

©2007 Ministry of Foreign Affairs Malaysia (MFA)  
ISBN 983-43196-1-8  
URL: www.kln.gov.my

All rights reserved. No portion of this journal may be reproduced by any process or technique without the formal consent of the editors and publishers.

The views expressed in this publication do not necessarily reflect those of the Ministry of Foreign Affairs Malaysia

# The Helsinki Process Round Table on Effective Global Governance

KUALA LUMPUR, MALAYSIA

21 - 22 MAY 2007



MINISTRY OF FOREIGN  
AFFAIRS MALAYSIA



HELSINKI  
process  
GLOBALISATION AND DEMOCRACY

## CONTENTS

Message by the Minister of Foreign Affairs, Dato' Seri Syed Hamid Albar	1
Introduction by the Secretary General Ministry of Foreign Affairs, Dato' Sri Rastam Mohd Isa	3
Overview of the Helsinki Process Round Table on Effective Global Governance	5
National Advisory Panel Programme	7
Executive Summary	9
Opening Speech by the Minister of Foreign Affairs, Dato' Seri Syed Hamid Albar	13
Statement by the Minister of Foreign Affairs and International Cooperation of the United Republic of Tanzania, His Excellency Bernard K. Membe	17
<b>Rapporteurs' Report</b> Welcoming Address by Minister of Foreign Affairs, Dato' Seri Syed Hamid Albar	21
<b>Session I</b> Globalisation and Global Governance: Overview of Critical and Current Issues	27
<b>Session II</b> Global Trading System: Strengthening Developing Countries' Interests and Participation	33
<b>Session III</b> Global Financial Architecture: Strengthening Developing Countries' Interests and Participation	43
<b>Session IV</b> Strengthening the Role of the UN in Economic and Social Governance	55
<b>Session V</b> The Domestic Dimension: National Development Strategies and The Challenge of Globalisation	67
Closing	79
List of Participants	89
	100



# Abbreviations

ADB	ASEAN Development Bank
ASEAN	Association of Southeast Asian Nations
BRIC	Brazil, Russia, India and China
BWI	Bretton Woods Institutions
ECOSOC	UN Economic and Social Council
EPF	Employees' Provident Fund
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
IDB	Islamic Development Bank
IDFR	Institute of Diplomacy and Foreign Relations Malaysia
IMF	International Monetary Fund
ISIS	Institute of Strategic and International Studies Malaysia
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MNC	Multinational Corporation
NGO	Non Governmental Organisation
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
RTA	Regional Trade Area
TNC	Transnational Corporation
TRIPs	Trade Related Aspects of Intellectual Property
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations International Development Organisation
WB	World Bank
WTO	World Trade Organisation





# **MESSAGE BY DATO' SERI SYED HAMID ALBAR**

## **THE HONOURABLE MINISTER OF FOREIGN AFFAIRS MALAYSIA**

On 21 May this year, Malaysia played host to 65 prominent and well-respected intellectuals who came together at the Helsinki Process Round Table Kuala Lumpur on Effective Global Governance to discuss matters related to the governance of international entities. The point of pride for the Ministry as the organisers of the Round Table, was not so much in the impressive biographies of the participants we were able to assemble, but in the fact that the participants were drawn from all sectors of the international stage.

As a result, we were able to have a particularly good discussion of the subject, taking into account the various viewpoints around the table. This, I believe above all else, was the main point of the exercise – to hear and be heard. As I mentioned in the Opening Ceremony speech, dialogues are meant for different viewpoints to be expounded. Anything else, and it will merely be a choir.

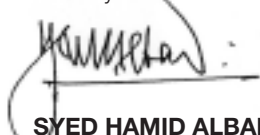
For the Ministry, the experience of convening a multi-stakeholder dialogue was a first. But then again, this reflects the changing times of the global arena today. Morgenthau's world of classical realists, where states are the only actors in international relations, has already been replaced by neo-liberal institutionalist thought which takes into account the multitude of different actors in today's political society.

The three main sub-topics of the trade regime, the finance regime and the more generalist governance within the United Nations were carefully chosen because these were the areas with which there was much dissatisfaction. I am happy to note that with the Kuala Lumpur Round Table, the multi-stakeholder approach brought with it a comprehensive discussion of the issue at hand.

I would like to take this opportunity to thank all participants of the Round Table for their inputs and the views espoused during our sessions. I was glad to meet with the participants and found the Round Table format, symbolising equality of rank and of opportunity to be heard, refreshing.

I look forward to bringing the outcome of the Round Table on Effective Global Governance yet another step closer to final fruition at the Helsinki Process Review Conference to be held towards the end of 2007.

Thank you.



**SYED HAMID ALBAR**

June 2007



# **INTRODUCTION BY DATO' SRI RASTAM MOHD ISA**

## **SECRETARY GENERAL OF THE MINISTRY OF FOREIGN AFFAIRS MALAYSIA**

This book is part and parcel of Malaysia's commitment to the Helsinki Process on Globalisation and Democracy. It represents a serious attempt to capture the discussions and recommendations arising from the Round Table on Effective Global Governance held in Kuala Lumpur from 21-22 May 2007. The intellectual discourse and valuable suggestions put forth by speakers, discussants and participants alike during the two-day Meeting is documented in a series of almost verbatim reports contained within this publication.

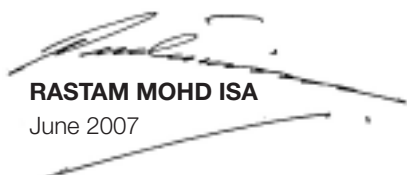
In an era of globalisation and rapidly changing times, it is important that the ideas which were discussed among participants be duly recorded. This was the first Round Table convened by Malaysia under the Helsinki Process and this Meeting provided participants the opportunity to explore in greater depth the subject matter at hand. The compilation of the proceedings at the Round Table in this book is aimed at benefiting not only the participants but also others who are interested in the subject.

The outcome of the Round Table on Effective Global Governance is, undoubtedly, the formulation of a Road Map to be presented to the Helsinki Process Review Conference towards the end of 2007. This book is an integral part of the process towards the formulation of that Road Map.

Hopefully, it would allow for a better understanding of the subject under discussion. In order to marshal ideas and focus the discussions on specific areas of global governance, the Ministry of Foreign Affairs divided the sessions into four different – yet interconnected – areas: the trade regime (the World Trade Organisation); the international financial architecture (the Bretton Woods' Institutions); the social and economic dimension of the United Nations, and domestic policy space.

Discussions on this same subject are expected to continue at the Senior Officials' Meeting in August, as well as the Ministerial-level Meeting of the Friends of the Helsinki Process on the sidelines of UNGA in September 2007. This Round Table had indeed been an integral part of the larger process.

I would like to take this opportunity to thank everyone who helped in the convening of the Round Table on Effective Global Governance in May 2007, and in particular the officers and staff at the Department of Multilateral Affairs of the Ministry of Foreign Affairs who were entrusted with the responsibility of carrying through the mandate given by the Foreign Minister



**RASTAM MOHD ISA**  
June 2007





# OVERVIEW OF The Helsinki Process Round Table on Effective Global Governance

The Helsinki Process on Democracy and Governance was initiated by the Governments of Finland and Tanzania with the convening of the Helsinki Conference in 2002. The main aim of the Helsinki Process is to focus on the issues relating to North-South relations.

The Helsinki Group is co-chaired by the Foreign Ministers of Finland and Tanzania, and promotes a multi-stakeholder approach towards the dialogue held, involving governments, civil society and the private sector. Although the Helsinki Group is facilitated by the two governments of Finland and Tanzania, the other members of the Helsinki Group are drawn from among the other stakeholders in the equation. A governmental arm of the Helsinki Process, involving 11 other governments around the world, has been established, and is called “Friends of the Helsinki Process”.

There are two objectives of the Helsinki Process: (a) To promote multi-stakeholder cooperation as an approach to global problem-solving, to make it a permanent part of global governance; and (b) To mobilise political will and resource for urgently addressing several priority issues.

The Friends include Algeria, Brazil, Canada, Egypt, Hungary, Malaysia, Mexico, Spain, South Africa, Thailand and the United Kingdom. These Friends have held several Ministerial-level meetings.

In 2005, the Helsinki Process identified eight priority areas in which to focus their attention. Each country was then invited to indicate their interest in one of the priority areas, and to act as a ‘facilitator’ for that area. The eight areas are: anti-corruption; effective global governance; gender issues; joint reporting of the IMF, WB, WTO and the UN; promotion of ICT; small arms; water and sanitation; and migration.

Each delegation was invited to indicate their interest to act as facilitator for each priority areas. In this connection, Malaysia offered to be the facilitator for the issue of Effective Global Governance.

In addition, the Helsinki Process also proposed the formation of ‘Round Tables’ – a process of dialogue where multi-stakeholders could give their input to the Friends on the way forward. Among the themes of the Round Tables are: Peace and Security; Poverty and Development; Human Rights; Global Governance; and the Environment.

The purpose of these interim Round Tables is to set an example on how multi-stakeholder cooperation can bring real added value to global problem-solving. The Round Tables are also intended to promote the integration of a multi-stakeholder element into existing global governance mechanisms. A Round Table may also lead to a “Road Map” on the issue, which consists of a programme of activities and actions following the Round Table.



# National Advisory Panel

**1. Dato' Sri Rastam Mohd Isa**

Secretary General  
Ministry of Foreign Affairs

**2. Tan Sri Ramon Navaratnam**

Chairman  
Centre for Public Policy Studies

**3. Tan Sri Dr. Lin See Yan**

Senior Advisor, Lin Foundation  
Pro-Chancellor, University Science Malaysia

**4. Datuk Dr. Sulaiman Mahbob**

Director General  
Economic Planning Unit, Prime Minister's Department

**5. Datuk Rafiah Salim**

Vice Chancellor  
University of Malaya

**6. Dato' Ooi Sang Kuang**

Deputy Governor  
Bank Negara Malaysia

**7. Dato' Seri Mohamed Jawhar**

Chairman and CEO  
Institute of Strategic and International Studies Malaysia

**8. Ambassador Tan Seng Sung**

Deputy Secretary General II  
Ministry of Foreign Affairs

**9. Prof. Gurdial Singh Nijar**

Law Faculty (IP Matters)  
University of Malaya

**10. Ms. Hardiv Kaur**

Head of Corporate & International Affairs Department  
Securities Commission

**11. Mr. Martin Khor**

Director  
Third World Network



# The Helsinki Process Round Table on Effective Global Governance

HOTEL ISTANA, KUALA LUMPUR, MALAYSIA  
21 - 22 MAY 2007

## PROGRAMME

### Day 1

Monday, 21 May 2007

- 08.30 am Registration of participants
- 09.15 am Opening Statement by the Hon. Dato' Seri Syed Hamid Albar,  
Minister of Foreign Affairs of Malaysia
- VENUE** : Mahkota II Ballroom  
Istana Hotel
- 09.45 am Remarks by H.E. Bernard K. Membe, Minister of Foreign Affairs of  
Tanzania, Co-Chair of the Helsinki Process
- 10.00 am Press Conference / Coffee Break

\* All Sessions to be at Mahkota III Ballroom unless otherwise indicated

- 10.30 am - 12.30 pm **SESSION I**  
**GLOBALISATION AND GLOBAL GOVERNANCE: OVERVIEW OF  
CRITICAL AND CURRENT ISSUES**
- FACILITATOR** : Dato' Seri Syed Hamid Albar
- SPEAKERS** : Yilmaz Akyuz (Former Director, UNCTAD)
- DISCUSSANTS** : 1. Dato' Seri Mohamad Jawhar Hassan  
(Chairman and CEO of ISIS Malaysia)  
2. Folke Sundman  
(Chairman of the Helsinki Process Steering Group)
- 12.30 pm Lunch Break

