed, so that the multilateral system can be reaffirmed and strengthened, especially since this system has been so much weakened and even threatened by the war on Iraq that was undertaken without UN authorization. Thus, in particular, the UN reforms should prevent or curb rather than legitimize unilateral military actions. In general, the reforms should redress the present serious North-South imbalances in the framework and implementation of international relations. The UN Secretary-General’s paper on reform should be a starting point for the discussions; however the views of developing countries (not only of their governments but also their civil society) should be fully taken account of, and properly reflected.

The democratic deficits in the international financial institutions (IFIs) and the WTO should also be recognized and tackled. This is even more important since the world has globalised and these institutions have more effects on policies and prospects in developing countries. The composition of share equity and voting rights in the IMF and World Bank should be reviewed to enable greater participation of developing countries. The IMF should focus on engendering global financial stability, including currency-rate stability, which is the main reason it was set up, instead of providing development policy advice to developing countries, as it lacks expertise in this area. Similarly, many aspects of the World Bank’s policy advice has had adverse repercussions on development. There should be more accountability by the IFIs for the effects of their policy advice. With regard to the WTO, the right of each member country to fully participate in decision-making should be recognized in practice, as contrasted to a system where a few major countries consult among one another, and make decisions which others are obliged to accept (even if they do not agree or do not have the opportunity to consider the implications) as they do not want to be accused of preventing or derailing an agreement.

There are many issues in this inter-related and unequal world, where limits are also placed by the environment on humanity’s activities, which can form the basis for a process of change, to make it a safer, more equitable and better world. Hopefully there will be enough people in both South and North who will take up the challenges, especially to bridge the North-South divide.