02.00 pm  
- 04.00 pm

**SESSION II**  
**GLOBAL TRADING SYSTEM STRENGTHENING DEVELOPING COUNTRIES' INTERESTS AND PARTICIPATION**

**FACILITATOR** : H.E. Bernard Kamilius Membe  
Minister of Foreign Affairs, Tanzania

**SPEAKERS** : Bhagirath Lal Das  
(Former Amb. Of India to GATT)

**DISCUSSANTS** : 1. Ransford Smith  
(Commonwealth Deputy Secretary General)  
2. Prof. Gurdial Singh Nijar  
(University Malaya)

04.00 pm

Coffee Break

04.15 pm  
- 06.15 pm

**SESSION III**  
**GLOBAL FINANCIAL ARCHITECTURE: STRENGTHENING DEVELOPING COUNTRIES' INTERESTS AND PARTICIPATION**

**FACILITATOR** : Amb. Ilari Rantakari  
(Head of the Helsinki Process, Finland)

**SPEAKERS** : Tan Sri Zeti Akhtar Aziz  
(Governor, Bank Negara Malaysia)

**DISCUSSANTS** : Prof. Dorodjatun Kuntjuro-Jakti  
(Former Coordinating Minister for Economy, Indonesia)

08.00 pm

Dinner hosted by the Minister of Foreign Affairs Malaysia

**VENUE** : Mahkota I Ballroom,  
Istana Hotel

## Day 2

Tuesday, 22 May 2007

08.30 am  
- 10.30 am

**SESSION IV**  
**STRENGTHENING THE ROLE OF THE UN IN ECONOMIC AND SOCIAL GOVERNANCE**

**FACILITATOR** : Dato' Sri Rastam Mohd Isa  
(Secretary General, Ministry of Foreign Affairs Malaysia)

**SPEAKERS** : Amb. Munir Akram  
(Pakistan, Chair G77)

**DISCUSSANTS** : Roberto Bissio (Social Watch, Uruguay)

10.30 am

Coffee Break



1.00 pm

**SESSION V**  
**THE DOMESTIC DIMENSION: NATIONAL DEVELOPMENT**  
**STRATEGIES AND THE CHALLENGE OF GLOBALISATION**

**FACILITATOR** : Dr. Yash Tandon  
(Dir. South Centre)

**SPEAKERS** : Martin Khor  
(Dir. Third World Network)

**DISCUSSANTS** : 1. Dr. Nungsari Ahmad Radhi  
(ED. Khazanah Malaysia)  
2. Dato' Sri Abdul Hamidy Hafiz  
(Chairman Assoc. of Banks Malaysia)

1.00 pm  
- 2.00 pm

Lunch

02.30 pm  
- 03.30 pm

Closing Session – Remarks by Participants

03.30pm  
- 04.30 pm

Closing Remarks / Summing Up by the  
Hon. Dato' Seri Syed Hamid Albar, Minister of Foreign Affairs Malaysia:  
**“The Way Forward”**

04.30 pm

Press Conference

**END OF PROGRAMME**



# EXECUTIVE SUMMARY OF The Helsinki Process Round Table on Effective Global Governance

Malaysia convened the Round Table on Effective Global Governance from 21 to 22 May 2007 at Hotel Istana, Kuala Lumpur. The Round Table, held under the banner of the Helsinki Process on Globalisation and Democracy, is the first event to be hosted by Malaysia as a Friend of the Helsinki Process. The Round Table on Effective Global Governance was given the added responsibility of formulating a Road Map for the Helsinki Process on Global Governance, since it was the only subject-matter without one.

A total of 65 participants registered for the Round Table. Each session was scheduled to run for two hours, but due to the intense discussions that took place among the participants of the Round Table, many of these sessions overran the allotted time. The fact that discussants and participants alike were engrossed with the discussions to bother about the time was indicative of the importance attached to the subject matters being discussed.

Participants discussed the issue of effective global governance under five headings:

- Globalisation and Global Governance: Overview of the Critical and Current Issues;
- Global Trading System: Strengthening Developing Countries' Interests and Participation;
- Global Financial Architecture: Strengthening Developing Countries' Interests and Participation;
- Strengthening the Role of the United Nations in Economic and Social Governance; and
- The Domestic Dimension: National Development Strategies and the Challenge of Globalisation.

It has become a tradition for one of the Co-Chairs of the Helsinki Process (either Tanzania or Finland) to attend the Round Tables convened. In the case of the Kuala Lumpur Round Table, H.E. Bernard K. Membe, the Minister of Foreign Affairs of the United Republic of Tanzania, attended the Round Table on behalf of the Helsinki Process. Finland meanwhile, was represented by H.E. Ambassador Ilari Rantakari, the Head of the Helsinki Process based in Helsinki. The Malaysian Special Representative to the Helsinki Process, Ambassador Syed Sultan Idris, based in Helsinki, who has followed all the Round Tables convened under the Helsinki Process, also attended the Round Table.

The Honourable Dato' Seri Syed Hamid Albar, Minister of Foreign Affairs Malaysia, as the host of the Round Table, graciously officiated the Opening Ceremony of the Round Table. Held on the morning of 21 May 2007, the Opening Ceremony was attended by no less than 200 individuals, comprised of Round Table participants, heads of foreign missions in Kuala Lumpur, representatives of various think-tanks, Institute of Diplomacy and Foreign Relations (IDFR) course participants, and officials from the Ministry of Foreign Affairs.

In his **Welcoming Address**, Dato' Seri Syed Hamid Albar expressed the hope that the Round Table would contribute to both North-South as well as South-South dialogue. He said that the subject of effective global governance needs to be addressed because the advent of globalisation has resulted in the existence of international institutions which are stronger than even some sovereign nations. Institutions today are able to even dictate terms and conditions to sovereign governments, resulting in the loss of national policy space for governments. The Foreign Minister also referred to the fact that some international actors change the rules of the game in midstream without honouring those commitments already made. Thus, effective global governance should be about ensuring a just and equitable international order to allow all players to realise their full potential.

The Foreign Minister of the United Republic of Tanzania, H.E. Bernard Kamillius Membe spoke of how interdependence has permeated every aspect of today's international community. Globalisation, however, has not generated the environment needed to alleviate poverty, secure employment and generally allow the less-developed countries to build a better future for their children. He advocated for a series of coordinated changes to ensure that the present global governance system would be able to help countries meet the Millennium Development Goals.

In the first session, titled **“Globalisation and Global Governance”**, participants discussed the general inequities of the global order that have marginalised some countries while benefiting others. Globalisation, as a concept, is not at fault – it is the way in which globalisation is managed that remains at the heart of the problems faced by most of the developing world. These are the countries which have found themselves without a voice in the decision-making process of multilateral rules and practices.

Subsequently, the session on **“The Global Trading System”** saw participants agreeing to the benefits that may be accrued from the multilateral trading system. Again, participants pointed out that with the right approach towards the application of rules and the decision-making process, the global trade regime would be able to work for the benefit of all. All present agreed that negotiations on the Doha Development Round should be resumed.

In discussing **“The Global Financial Architecture”**, participants discussed how the international financial market is by and large unregulated. This is one of the reasons why the Asian Financial Crisis occurred, and it was accepted by all that despite the lessons learnt from the crisis, there has been no political will on the international level to regulate capital account flows and to provide a check-and-balance mechanism for the financial institutions currently operating on the international level.

Participants of the Round Table also discussed **“Strengthening the Role of the United Nations in Economic and Social Governance”**. Unlike many other multilateral organisations, participants agreed that the United Nations has made concrete contributions to development in general and has the potential to successfully undertake global economic governance.

Once governance of all the international regimes had been discussed, the participants turned their attention to **“The Domestic Dimension”** and discussed how the creation of sufficient policy space is important to allow governments to adequately manage their own countries. Since international success models are never a one-size-fits-all, participants argued that national governments should be given enough leeway to choose their own appropriate policy options.

The two-day Round Table ended with a summation by the participants and a simple Closing Ceremony by the Honourable Dato’ Seri Syed Hamid Albar, the Minister of Foreign Affairs Malaysia.





# **OPENING SPEECH BY THE HON. DATO' SERI SYED HAMID ALBAR**

## **MINISTER OF FOREIGN AFFAIRS MALAYSIA**

His Excellency Bernard Membe  
Foreign Minister of Tanzania  
Cum Co-Chair of the Helsinki Process

Distinguished Speakers, Facilitators and Discussants,  
Members of the Round Table  
Members of the Media

It gives me great pleasure to be able to welcome you to the Kuala Lumpur Round Table on Effective Global Governance, convened under the umbrella of the Helsinki Process on Democracy and Globalisation. This is the first time that a Helsinki Process Round Table is held in Kuala Lumpur, and Malaysia is pleased to welcome such a distinguished and august gathering.

For those unfamiliar with the Helsinki Process, this is a series of dialogue between multi stakeholders of the North and the South on specific themes. Five Round Tables were established, each with its own country facilitator whose responsibility it is to convene the Round Table. The subjects were diverse-human rights, the environment, peace and security, poverty and development, and today's subject- that of global governance.

We hope that this Round Table will contribute to not only the North-South dialogue, but also to South-south dialogue. We also hope that it will be a milestone in a longer-term process that is based on understanding and cooperation between the participants, organizations and countries that are taking part.

The members of the Round Table are drawn from all the different actors who impact or have the potential to influence the course of the subject matter. Thus it came to be that the component parts of the Helsinki Process involved not only Governments, but also non-state actors. These are the entities today which have a much greater voice in international relations than even many small but sovereign nations.

The Helsinki Process adopts a very friendly approach towards problem-solving at the global level. The fact that governments as dialogue partners are referred to as 'Friends' is axiomatic to its intention. Instead of adopting a confrontational approach which many 'dialogues' and forums do, this process presents ideas which are workable to provide an effective solution.

A major concern is that the inequities of the entrenched global economic and social order have remained. In fact, they have grown wider as technological changes and the unequal structures

themselves push the developed countries further ahead and leave the poorer countries further behind. There must always be a motivation for us to shape a better world for all, amidst the many contradictions around us today in the competing of individual rights and communal rights, multilateralism and unilateralism. The new global order that we seek to establish must be for the good and well-being of all.

Pitting societies and the various stakeholders against each other should not be an option. The situation of 'us versus them' will lead to widening chasm between various groups, the rich and poor, the developed and the developing, the government and the governed. By bringing together various actors, different segments of society would be able to take part in the formulation of an acceptable solution to our current problems. Think tanks and members of the academia would have the opportunity to provide valuable inputs. NGOs and activists would be able to do the same. The Governments would hear what they have to say. It is in the interests of developed countries themselves that a better and fairer global governance system is established.

The Friends is the government arm of the Helsinki Process. While the Governments support the Process as a whole, it is not central to, or the only actors within, the dialogue. The Helsinki Process as a multi-stakeholder approach is the right one, I believe, and the inclusion of these different actors will enrich the dialogue. That is why I am proud that Malaysia was one of the first countries to volunteer in facilitating a Round Table.

We should seize the opportunity to work together in tandem to find a solution which will work for the benefit of the peoples we serve. Governments and civil society alike must be driven by a never-ending quest for a better life, a better world for humankind.

Malaysia is committed to perpetuate the dialogue between the North and the South to create better understanding, goodwill and respect that will benefit us all. Having inter-country dialogues will be positive mechanism to express differing views. Even among countries of the South, there is much to be learnt from each other.

The importance of global governance was firmly established with the emergence of globalisation. These institutions, because of their reach, impact upon states and people at the domestic and regional level. In an increasingly globalised world, entities like the United Nations, the World Trade Organisation, the IMF, and the World Bank have attained the status of global governments. Their decisions have bearings on our lives, which could make us a break us as a nation.

In recent years, a new movement under the World Intellectual Property Organisations has gained prominence. Developed countries are pressing developing countries to adopt a high standard of intellectual property rights. Developing countries are asked to honour the intellectual property of the transnational companies, but the traditional knowledge and biological resources of developing countries are not recognized.

It is therefore imperative for us to also have a hand in the decision-making process of these global institutions.

Ladies and gentlemen,  
Members of the Round Table

Today we are assembled to talk about effective global governance. This in itself means that there is uneasiness with some of the existing entities. It is good that we have organizations to set standards to govern our relations in a particular situation. It is good to streamline and we cannot imagine what would happen in the absence of standards and practices. However this should not go to the extent of establishing hegemony instead of accepting our diversities as a source of our strength.

Most of these institutions are powerful enough to dictate terms and conditions to sovereign governments. National governments today have less and less space to maneuver in the formulation of their own national policy as they are subjected to interpretations, treaties, conventions and protocols which limit their sovereign actions.

Effective global governance should be about ensuring a just and equitable order that would allow all parties to realize their full potential and not dominance by new players in the global order. Instead of changing the rules of the game in midstream to benefit a few, there should be an enforcement of commitments already made that would bring about justice and equity to the small, rich and poor. This is why there is a call for effective global governance.

Ladies and gentlemen of the audience,

We believe in the multilateral system to protect us all. Malaysia has always held high regard for international institutions. We have taken an active part in many global institutions. We will continue to work closely with the international community for the protection of our common interests.

Workable solutions coming from the free-flow of differing ideas will enrich the process. The fact the Helsinki Process has 11 members from differing backgrounds and location is a source of our strength. Each member should promote the Helsinki Process to its own group and promote it from within.

I hope to see a very positive and an encouraging result from this Round Table in order to bring it to the Helsinki Review Conference. In these two days of deliberation, I hope participants will suggest ways in which current governance can be improved.

Members of the Round Table,  
Honoured guests,

It is hoped that there will be enough ideas and material from which we can formulate a Road Map for Effective Global Governance.

I want to take this opportunity to thank everyone who has been involved in the convening of this Round Table. I also thank the Secretariat in Finland that contributed both financially and

substantively to the Round Table. I would also like to thank the 11-member Malaysian Advisory Panel for the Round Table, who brainstormed with me. I see that many of them are here with us today, and look forward to their continued participation during this session.

Last but not least, I thank His Excellency Bernard Membe for coming all the way from Tanzania to be with us at the Round Table. As co-Chair of the Helsinki Process, His Excellency has agreed to also deliver an address at this Opening Ceremony.

I wish participants to the Round Table a good stay in Kuala Lumpur. For those of you who are here for the first time, I urge you to experience the sights and sounds of this city, on this Visit Malaysia 2007. I have taken the opportunity at this Round Table to give you a small sample of Malaysian culture. Dancers from my own home state Johor will be performing for you at tonight's dinner, which I hope you will enjoy.

It is therefore with great pleasure and satisfaction that I declare the Round Table on Effective Global Governance officially open.

Thank you.

# **STATEMENT BY H.E. BERNARD K.MEMBE, MINISTER OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION OF THE UNITED REPUBLIC OF TANZANIA AND CO-CHAIR OF THE HELSINKI PROCESS ON GLOBALISATION AND DEMOCRACY**

Dato' Seri Syed Hamid Bin S. Jaafar Albar,  
Minister of Foreign Affairs of Malaysia,  
Distinguished Participants  
Members of the Diplomatic Corps,

Invited Guests,  
Ladies and Gentlemen.

At the outset, allow me to express our gratitude to the Government and the People of Malaysia for the warmth reception accorded to me and my entire delegation since we arrived in this great Nation. Back in Africa, the Igbo people from Nigeria have a saying that goes; '...home is a place where your heart is'. Indeed, our hearts are here in Malaysia today and we very much feel at home.

May I also hasten, through you, Honourable Minister; to thank the Malaysian Government for hosting this extremely important workshop to the Helsinki Process, on global governance. This is indeed, a significant contribution to the realisation of the overall objectives of the Helsinki Process.

**In that regard, Honourable Minister, Dear Participants and Invited Guests,** kindly allow me once again to deliver special greetings and best wishes that I carry from the President of the United Republic of Tanzania, H.E. Jakaya Mrisho Kikwete. As some of you may recall, H.E. Jakaya Kikwete, then as the Foreign Minister of Tanzania, together with his colleague, Hon. Erkki Tuomioja, also the then Foreign Minister of Finland, in 2003, saw it necessary to launch a multi-stakeholder dialogue-the Helsinki Process-that will bring together innovative minds from different parts of the world and all walks of life, to deliberate on how best could we face the complex challenges and exploit the vast opportunities that are deeply located in the Post-cold War New World of Globalisation. With the Group of Eminent people who underwrote the final report of the Helsinki Process in its first phase, the Process has brought immense impact, particularly in facing up the challenges of multi-stakeholder approach to issues of Globalisation and Democracy.

**Dear Participants,** globalisation has set in motion a process of far-reaching change that is affecting everyone. New technologies, particularly in the Information and Communications arena, supported by more open policies, have created a brand New World that is more interconnected and very much smaller than ever before. The growing interconnectivity among the people across the world continues to profoundly underscore and highlight the fact that we are all part of the same global community which gets much smaller by the day. This nascent sense of interdependence, commitment to shared values and aspirations and solidarity among peoples across the world can be channeled to build enlightened and democratic global governance in the interest of all. The global market economy has demonstrated great productive capacity. Wisely managed and governed, it can surely unleash a huge dent on global poverty while at the same time deliver unprecedented material progress, generate more productive and better jobs for all.

**Honourable Minister,** but we also see how far short we still are from realising this potential. The current process of globalisation is generating unbalanced outcomes, both within and between different countries. Indeed, substantial wealth is being created, but too many countries and people are not sharing its benefits. Many more countries and peoples also have little or no voice at all in shaping the global worth generating process. Seen through the eyes of women and men, globalisation has not met their simple and legitimate aspirations for secure life, decent jobs and a better future for their children. At best, many of them have continued to live in the limbo of the informal economy without formal rights and in swathe of poor countries that subsist precariously on the margins of the global economy. In the words of the former President of Tanzania, H.E. Mr. Benjamin W. Mkapa, they are indeed, forced to live on the harsh basis of "... one day at a time".

It is, therefore, a fact that, these global imbalances are morally unacceptable and politically unsustainable. What is required to change this is not the realisation of Utopian blueprint in one swoop. Rather it is a series of coordinated changes across a broad front, ranging from a comprehensive reform of the existing global economic system to the strengthening of the system and institutions governance at both, local and global levels.

There is, therefore, a range of issues that need to be urgently addressed at both local and global levels. This is precisely because, the phenomenon or concept of Global Governance is, certainly not a lofty, disembodied sphere. It is merely the apex of a web of Governance issues and requirements that stretches from the local levels upwards. In that sense, the nature and character of individual and collective behaviour of the nation states, as global actors, becomes essential determinant of the quality and level of global governance. Their degree of commitment to multilateralism, universal values and common goals, the extent of their sensitivity to the cross-border impact of their policies, and the weight they attach to global solidarity are all vital determinants of the quality of global governance. At the same time how they manage their internal affairs influences the extent to which people will benefit from globalisation and be protected from its negative effects. In this important sense the response to global governance can be said to begin at home-the nation states level. This reflects the simple but crucial fact that people live locally within nations.



From this perspective it is, therefore, very clear that there is an urgent need to improve national governance in all countries for purposes of achieving better global governance.

Lucky enough, the Helsinki Process has shown the way by bringing together all minds from different walks of life to chart out the best way to govern globalisation. I commend the Process for the good work. Yet, participants in this process should not lose sight of the fact that work is still far from done. We have to strive towards the attainment of the MDGs, and surely the time left for meeting the MDGs is very short. Lets us all play our part because, indeed, it can be done!

**Dear Participants,**

The implementation of reforms in international economic and social policy will require worldwide political support, the commitment of key global actors, and the strengthening of global institutions of Governance. The UN multilateral system constitutes the core of global governance and it is uniquely equipped to steer and spearhead the process of reform. For it to cope with the current and emerging challenges of globalisation, it has to enhance its effectiveness and improve the quality of its governance, especially with respect to democratic representation and decision-making, accountability to people and policy coherence.

**Dear participants,**

I am so delighted to note that some of these issues will be discussed in this very conference. I am informed by the Secretariat that the outcome document of this meeting will form part of the final report of the second phase of the Helsinki Process. That report will be officially presented during the Review Conference to be held from November 27-29, 2007 in Tanzania. As all of us look forward to very fruitful discussions in the next two days, let me also make use of this opportunity to welcome you all to Tanzania for the Review conference.

**I thank you very much for your kind attention.**



# **RAPPORTEURS REPORTS**



# Welcoming Address by the Honourable Dato' Seri Syed Hamid Albar, Minister of Foreign Affairs of Malaysia and Official Opening of the Round Table

## **SPEAKERS : The Hon. Dato' Seri Syed Hamid Albar**

Minister of Foreign Affairs, Malaysia

## **His Excellency Bernard K. Membe**

Minister of Foreign Affairs, Tanzania

---

In his Opening Remarks, the Minister of Foreign Affairs of Malaysia welcomed participants to the Kuala Lumpur Round Table on Effective Global Governance, convened under the umbrella of the Helsinki Process on Democracy and Globalisation. He informed the Meeting that it was the first time a Helsinki Process Round Table was being convened in Kuala Lumpur.

The Minister gave a brief outline of the set-up and purpose of the Helsinki Process:

- i. it is a series of dialogues between multi-stakeholders of the North and the South on specific themes;
- ii. five Round Tables were established, each with its own country facilitator;
- iii. the subjects include human rights; the environment; peace and security; poverty and development; and global governance;
- iv. its members are drawn from different actors who impact on or have the potential to influence the course of the subject matter, including Governments as well as non-state actors, some of whom have a much greater voice in international relations than some small but sovereign nations; and
- v. it adopts a friendly approach towards problem-solving at the global level; It presents workable ideas towards providing effective solutions.

The Minister expressed hope that the Round Table will contribute to both the North-South as well as the South-South dialogues which would evolve into a long-term process based on understanding and cooperation between the participants.

The Minister remarked that the importance of global governance was firmly established with the emergence of globalisation. Due to their reach, international institutions impact upon states and people at the domestic and regional levels. In an increasingly globalised world, entities such as the United Nations, the World Trade Organisation, the International Monetary Fund and the World Bank have attained a status akin to global governments. Their decisions have a bearing on many lives.

A prevailing concern was the inequities of the entrenched global economic and social order. The gap grows ever wider as technological changes and the unequal structures themselves push the developed countries ahead, leaving the poorer ones further behind. Any system that was in place should not pit societies and stakeholders against each other, leading to a widening chasm between various opposing groups.

Various actors from different segments of society, if brought together, would be able to contribute towards finding sustainable solutions to current problems. Such a process would enable Governments to obtain a cross-section of societies' views. Workable solutions coming from the free-flow of differing ideas would enrich such a process.

The Minister also made reference to an emerging issue gaining prominence in recent years which is in intellectual property. While developing countries are being asked to honour high standards relating to the intellectual property rights of transnational companies, the traditional knowledge and biological resources of developing countries were not being similarly recognised.

Many institutions have become so powerful that they are able to dictate terms and conditions to sovereign governments. National governments today have less space to maneuver in the formulation of their own national policy as they are subjected to interpretations, treaties, conventions and protocols which limit their sovereign actions. As such, it is becoming increasingly important for developing countries to have a hand in the decision-making process of those global institutions while at the same time press for expanded policy space at the national level. While streamlining standards and practices are positive points, it should not become a form of hegemony.

Effective global governance should be about ensuring a just and equitable order that will allow all parties to realise their full potential. The global order cannot be dominated by any individual players. There should be enforcement of commitments already made that would bring about justice and equity to the small and large, rich and poor alike.

Malaysia believes in the multilateral system to protect all countries and peoples. It holds high regard for international institutions and has taken active part in their work. Malaysia will continue to work closely with the international community for the protection of common interests.

In closing, the Minister encouraged the Round Table to generate positive and encouraging results, to be presented to the Helsinki Review Conference. Further, he invited them to present ideas and materials from which to formulate a Road Map for Effective Global Governance.

Following the Opening Remarks made by the Minister of Foreign Affairs of Malaysia, H.E. Bernard K. Membe, Minister of Foreign Affairs of Tanzania and Co-Chair of the Helsinki Process, thanked the Malaysian Government for hosting the Round Table on Global Governance. It is a significant contribution towards the realisation of the overall objectives of the Helsinki Process.

Globalisation has set in motion a process of far-reaching changes that affect everyone. New technologies, particularly in information and communications, supported by more open policies, have created a world that is more inter-connected.

Mr. Membe informed the floor that increasing interdependence and the commitment to shared values and aspirations among peoples across the world could be channeled to build enlightened and democratic global governance in the interest of all. If the global market economy is managed wisely, it could help curb poverty, deliver material progress and generate productive and better jobs for all.

However, the world has fallen short of realising such potential. The current process of globalisation is generating unbalanced outcomes. Many countries and peoples have little or no voice in shaping the global process. Globalisation has not met their simple and legitimate aspirations for a secure life, decent jobs and a better future for their children.

While global markets have grown rapidly, it is not followed by the concomitant development of economic and social institutions. There is concern over the unfairness of key global rules on trade and finance and their asymmetrical effects on rich and poor countries. There is also the failure of current international policies to respond adequately to the challenges posed by globalisation.

Further, financial and economic considerations take precedence over social considerations. Overseas Development Assistance (ODA) fell short of the minimum amount required for achieving the Millennium Development Goals (MDGs) and tackling global problems. In addition, the multilateral system responsible for designing and implementing international policies is also under-performing. It lacks policy coherence and is neither sufficiently transparent nor democratic. Mr. Membe then highlighted that one of the main objectives of the Helsinki Process is to reverse the situation.

Global imbalances are morally unacceptable. The answer lies in a series of coordinated changes ranging from comprehensive reform of the existing global economic system to the strengthening of governance systems at local and global levels. In this regard, Mr. Membe called on all parties to play their part in meeting the MDGs.

In order to achieve better global governance, there is a clear need to improve national governance in all countries. Such a development would entail:

- i. good political governance based on a democratic political system with respect for human rights, the rule of law and social equity;
- ii. an effective state that ensures efficiency, transparency, responsiveness and accountability in public service delivery;
- iii. stable economic growth;
- iv. a vibrant and dynamic private sector and an empowered civil society; and
- v. strong representative organisations of workers and employers for a concrete and fruitful social dialogue.

The Tanzanian Minister reiterated the point raised by his Malaysian counterpart that global rules and policies on trade and finance must grant developing countries space for autonomy in order to develop policies and institutional arrangements which match their level of development. He suggested the following:

- i. fair rules for trade and capital flows need to be complimented by fair rules for the cross-border movement of persons. There needs to be a multilateral framework that provides uniform and transparent rules for cross-border movement of people which balances the interests of both migrants themselves and of their destination countries;
- ii. there needs to be new rules on Foreign Direct Investments (FDI) to address the proliferating global production systems;
- iii. the multilateral trading system should substantially reduce barriers to market access for goods produced in developing countries which have comparative advantage i.e. agricultural products, garments, textiles;
- iv. a minimum-level of social protection should be introduced as a social base for the global economy;
- v. decent employment for all should be made a global goal to be pursued through the multilateral system;
- vi. the international financial system should strive to support sustainable global growth; and
- vii. greater effort should be made to mobilise international resources to attain key global goals, particularly the MDGs. The 0.7 per cent target for ODA must be met and new sources for funding over and above this target should be explored.

The implementation of international economic and social policy reform requires worldwide political support, the commitment of global key actors and the strengthening of global institutions. The UN multilateral system constitutes the core of global governance and is therefore responsible for steering and spearheading the process of reform. It needs to enhance its effectiveness.

Mr. Membe concluded that the outcome document of the Round Table will form part of the final report of the second phase of the Helsinki Process. It would be officially presented during the Review Conference to be held from 27 to 29 November 2007 in Arusha, Tanzania.

**Rapporteurs :** **Ms. Astanah Abdul Aziz**  
**Ms. Suraya Ahmad Pauzi**







# Session I

## Globalisation and Global Governance: Overview of Critical and Current Issues

**FACILITATOR : The Hon. Dato' Seri Syed Hamid Albar**

Minister of Foreign Affairs, Malaysia

**SPEAKERS : Dr. Yilmaz Akyuz**

Former Director, UNCTAD

**DISCUSSANTS: Dato' Seri Jawhar Hassan**

ISIS Malaysia

**Mr. Folke Sundman**

Helsinki Process Steering Group

---

The Minister of Foreign Affairs of Malaysia introduced the Speaker and Discussants and outlined the guidelines for the session, setting the stage for subsequent sessions of the Round Table. The Speaker was given 20 minutes for his presentation while discussants were asked to limit interventions to 10 minutes. At the end of the presentation and discussion, participants would be given the opportunity to take the floor to request clarification and make comments.

### **Dr. Yilmaz Akyuz**

Dr. Akyuz described the notion of global governance as the 'management of market capitals, including multilateral disciplines for governments, markets and multilateral institutions to legislate rules as well as oversee their implementation.'

He said that the debate on global governance is focused on two dimensions, i) the decision-making process in multilateral institutions emphasising on participation, transparency and accountability and; ii) the nature and effects of multilateral rules and practices on different countries. In this regard, it is more important to place focus on what these multilateral institutions are and the function they should carry out as opposed to how they currently do so as the existing multilateral institutions and their mandates may not be adequate or appropriate for managing inter-dependence.

Discipline within multilateral institutions is needed to prevent negative externalities such as environmental degradation and financial contagion as well as to prevent countries from adopting a "beggar thy neighbour" policy in the areas of trade, exchange rate policies and tax competition.

Dr. Akyuz went on to state that economic integration reduced *de facto* control over national policy objectives, increased the susceptibility of economic performance to conditions abroad and weakened the impact of national policy instruments. In addition, multilateral rules and obligations also reduced *de jure* sovereignty of national economic policies and sovereign control over national instruments. Other constraints over policy autonomy include Free Trade Agreements (FTAs) which not only extend existing World Trade Organisations and Bretton Woods Institution (BWI) disciplines but also include new obligations in areas such as capital account regime, Foreign Direct Investment (FDI) and labour standards.

In order to have a legitimate and credible multilateral system, there is a need to strike a balance between national autonomy and multilateral rules and obligations. There should also be symmetry in effective constraints on policy autonomy in different countries as well as coherence among arrangements in inter-related aspects of inter-dependence, in particular in the areas of trade and finance.

The post-war arrangements on international trade recognised the diversity in national strategies and tried to uphold the principle of non-discrimination among nations. The International Monetary Fund (IMF), recognising the importance of exchange rate stability, has tried to exercise some restrictions over exchange rate manipulation as well as financial capital movements. Current arrangements could be characterized as asymmetrical and imbalanced. There is a tendency to identify globalisation as liberalisation. It was also observed that the process of liberalisation is being carried out selectively, namely in the areas which could benefit the advanced countries, such as in the areas of trade and industrial products. The developing countries cannot benefit much from the liberalisation process as there are continued restrictions on areas such as the movement of labour, agricultural products and technology transfer.

Unequal constraints in the WTO system means that developing countries are denied many instruments used by developed countries for the purpose of industrialisation in the past. There is also no multilateral discipline over macroeconomic and exchange rate policies of countries on important matters for international monetary and financial stability. In addition, there is currently no coherence between trade and finance, and the multilateral obligation for exchange rate stability.

The General Agreement on Tariffs and Trade (GATT) was designed to open up countries; however, its main principle was to fight discrimination among nations through the Most Favoured Nation (MFN) principle, which was the essence of the GATT system. It prevented states from practicing discriminatory trade practices. The BWI system, though incomplete, had managed to make it become widely accepted that exchange rate stability held the key to free trade. On the one hand, governments were restricted but at the same time they were also allowed to manage their own exchange rates through financial capital controls.

On the tendency to identify globalisation as liberalisation, Dr Akyuz said that a selective interpretation of obligations was being practiced. A 'hands-off' approach is being practised in favour of developed countries as regards to restrictions on the movement of capital, movement of enterprise and others. However, in areas which are helpful to developing countries, there

continues to be restriction on the movement of labour, trade in agricultural products and technology transfer.

Market access and national treatment had in effect replaced the MFN in WTO, but is constantly eroded through bilateral and regional FTAs. Nowadays, the dominant ideology in finance informs us that financial markets do not need international laws or policy interventions and can do their own disciplining.

Some exceptions provide policy space to developing countries in the WTO system. However, these are given to countries which were unable to fully utilise them. A particular example is the case of Less Developing Countries (LDCs) being allowed to subsidise their industries but not having the financial resources to utilise this exception. Furthermore, the space for industry tariffs and industrial policies is used by countries with differing degrees. This results in considerable differentials within the developing world with respect to tariffs and policies, suggesting that there are different approaches to development and that the multilateral system has yet to impose a “one size fits all” development model despite the considerable move towards convergence in trade and other policies. There is an absence of multilateral obligations other than for countries which borrowed from Bretton Woods Institutions (BWIs), and these are in the form of structural adjustment policies and conditionalities.

On the capital account initiative, there is no global regime which compels countries to enter into any particular capital account regime or a particular exchange rate regime. However, there are considerations that *de jure* autonomy is not affected, but the *de facto* situation is that there are constraints imposed by the multilateral institutions - from financial liberalisation, from the markets themselves and by some individual countries. Nevertheless, the diversity of developing countries in areas of money and finance were greater than in trade and investments, meaning that countries have been using the different space that exists. Ironically, countries which are more vulnerable to external financial shocks tend to have more financially open economies than countries which are more regimented, i.e. Latin America as opposed to East Asia.

On reform issues, emphasis is laid on the importance of multilateralism to developing countries. It is often said that it is up to the developing countries to determine freely the pros and cons of entering the multilateral system. However, such a statement presents no real value to developing countries as they have no real option to exit from the market. Developed countries are increasingly becoming the genuine owners of the multilateral system, particularly the WTO.

On trade, Dr. Akyuz considered the option of bringing back the MFN status as a key principle of trade assistance as well as to place some restrictions on FTAs except among neighbours, as originally conceived. He argued that non-trade issues should be kept out of the WTO, including Trade Related Aspects of Intellectual Properties (TRIPs), FDI and the issue of services. There is also a need to balance obligations in effective economic not legal terms, and incorporate flexibility into the rules as norms rather than as exceptions. Dr. Akyuz said that the current mechanism of sanctions within the WTO is a mercantilist practice, and that countries should consider introducing collective discipline as an alternative to unilaterally-imposed discipline.

On the reform of BWIs, Dr. Akyuz acknowledged that both have suffered from a loss in credibility and relevance as their current operations had little to do with their original mandates. They have in fact transformed into becoming donor-driven agencies. The World Bank has stopped providing net resources into the developing world, with net disbursements registering in the negative since 1992. The Bank is now only providing financing to service its own obligations. The only thing right with the Bank was IDA, which is provided by donors, and has nothing to do with the original mandate of the Bank.

Meanwhile, the IMF is effectively left with the poorest countries as among its clients, which is a sad state of affairs for an institution designed to safeguard international financial stability. The IMF can only discipline the poorest countries through Poverty Reduction Strategy Papers (PRSP) and Poverty Reduction Growth Facilities (PRGFs). Most emerging markets - with the exception of Turkey - have paid into the Fund; yet, the Fund is facing a problem of generating USD800million in order to survive.

Dr. Akyuz categorically stated that it is time to reform these institutions. For example, the Fund had turned to development activities in the 1970s when it found itself with no other business to conduct. This however was the domain of the World Bank as much as trade issues belonged to the WTO. The justification given for the IMF to be involved in development issues is that balance-of-payments (BOP) security in developing countries is a structural issue and is therefore a longterm development issue. However, it is argued that development as a structural issue is well within the purview of the World Bank, through its Structural Adjustment Programmes (SAPs).

Dr. Akyuz advocated for the Fund to stay out of development issues and focus instead on international monetary and financial stability. It should have a clear approach to tackle economic issues, as there is considerable ambiguity in this area. The Fund should focus more on managing the inflows of capital rather than managing crises it is the mismanagement of inflows capital inflows that has proven to be problematic.

Another potential area in the reform of the Fund is that of resources. The Fund depends on quotas, grants and agreements to borrow from a handful of donors. It is time to think of an independent source of funding for the IMF, such as SDR allocations, which is not allowed under the current regime. The Fund should counter cyclical lending to support economic and trade activity. Creditors should bear their own risk.

With regard to the World Bank and development finance, IDA should be taken out of its work. Extensive literature exists to argue that IDA has subverted the governance of the World Bank as it introduces a higher negotiating position for donors. Originally, donors only guaranteed the capital of the Bank, based on which the latter would go on to the markets and borrow without having to negotiate with the donors. The World Bank can fashion itself into a genuine development bank by intermediating between capital markets and developing countries who have no access to private finance. Among others, Dr. Akyuz suggested pooling aid within the UN system under a UN agency as the issue is as much political as it is economic.

In conclusion, current global arrangements are imbalanced and incoherent. They are designed to accommodate the development trajectories of industrialised countries and place tighter constraints on the policies of developing countries. Some of these hurdles could be overcome by better national economic governance in developing countries. There is a need to reform the multilateral system, but developing countries must first determine the kind of multilateral system it wants. Developing countries should take time to reflect on what kind of international system it needs and how it could realise such a change.

### **Dato' Seri Mohamad Jawhar Hassan**

According to Dato' Seri Mohamad Jawhar, besides economic, trade and finance, issues which need to be looked at include ways to accommodate the stronger role played by new actors such as the Multinational Corporations and civil societies at the domestic and international development scene. The current norms of global governance require a fundamental review and adjustment due to the emergence of new actors and awareness and changes in the distribution of power within the international system. Global governance, institutions and rules needed to be more people-oriented rather than state-centred. The system must seek to serve the people rather than only the state although it is recognised that states are still the principal actors within the international system.

Furthermore, the system should focus more on human development and people-centred norms and principles rather than only on economic development. Emphasis must also be made on the rights and responsibilities in global governance.

At the same time, state sovereignty remains important and should continue to be preserved, especially to protect weaker states against the strong. The legitimisation of external involvement and participation can only be considered when domestic upheaval impinges on the well-being of neighbouring states and the international community.

Dato' Seri Mohamad Jawhar said that international norms must be strengthened to help the disadvantaged. This is of fundamental importance in international governance, which is currently skewed in favour of the strong. Norms that reinforces peaceful and just behaviour must also be enforced through condemnation of unjust war. There must be a responsible and sustainable use of resources, as well as norms in terms of human development. There should be stigmatisation of the hegemonic exercise of power by a state or group of states, norms to moderate oppression and exploitation between states and within countries. These are the issues coming to the fore in international debates and will become more prominent in the future. Thus, they should be accommodated under the existing frameworks of global governance discussions.

There is a need to ensure that states and international institutions act more responsibly and forcefully with regard to people-centred problems that have impact on the economy. Solutions to the problems of diseases, environmental degradation, poverty and inequity must all be part of international norms.

The existing balance between the need for democratic equality of states versus the pragmatic need to give a greater say to major powers which currently underpin the system of global governance within the UN must be revamped. Greater empowerment must be given towards actors that play a greater role in global governance at the moment as well as to take into account the redistribution of power currently underway that will gather pace in the future, such as the rise of China, India, Brazil and other countries.

The international system should be based on a foundation that is not merely premised on the realist paradigm that serves the interests of the mighty and which encourages acquiescence with the interests of the powerful. A better option would be a system of global governance built on a sense of shared security based on the foundation of cooperative peace.

The rule of international law and enforcement should be strengthened, for instance by strengthening UN sanctions and strengthening the role of the international courts. For a start, all states should accept the compulsory jurisdiction of the World Court and there must be greater capacity to enforce international instruments, such as the non-proliferation regime.

States should be allowed to carry out humanitarian intervention, subject to certain strong conditions. While retaining sovereignty and holding fast to the principle of non-intervention, a greater role should be ascribed to the civil society on a global scale, perhaps a Peoples' Assembly.

On economic and social affairs, all stakeholders should be engaged, their resources tapped as well as greater responsibility assigned to them, which would at the same time constrain states as well as MNCs. Good examples would be the Global Fund to fight AIDs, Tuberculosis and Malaria.

Dato' Seri Mohamad Jawhar concluded that even while states, TNCs, MNCs and the civil society were engaged within the realm of global architecture, institutions and norms, ways must be found to define their role and activity more clearly so that excesses by the new players could be prevented while they are encouraged to play a productive and constructive role as players in global governance.

### **Mr. Folke Sundman**

Mr. Sundman observed that the current discussion brought to mind a discussion held two years ago within the Helsinki Group which met in New Delhi, where the Finnish co-Chair of the Group, Foreign Minister Erkki Tuomioja, sparked off discussions by stating that the world was facing a paradigm shift in the global economy and its governance. The Minister was making a reference to the prevailing paradigm, which was the Washington Consensus - a neo-liberal approach to the international economy emphasising on inflation-targeting in particular and financial liberalisation in general. The paradigm had not been able to promote macroeconomic stability in the way that had been wished for, nor had it promoted the aim of full employment, as was expected.



The new paradigm was not a simple return to the old paradigm of the Keynesian theory of post-World War I; rather, it was recognised that macroeconomic stability needed a broader view of all aspects of the economy and not only inflation-targeting. The on-going economic globalisation was irreversible or was accepted as such — the challenge was to see how aspects of globalisation could be governed to make it as just and fair as possible for the majority of the population.

Mr. Sundman subscribed to the key conclusions presented by Mr. Akyuz, i.e. that:

- i. the present multilateral system lacks coherence;
- ii. there are significant inequalities between developed and developing countries in a way where policies were effectively constrained by multilateral agreements; and
- iii. that there remains more space than is believed in both development strategies and financial and macroeconomic policies.

Among some of the questions that had been raised during discussions within the Helsinki Process was:

- i. what to do with FDIs : in light of the proliferation of bilateral agreements, is there a need for a new multilateral arrangement in the area?
- ii. who benefits most from the trend?
- iii. would it be in the interest of all to develop a multilateral arrangement that would address the concerns of investors and investees alike as well as address issues such as the environment; and
- iv. with regard to policy space, would it be possible to develop such a concept that results in a win-win situation?

Mr. Sundman was of the view that it should be possible to develop the issue of policy space into a win-win situation - the more space there was for developing countries to develop their industrial capacity, the better trade partners they would become for the developed countries.

## **Q & A SESSION:**

---

**Mr. Ferry de Kerckhove** pointed out that even though the term “liberalisation” is often looked at negatively, it is a fact of life and the international community had to find a way to manage it. He reminded the Round Table that the fundamental goal of globalisation and liberalisation is to reduce poverty. Other issues which could be looked at together with liberalisation include job creation, international migration flows, access to education, the fight against corruption, structural reform and market access. He further stressed that countries should accept the fact that the “non-trade issues” have becoming increasingly relevant to international trade. He was also of the view that the international community should be in favour of FTAs and Regional Trade Agreements as long as they are in compliance with international law and WTO rules.

**Tan Sri Ramon Navaratnam** queried if the international community could develop a model or strategy to overcome the restrictions in the areas of agriculture, movement of labour and the transfer of technology that continued to create global imbalances. He further enquired as to what could be done to persuade rich countries to develop a win-win strategy and to emphasise on the link between poverty and security/terrorism. He urged developed countries to take the necessary steps to remove trade restrictions so as to provide a fair and reasonable trade environment for developing countries.

**Ambassador Raouf Saad** highlighted the need to have a mechanism to implement the recommendations made to solve the current problems brought about by the process of globalisation. He mentioned that the developing countries used to have the UN system on which they could depend. He further stressed that developing countries should ask if they could truly speak as a group. In the past, developing countries had grouped themselves into the scattered Newly Industrialised Countries (NICs), Economic Tigers and the Commonwealth of Independent States (CIS).

**Dr. Yash Tandon** stressed that the FTA process should be restricted except among neighbours. The international community should be multilateralist politically but regionalist economically. He further stated that in order for developing countries to restrict FTAs, they had to first regionalise their economies.

**Mr. Martin Khor** highlighted that developed countries were highly protectionist in many areas, particularly in the agriculture sector. It is therefore important for developing countries to get over their differences and to speak with one voice in order to face the prevailing challenges. He further suggested that the Helsinki Round Table meeting could be the starting point for a new, enhanced or strengthened South-South thinking. It is time for the South to think through the problems of globalisation and come up with concrete proposals to be implemented. Other groups such as Non-Aligned Movement, the G77, ASEAN, Mercosur and civil societies such as the Third World Network and Social Watch could also play an important role in strengthening cooperation between and among developing countries.

**Ambassador Munir Akram** was of the opinion that developing countries have broad common interests in promoting equality within the international economic system. He stressed that developing countries could achieve a win-win situation if the current structure of inequality could be changed. He further stated that new thinking across the board is needed on all policy issues including trade, the financial system, FDIs, migration, energy as well as climate change. Developing countries should use all available fora, including the WTO, UN and G24 to highlight their needs and interests.

**Professor Dr. Mahani Zainal Abidin** stressed the huge imbalances in the areas of currency and capital flows. She noted that most of the important global decisions were made by the G8 countries. She wondered how developing countries were going to engage the G8 countries in order to address global issues as the voice of developing countries was not well heard. She questioned if Brazil Russia, India and China (BRIC group) could be used as leverage to hold better dialogues with developed countries. She stressed the importance of developing and providing access to a good education system as an effective method to uplift the standard of living of the countries in the South.

**Ambassador Ami Mpungwe** stated that since the start of the Cold War, the process of globalisation had focused on issues such as human rights, good governance and transparency. He wondered if the international community had a shared or common understanding on all the issues, in particular on human rights and the rule of law. He stressed that if the international community could have a common understanding on those issues, they would be able to face those issues as well as the challenges of globalisation.

**Professor Dorodjatun Kuntjoro-Jakti** raised the need for the Helsinki Process to establish itself as an open forum. He further proposed that the meeting be used as a pre-negotiation forum to achieve common understanding between countries.

## **CONCLUDING REMARKS**

---

**Dr. Yilmaz Akyuz** stressed that trade sanctions could be an effective retaliatory measure against countries, which explained why many cases were referred to the WTO dispute settlement mechanism. He added that the principles applied to trade matters should not be applied to other areas. Finally, he stressed that the process of regionalism could benefit developing countries.

**Dato' Seri Mohamad Jawhar** concluded by saying that the emergence of non-state actors, transnational corporations and non-governmental organisations could shape and change the economic and political agenda of today's global governance. He further stressed that the Helsinki Process should engage more stakeholders such as MNCs, TNCs, NGOs and other parties so that the proposals and recommendations made by developing countries could be more representative and reflective of emerging realities of governments and other sectors.

**Mr. Folke Sundman** supported the idea of FDIs and a new kind of multilateral agreement. He agreed that some sort of multilateral agreement is needed on a just and fair set-up for all stakeholders. He also supported the idea of a pre-negotiation forum that should be non-threatening.

The **Facilitator** concluded the session by expressing his satisfaction with the fruitful session, highlighting the general thrust on the need to work together to ensure that any system in place would be of benefit to both the South and the North alike.

**Rapporteurs :** **Ms. Siti Hajjar Adnin**  
**Mr. Johan Ariff Abdul Razak**  
**Mr. James Koh Siaw Heong**



# Session II

## Global Trading System: Strengthening Developing Countries' Interests and Participation

**FACILITATOR : H.E. Bernard Kamillius Membe**

Minister of Foreign Affairs of Tanzania

**SPEAKER : Mr. Bhagirath Lal Das**

Former Ambassador of India to GATT

**DISCUSSANTS : 1. Mr. Ransford Smith**

Commonwealth Deputy Secretary General

**2. Professor Gurdial Singh Nijar**

University Malaya

---

H.E. Bernard Kamillius Membe, Minister of Foreign Affairs of Tanzania, in his capacity as the Facilitator, introduced the subject of discussion. Stating the imperative for the audience to pay attention and focus their thoughts so as to enable them to advise their governments, intergovernmental organisations, civil society and prominent individuals on how to proceed, the Minister stated that while the Helsinki Process would not be able to make decisions, it could assert influence on international organisations.

### **Mr. Bhagirath Lal Das**

Mr. Das outlined that his presentation was intended to show that the current global trading system needs basic reforms and briefed on concrete suggestions on the content of the reform and its appropriate process.

The current global trading system is centred on institutions relating to WTO, although a large part of cross border trade bypasses it. The WTO system continues to remain the main institutional framework but presented certain paradoxes.

Among the paradoxes are that while many developing countries criticised its rules and processes, they are nonetheless queuing up to join the system. Further, while the rules and processes of the WTO are democratic, with each country having one vote and decisions made by the majority, its functions are non-democratic in nature. These two paradoxes link and lead to the question of reform.

Mr. Das then proceeded to outline the reasons why developing countries are eager to join the WTO system:

- i. By staying outside the system, it would require a state to sign numerous bilateral agreements in order to have the same reach;
- ii. Developing countries as weak partners in international trade and economy find some protection with the existence of the dispute settlement mechanism of the WTO (although grossly inadequate against the whimsical actions by strong countries);
- iii. Developing countries felt that joining the system would enable them to benefit from the experience of other countries; and
- iv. As the system has been in existence for close to 60 years, staying outside the mechanism would reduce a country's credibility within the economic sphere.

Mr. Das then outlined the four main parts as to why some countries remained dissatisfied with the WTO system:

- i. Structure and approach;
- ii. Contents of the rules themselves;
- iii. Workings of the rules; and
- iv. The decision-making process.

In elaborating the problems on structure and approach, Mr. Das explained that the basic objectives of the WTO have been outlined as growth and development through the instrument of liberalisation. However, there is disparity with liberalisation as it only helps those countries which have a high degree of supply capacity. Liberalisation takes place through its method of reciprocity, which in turn creates further disparity – countries which have more would have the ability to give more, thus gaining more in return. The cycle would continue, benefiting those who started off with more while the reverse is true for those with less. In this regard, the ultimate instrument for enforcement that emerges from this process is retaliation by affected countries, politically and economically. However, the implementation and enforcement mechanism will not benefit all countries on an equal footing.

In order to afford a foundation and stability to the process, support of its members is crucial. Currently, more than 100 of the 150 members of the WTO are from developing countries; two-thirds of the membership is unhappy, thus the system could not be considered stable but merely manifested a semblance of it. Stability will only come if a large majority of its members, possibly all the members, feel that they have a stake in it and the potential of obtaining benefit from the system. Members must have confidence that they would not be cheated out of their resources from strong member countries. This is important, not only for developing countries, but also for developed countries, where in the multilateral system, weaknesses of its members appear hidden and compensated through collective decision-making.

Developed countries need to expand their own economic space as their growth highly depends on the growth of developing countries. With less than zero percent of growth of population and

nearly two percent of economic growth rate, developed countries do not have a clear indication for fast expansion, which attributes to their need for an expansion of markets. However, their actions towards this end resulted in the dissatisfaction of two-thirds of the membership and the failure of two rounds of negotiations in the WTO. It is thus in the interest of developed countries to reform the WTO.

In addressing the elements for reform, Mr. Das explained that liberalisation was meant for countries that have excess supply capacity in order to expand their markets. Countries that do not have excess supply capacity would need to expand production and enhance the benefit of their exports by enhancing activities, infrastructure and their scope of trade. In order to obtain benefits from trade enhancement, trade and investment should be linked to foreign investment whereby the production process would be inter-linked and integrated. Other than that, prices should be adequate for exported goods. Retained profits and benefits should also remain inside the country rather than be siphoned outside.

According to Mr. Das, in order to balance the need for liberalisation, some elements are needed, including a change in the rules of the system. These rules should also be adapted for better enforcement whereby instead of a country retaliating — which could bring about higher costs in resolving disputes, there could be collective action and joint action that can be utilised. The decision-making process should also be critically reformed both in its form as well as in its practice.

Mr. Das found that, particularly in the Doha Round negotiations, developing countries in general are unhappy that they are being sidelined in favour of 2-3 bigger developing countries, such as India and Brazil. The vast majority of developing countries are kept out of the process, and are reduced to grudgingly accept any decisions made.

While there is an argument along the lines that consensus of every member of the 150-member organisation is difficult to achieve, which is true, a question should be asked as to the primary objective in decision-making - whether participation or efficient decision-making is more important? Therefore, there should be a balance between efficiency and reaching agreement, and at the same time, fuller participation. Countries should be encouraged to bring up alternative methods on how this could be reached. Mr. Das did not elaborate on the alternatives but stressed that there are existing alternatives that can be explored and adopted.

He stated that the compulsion of putting reform to the top level emerges because of the difficulty reflected by the Doha talks in which various timetables have been disrupted and various dates have been infringed. He had hoped that the Doha negotiations would be balanced but the expectations of major developed countries in particular Europe and the United States, in three critical areas of agriculture, industrial tariffs and services, were such that it could adversely affect the stability of the system. Even if an agreement were reached, he felt that it would only add to the instability of the system. Currently, the Doha talks are in a difficult phase. Emphasising the importance of bringing about comprehensive reform, he felt that the best forum to do so would be the UN.

Mr. Das expressed doubt that developed countries would take the lead in initiating a reform process as the current system is in their favour. As such, developing countries should take the lead, at the same time persuading the developed countries that it is in their best interests to reform.

The process should begin from deep thinking by developing countries, with proposals involving developed countries, before taking up the whole issue of reforming the multilateral system.

Before he ended his presentation, Mr. Das stated that a large part of cross border trade is bypassing the WTO system, hence the importance of bringing with it a set of disciplines which should be included in the reform system that were previously left out.

### **Mr. Ransford Smith**

Mr. Smith began by concurring with the presenter's arguments. He pointed out that the reform of the WTO would have to focus on liberalisation and market access as the crux of the development paradigm. Mr. Smith raised the question of the future of the WTO, stating his belief that it is relevant to refer to the wider global economic situation, in which the WTO is a part of the global trading system. Mr. Smith is of the view that it is constructive to note that in recent years the global economy itself has performed very strongly. On the emergence of growth in the South, questions arose on the role played by the Doha Round and the need for political will to conclude it.

Mr. Smith said it is relevant to look at some of the changes within the global trading system that were alluded to in earlier discussions. This is reflected by the proliferation of FTAs and a fair portion of trade is currently taking place outside of the WTO framework. He also noted that some trade has taken place with FTAs which, per se, are not outside the multilateral system and have been legitimised. He stated that by having those FTAs examined by the WTO, it has resulted in positive sanctions.

He emphasised the importance of growing obligations being imposed on developing countries. This raised the logical question of the benefits of the WTO to developing countries and posed a fundamental question which needed assessment by developing countries.

As trade is an essential part to the development of developing countries to enable its economies to perform, the Doha Round agenda is perceived to further the interests of developing countries. To Mr. Smith, clearly the challenge to negotiations within the WTO remained fundamentally oriented, as based on its origin as a contractual arrangement that focused on liberalisation of broader measures. He stated that there is a failure in implementing the WTO as a transition from a trade institution to one with a development orientation. It is important to ensure that the interests of developing countries are served, which is critical to the future of the WTO as a multilateral trading institution.

Other trade institutions have gone through similar periods of transition to reinvent themselves so as to enable them to respond to the needs of the international community. The WTO has been challenged to undertake the reforms needed to serve the interests of developing countries. Taking



a look at trade performances of developing countries during the Doha Round, he noted that trade performances have been driven by factors other than WTO trade negotiations.

Pointing out to the structure of the decision-making process, Mr. Smith asserted that it is an area which requires serious attention by all participants in the WTO process and its negotiations. The negotiations took an approach that emphasised consensus, which is decided by its informal meetings. From the point of view of developing countries, it is an interesting dilemma: as opposed to consensus in the WTO, voting would create a positive avenue for developing countries to serve their interests due to their strength in numbers. However, voting would not create an environment in which decisions would be implemented. However, there are indications that there would be support for allowing a vote to be employed in certain procedural areas, which would have an impact on substance that could serve the interests of developing countries.

Mr. Smith also noticed that although there is no monolithic position among developing countries within the WTO, there is a significant degree of commonality that gives significance to developing countries in the WTO.

### **Professor Gurdial Singh Nijar**

Professor Gurdial said that his presentation sought to complement the earlier presentation by Mr. Das and would focus on the area of intellectual property. He cited intellectual property as a very specific example in the governance of situations where policy space for developing countries have been lost and where there have been further attempts to further reduce and constrict the remaining space. There are efforts by developing countries to recover this lost policy space and to resist attempts to further restrict it. Finally, he would examine what concretely should be done to reclaim this policy space.

Intellectual property has become critical for technology, whereby by claiming intellectual property, one could claim a monopoly of rights over a technology, its processes and products. It would have a huge impact on developing countries should a technology be denied access or made available at high cost. It also has social impact, for example, patents on medicines that bring detrimental consequences on health considerations on the lives of people of poorer developing countries. Intellectual property has always been nation-based, whereby countries decide on the kinds of copyright they wish to create, depending on the level of technological development and development in general.

He stated that previously the United States, Switzerland and Japan were notorious for copyright infringements. Now that these countries have reached a certain level of development, they attempt to prevent others from claiming intellectual property rights. This resulted in technological freezing, as those who have the technology are in a position to deny others of such technology on favourable terms.

According to Professor Gurdial, national rules which previously existed that allowed countries to determine their level of intellectual property have been removed completely. TRIPS which was

introduced primarily at the behest of the pharmaceutical lobby, has reversed the on-going debate at that time within the international fora. On the eve of the conclusion of the Uruguay Round, the G77 and China stated that developing countries were sidelined and were required to be involved in identifying interests of developing countries. In the end, the developed world refused to accept any discussion, even bilaterally, with the countries of the Third World on the issue.

Professor Gurdial stated that the implications of such a measure is that all countries have to provide for intellectual property, the minimum standards of which are determined by the most advanced industrialised country in the world (the United States).

Currently, through TRIPS, intellectual property rights have been extended to areas where the developed world has a very clear advantage. Professor Gurdial cited that one of the most fundamental tenets of intellectual property rights is to reward only innovation and not discoveries, especially in the areas of private technology patents. He explained that under the traditional rules in which intellectual property rights have been given, through innovation, society granted a specific time-frame for the innovator to enjoy exclusive benefits. Those rules are being set aside to allow for new and massive claims.

According to Professor Gurdial, the Doha Declaration adopted on the TRIPS Agreement and Public Health on 14 November 2001 reinforces flexibilities. In brief, the Declaration states that TRIPS is to be interpreted and implemented consistent with the right to protect public health and promote access to medicines for all. This came into context amid the scandal in South Africa whereby HIV medicines were so overpriced that a huge section of the population came under serious threat on public health grounds.

After such flexibilities were introduced, the TRIPS Council's 'Medicines Decision' took an interim decision whereby the developing countries wanted a system which is expeditious and efficient enough to enable ready access to medicines. However, the developed countries preferred a restricted and cumbersome system which emphasised no distortion in trade. Negotiations in this regard are still continuing.

There also exist attempts to reduce these flexibilities even further, including through:

- i. Strong resistance to the implementation of the Doha Declaration and a comprehensive solution under its paragraph 6;
- ii. Bilateral and Regional Arrangements (FTAs and RTAs); and
- iii. On going negotiations in the international fora, such as in WIPO on Substantive Law Treaty, and at the WHO.

Regarding FTAs, Professor Gurdial stated that the theory is correct but the way it is implemented leaves much to be desired, especially when powerful countries are taking a stance against countries that are less powerful. He cited concrete examples to this such as the US's action when negotiations seemed to make some headway, they would try to disrupt the negotiations by other means.

On measures to enhance the policy space to enable a full range of national options, Professor Gurdial briefly mentioned that at the WTO, the Medicines Decision could be transformed into an amendment of the TRIPS Agreement, which has encountered strong resistance from the United States, EU and Japan. There are also disclosure requirements on biological and genetic resources and associated traditional knowledge.

At WIPO, similar disclosures are also required depending on the location of access to the particular genetic resource. At the Commission on Biological Diversity (CBD), there are negotiations on the same lines to allow for prevention of bio-piracy and fair and equitable sharing of the benefits of resources taken from developing countries. UNCTAD shared the views of developing countries that bio-piracy and patenting of resources of developing countries are pervasive and has to be dealt with.

In discussing the way forward, Professor Gurdial suggested that to increase the policy space where negotiations, particularly the Helsinki talks, could play a role, states should support each other and coordinate their efforts in the multilateral fora. He suggested that states avoid acceding to FTAs that limit the flexibilities under the WTO. Where FTAs have been entered into, there should be a call for a revision. Further, Professor Gurdial proposed a review of all national laws that do not reflect the flexibilities in TRIPS and generally limit it from acting in the developing country's best interests — to be translated into the national domestic process.

Professor Gurdial concluded his remarks by referring to this Helsinki Round Table as a basis to provide impetus for consensus at the national level itself, which could then be translated at the South-South level to form a coherent partnership to bring to the North through this mechanism.

## **Q & A SESSION:**

---

**Mr. Ferry de Kerckhove** raised the following issues:

- i. Retention of benefits within the country – Mr. de Kerckhove opined that Mr. Das may want to touch on issues of expansion in particular in terms of how much should be retained within the country and how much should be set outside. There is also the question of bringing the issue of the reform of the WTO system to the UN system and how that could be done, taking into account that the UN itself is in the midst of reforming its own functioning.
- ii. Intellectual Property Rights (IPRs): Mr. de Kerckhove expressed the hope that Professor Gurdial had employed a balanced approach to his paper, presenting all sides to the issue of IPRs. He stated that the latter had projected only one side of the coin, with the good effects of IPR being left out of consideration.
- iii. Global trading system: With reference to the Doha Rounds, there is consensus in terms of what needs to be done. Among the most fundamental objectives is to establish an agriculture-based food sector. He also made reference to the increment of market access and to the need for it as it remains as a fundamental factor for development. There is also a

need for improved and clear rules on trade remedies and stronger and binding rules on trade facilitation.

- iv. There is need for a development outcome to readily provide benefits to developing countries. Members should not put high hopes to the re-launching of Doha. The commitment to the draft agreement should remain the same; i.e. fundamentally on poverty reduction. If there is a deadlock in the Doha Round, that would spell the end of key opportunities in terms of trade.
- v. Mr. de Kerckhove was in favour of special and preferential treatment for developing countries. He argued for the provision of related technical assistance and trade capacity building and a need for greater institutional coherence between the WTO and other institutions for developing countries to succeed in the global economy, as expounded in the fundamental objectives of the Doha Round.
- vi. Developing countries' prosperity depends on an international framework which provides for access to markets, adjustment to technology, business practice, social system and changes of public interest. Prosperity is also tied to consensus, forming part of the global package. In terms of aid for trade, which is an important element of the process, it also provides for integration into the world market.

**Tan Sri Ramon Navaratnam** expressed the hope that in the spirit of the process, the Dialogue could continue to be more frank. He pointed out that at similar meetings held over the last 40 years (such as at the UN, IMF, UNCTAD, Commonwealth, World Bank), the outcome and formulation of the meetings had not changed. He wondered if the process is undergoing a state of paralysis.

He expressed the hope for the Helsinki Process to be different - to be meaningful and open to people who are committed to moving forward, not backward or static. The Dialogue should focus on a short, meaningful agenda based on a win-win formula so that it could move forward.

He recalled Japan as an example of a country driven into a corner that it felt the need to launch a war for resources as a means of demanding fair treatment and fair trade. He feared that history might repeat itself in the present time. He urged the Meeting to consider the nexus between poverty and security, which could also mean terrorism. If the status quo continues into the future i.e. where the powerful perpetuated their dominance over the weak, there could well be another tragedy before the world would be forced to change.

Concrete measures should be taken so that discussions in November 2007 could move forward. The dialogue should not pretend that there is no problem. He encouraged the Meeting to explore a link between poverty and unfair trade as well as a link between poverty and security generally within countries and at the international level. He cited the example of intellectual property rights denying people life where pharmaceutical companies in mainly rich countries hold the poor to ransom in the name of greed.

He cited Gandhi as saying "God has given enough resources to meet everybody's needs but not everybody's greed".

**Ambassador Raouf Saad** raised two issues of concern:

- i. Trade outside of the WTO i.e. via FTAs and RTAs presented a dilemma in that while discussions are held on how to attract developing countries to an international trading system, the burgeoning of FTAs are alternatively presented as a way out in the face of the failure of the WTO.
- ii. On intellectual property rights, a simple case of lack of information could well lead to the imposition of undue charges. He raised the question as to how IPRs could be handled differently from the present case – could a mechanism be found within a South-South framework. Could a group of countries promote trade amongst themselves?

**Dr Yash Tandon** urged a linguistic paradigm shift i.e. paradigm shift in terms of understanding language. He called for a re-thinking of the concept of “supply capacity”, questioning as to why supply should be for reasons of export rather than for supplying the needs of the domestic market. He further called for expanding ownership of supply capacities internally as opposed to trans national corporations. The latter kind of supply capacity would not build the domestic asset base. Productive resources and their ownership i.e. land, forest, technology etc, should be owned nationally.

**Mr. Martin Khor**, partly in response to Mr. de Kerckhove, stated that if indeed the Doha Round is about development, then developing countries should hasten to conclude it. However, the reality is that most of the proposals had no bearing on development. Proposals contained in the Doha Round are of severe consequence to developing countries; it should only be concluded once appropriate proposals are incorporated that are development-oriented. The Agreement should not be signed if it would only end up making the current trading system even more unfair.

In relation to IPRs, he stated that many policy-makers in developing countries do not have a clear view on the issue due to the conflicting messages they received. He suggested formulating a suitable approach at the national level for developing countries.

Mr. Khor raised a concern of some developing countries vis-à-vis viruses on avian flu donated by them to the WHO. It had subsequently come to these countries’ attention that the WHO had given those viruses to pharmaceutical companies to be patented, resulting in those countries subsequently being unable to make use of the viruses to be transformed into vaccines when an epidemic hits them due to IPR rules.

**Ambassador Munir Akram** stated that when the Doha Declaration was negotiated, it was only at the very last minute that Doha had been referred to as a “development” round. Insofar as he was aware, no development aspects had been identified and thus no benchmarks could be set for their achievement to be measured against. He admitted that some benefits could accrue from Doha but as an aggregate there were not too many benefits to be gained. He suggested that developing countries should take the initiative to open a few fronts in the Doha negotiation.

On a dispute settlement mechanism, he suggested that developing countries work collectively so that developing countries could help each other to retaliate for violations of agreements of the WTO rather than any individual country attempting to take on a behemoth such as the USA on its own. He also raised a new issue of the WTO Secretariat, which he referred to as being “North” in their thinking. He suggested limiting its functions to being a service Secretariat, with UNCTAD forming the substantive Secretariat of the WTO. Lastly, on a mechanism for reforming the WTO, he expressed confidence in the UN to be made the oversight body in that regard.

Mr. Mohideen Abdul Kader commented on the exciting changes occurring around the world, such as changes in Latin America; the breakaway of the South from the West; and the establishment of a development bank. Mr. Kader wondered if resources should not be re-directed towards establishing institutions which can effect real changes on the ground for the benefit of developing countries.

**Ambassador German Bejarano** raised the following issues:

- i. The current Round is a genuine development round;
- ii. The instruments of the WTO differ from the Doha Round. The failure of the Doha Round could imply a potential failure of the Organisation but he urged the meeting to realise that the WTO is an organisation vis-a-vis GATT and that while it could be a lost opportunity, it would not spell the end of the global trading system;
- iii. That negotiations continue to remain alive proves the absence of any monolithic group. Different stances could be discerned where there is no clear distinction between the North and the South. Further, benefits accruing also differed between seemingly similar countries.

## CONCLUDING REMARKS

---

**Mr Ransford Smith** opined that regional arrangements could serve as building blocks towards the subsequent creation of a multilateral trading system; however, he acknowledged that there may be some potential difficulties in that regard. There are many developments occurring outside of the WTO framework which are proving quite beneficial to developing countries. Should the WTO fail to deliver, its future could be called into question.

**Professor Gurdial Singh Nijar** in referring to the suggestion made that his presentation had focused only on one aspect of the IPR question, clarified that as the instant session focused on governance, his presentation focused on related issues rather than on the merits or demerits of IPR. As regards TRIPS, its operations undermined the original and fundamental constructs of IPRs. He highlighted an emerging crisis where three million requests for patents were currently pending in the three patents office of the United States, EU and Japan. He stated that the fundamentals on which patents are being rewarded are being railroaded.

He further highlighted that the management of the IPR process in granting patents and any subsequent challenge thereto would incur huge sums of money. He stated that it is a fundamental

governance issue that required attention. Lastly, he stated that while there had been an earlier conclusion that IPR would not be applied to the three areas of food, medicine and agriculture, such an arrangement is being dismantled by the asymmetry of negotiations and conclusions of the GATT Round. He questioned whether IPR should be included at all within a development-based body.

**Mr. Bhagirath Lal Das**, in response to Mr. Tandon, stated that since almost all countries need to import, they then have to export so as to be able to pay for the required imports. In order to export, a country needs supply capacity. It is in this regard that supply capacity could not be looked at only within the context of national supply. As for retained benefits, while it did not need to be quantified, a construct for value-add as well as for domestic retention are needed. To do this, countries need to tackle their domestic shortcomings.

As for the Doha Round, the agreement itself makes no mention of development. However, to entice developing countries, the Secretariat had touted it as such. In reacting, developing countries now demand that the North give a development element to the Doha negotiations. As regards FTAs, they are not being proposed as an alternative to the WTO system; in fact, they are being sponsored to run parallel to the WTO system so that developed countries could extract even more concessions from the South than is permissible under the WTO system. Insofar as developing countries are weak, FTAs will continue to gain in prominence.

Lastly, on the question of reform, he expressed confidence that for all its handicap, the UN is still the best hope to instill reforms within the WTO system. That notwithstanding, he suggested that suggesting a win-win formula is perhaps a bit ambitious; he would propose that countries do not opt for a lose-lose catastrophe.

The facilitator expressed gratitude to the speaker, discussants and all participants for the fruitful discussion.

**Rapporteurs:** **Ms. Astanah Abdul Aziz**  
**Mr. Mohd Adlyn Mughni Shamsudin**  
**Ms. Nurashikin Ismail**





# Session III

## **Global Financial Architecture: Strengthening Developing Countries' Interests and Participation**

**FACILITATOR : Ambassador Ilari Rantakari**

**SPEAKER : Tan Sri Dr. Zeti Akhtar Aziz**

Governor, Bank Negara

**DISCUSSANTS : Professor Dorodjatun Kuntjoro-Jakti**

Former Coordinating Minister for Economy, Indonesia

---

### **Tan Sri Dr. Zeti Akhtar Aziz**

The Speaker began her presentation by illustrating the elements which make up the global financial architecture, namely international institutions, international standards and codes, international regimes, global financial markets, international arrangements, international regulations, standards for governance and accountability, international cooperation, policies, international facility, crisis resolution mechanism and the various players in the international financial architecture.

The significance of a financial architecture in the global economy is to support balanced growth and development which would allow stable cross-border capital movement. Fundamentally, it also strives to promote financial inclusion, ensuring equal participation by each country, regardless of size and its stage of development.

However, due to the ever-changing landscape of financial systems, a new structure that is more resilient and adaptive is needed. It has become more urgent as cross-border flows currently dominates the system as compared to previously, when trade flows were more significant. Other factors which warrant a change to the present architecture include higher degrees of innovation, resulting in the creation of complex financial products, particularly, derivatives, inter-dependence of economies, advancement of technology and the easy and rapid flow of information.

Based on these dynamics, Dr. Zeti expounded on the urgent need for global financial system reform while stressing on the importance of a broader international participation. She cited many instances which further necessitates reforms, such as the increasing frequency of unstable market conditions which sometimes lead into crisis; the absence of clear comprehensive rules on financial flows and the lack of legitimacy in the current financial system. There is also the issue of the

domination of developed countries in the decision-making process affecting the global economy, which further marginalised developing and emerging markets.

Dr. Zeti outlined the obstacles that led to the very slow reform process of the global financial architecture. They included very pronounced divergent views; the lack of consensus-building that is partially driven by ideology and history; the inability to accept change; people with vested interest unwilling to risk their position; the lack of political will; and lack of leadership to drive the reform agenda forward. She also added that sometimes, the lack of vision and a comprehensive blueprint contribute to the difficulty in effecting reforms. Most of the time, the approach has been gradual, and the system inevitably tries to accommodate all sides, resulting in no breakthrough of the reform of the global financial system.

### **Effective Participation in the International Financial System**

Dr. Zeti submitted that while the pace of globalisation has intensified, the form and nature of the globalisation process have changed very distinctively. The initial wave of globalisation has been in the form of trade, followed by the globalisation of corporations and recently the globalisation of financial flows. These developments have brought more complex risks and significant implication on even the most developed economies. It therefore needs to be recognised that the impact is significantly more pronounced and far-reaching for the developing and emerging market economies. Against this backdrop, the developing and emerging market economies' ability to participate effectively in the globalisation process are rendered increasingly difficult.

In Asia, globalisation is not exactly a new phenomenon. The globalisation process has been an important element in Asia's very high growth and prosperity. Asia has been able to ride on successive waves of globalisation in the '60s, '70s and the '80s and many of its economies experienced a quantum leap into the industrialisation process as trade flows expanded at double digits. While Asia as a whole benefited from this trend, its economies are not immuned to shifts in global demand, external shocks, swings in commodity prices, significant price adjustments and slowdown in major economies.

While this led to many Asian countries experiencing slower growth and dampening domestic economic activities, there has, however, been time for economic adjustment. In retrospect, it accorded those countries greater predictability of the direction of the economic condition, thus providing a basis for appropriate policy responses to be implemented and managed. The environment also presented small and large emerging economies with the opportunity to participate in the globalisation process, and the opportunity to benefit from enhanced trade activities.

The nature of globalisation however has changed with greater deregulation and liberalisation of the financial markets. In such an environment, financial flows dominate the global market place, which could lead to the widening of the divide between the developed and emerging and developing economies. In such a world - in which financial flows dominate; where the magnitude of the flows are significant; and where transactions have instantaneous implications; and in which

the flows are unconstrained by any regulatory framework - the size and degree of resilience would matter. Countries which are small and with a less developed economy and a less sophisticated financial system which are open and liberalised but do not have the range of policy options at their disposal, would be highly disadvantaged in the global market place. If this dimension of the globalisation process is not recognised and addressed, it would contribute towards further increasing the existing disparity between nations.

Already, the global wealth pattern at the end of the 20th century showed that high-income countries have an overwhelming share of 60 percent of the world's income although they account for only 15 percent of the world's population. In contrast, the poorest economies of the world, which have 35 percent of the world's population only account for less than 10 percent of the world's income. These issues need to be addressed in a comprehensive manner at the international, regional and national levels if they are to produce an efficient functioning global economy with an international financial system that would lead to an efficient allocation of resources across borders and a system that would allow for a more balanced growth.

### **Option to Reform the Global Financial Architecture**

Dr. Zeti presented the options available in redesigning the global financial architecture. She said that unfortunately the reforms forward of the recent decade have been the reforms of national economies and national finance systems. These reforms, however, need to be reinforced at the international level.

The Speaker went on to offer two options:

- i. Taking into account the slow pace of reforms, she suggested that the private sector be given a hand in the reform process. This is simply logical if we are to take into account the fact that the combined resources of the private sector overwhelms those of official resources. Apart from that, collectively, investors and intermediaries have vested interests in setting global norms which govern how markets operate. They could also focus on competition, risk management, safeguards and capacity-building to allow those that are less developed to participate in the process. However, there are also instances where their discipline of the market could be more devastating, especially when they are unable to digest the voluminous information presented to them. They are also unable to distinguish between different economies in the region, as evidenced during the Asian economic crisis. Thus, the involvement of the private sector in the international financial architecture reform needs to be accompanied by certain safeguards. There is a need for elements of transparency and self-regulation, a need for a credible rating agency, attractive incentive structures and proper valuation;
- ii. the second option is to reform the international financial architecture through the strengthening of regional cooperation. Such a move has taken prominence lately, in particular in the Asian region. Ironically, it has received opposition at every instance and a total rejection by the international community when Japan first proposed it at the height of the Asian financial crisis.

Among the valuable lessons drawn from the crisis is that it is costly to face the crisis individually. The international community could not come forward to effectively help the affected countries and the region could not come together to lend a helping hand. However, the region has now come together to put in place an enhanced surveillance process, macro monitoring mechanism and risk management system, crisis management and resolution framework. Capacity-building has also been initiated in financial market development and integration. In addition, there is a move to establish a pool of regional expertise. Information-sharing, enhanced communication between the members and regional representation are also part of the improvement. This is in addition to the supervisory framework that was introduced within the regional cooperation that included a payment system.

Dr. Zeti felt strongly about regional cooperation as the way forward in the face of globalisation. Taking a leaf from the corporate world, Dr. Zeti shared her belief that one entity could not do everything. Globalisation has forced companies to share production according to areas of comparative advantage as well as the benefits of outsourcing. Thus, it has become normal for multinational corporations to form 30 -100 alliances.

While recognising the combined power of regional groupings and that of multilateral agencies, it should be noted that the complementary growth of the two bodies would benefit the region as a whole. However, such complementary roles must take into account a couple of factors, such as the concentration of experience, expertise and knowledge. It is also important to recognise that there are areas that would need to reside in regional economies and areas where regional and international cooperation could enhance the capacity of national authorities to achieve the desired results. There may be concerns that such action would erode the functioning of the international financial institution; however, on the contrary, the international financial institution could benefit from the areas of strength of the Asian region. With greater engagement and connectivity, there is the possibility of building a better architecture that is far more effective than what it is today.

### **Professor Dorodjatun Kuntjoro Jakti**

Professor Dorodjatun formerly held the post of Coordinating Minister of Economics, Finance, and Industry, as well as Ambassador of Indonesia to the United States, and is at present attached to Universitas Indonesia.

Making some observations of the presentation by the Speaker, Professor Dorodjatun proposed that the long drawn-out debate on creating viable alternatives to the IMF-anchored global financial architecture is being overtaken by accelerated transformations taking place within the global financial system. He provided several examples of such transformations:

- i. The rapid spread of customised products and services now delivered to a broader geographical area with greater efficiency, to meet the need of businesses and governments;
- ii. Stiffer competition in financial markets has created a growing overlap in activities and products such as mutual funds, asset-backed securities, secondary mortgaged securities, bank assurances, and unit-linked derivatives. This overlap has diminished the border between financial sectors and between national financial markets;

- iii. The relationship between financial markets and financial institutions has grown increasingly symbiotic; and
- iv. Different types of financial institutions have been converging, resulting in the growth of financial conglomerations.

Professor Dorodjatun conceded that the increasing complexities of the international financial system have improved its ability to absorb economic shocks. However, it has also increased the risk and scope for financial contagion. Much to the regret of the developing world, the rapidly evolving financial system has marginalised most of the developing world even more as a consequence of the so-called digital divide.

These transformations have, to a large extent, benefited the rich economies, in particular the G7 and some of the OECD economies, where the development of virtual connectivity is most intense and the fastest. On the other hand, most of the developing world is still struggling with establishing the physical connectivity within their respective economies, in addition to connecting with the global economy.

Professor Dorodjatun opined that the economies of the developing world are still dominated by banks, and in the foreseeable future these institutions would be the cornerstone of their financial system. As such, their role would be limited to attempting to obtain expanding access to the financial resources in their banking system.

He did not refute the role of certain emerging markets with growing global importance, such as the BRIC group (Brazil, Russia, India and China), in putting pressure on major nations which dominated the IMF — to move with more urgency towards the establishment of a global financial architecture as an institution for crisis resolution rather than just a mechanism for crisis prevention. He concurred with Dr. Zeti that development has been very slow in this area.

He raised the issue of multilateral surveillance, where in many instances the IMF had been dependent very much on what was called “bottom-up” surveillance. He reminded the audience of the “irrational exuberance” emerging all over Asia in the early 1990s, which were based on an overly optimistic view of what was going on. The so-called “rise of the pacific century” at that time was in fact the rapid development of short-term debt in the region.

Professor Dorodjatun said that what would be useful after the crisis would be independent global assessments, world economic outlooks, global financial stability reports, international capital market reports and the like. Between the country-specific “bottom-up” surveillance and the international ICT-driven financial system, there has been a significant amount of what Indonesia dubbed the “X factor”. That grey area should be governed more by multilateral surveillance; unfortunately, many major economies are reluctant to adopt such a stance.

He then stated his concern with regard to conditionalities, which has originally been based on the Washington Consensus of 1989. His experience showed that it has expanded beyond economics, moving to political and legal matters; supply and demand sides of the economy; and increasingly

led towards what the IMF called prior action requirements. Consequently, assistance by the IMF to countries in financial crises took such a long lead time that by the time it arrived, it resulted in a “too little, too late” situation.

Professor Dorodjatun expressed dissatisfaction with the “one size fits all” treatment, where it is generally known that the steps taken would have led towards capital account liberalisation. Unfortunately, economies with greater geopolitical capitalisation seemed to benefit from unequal treatments, which results in a reverse selection for smaller economies.

He concluded by noting that Indonesia finally completed the IMF cooperation programme in December 2003, following many discussions and debates. He expressed the hope that countries would benefit from those lessons, and to move gradually when dealing with international financial institutions. He encouraged the use of leverages being developed by certain developing economies, for example by the BRIC group.

### **Q & A SESSION:**

---

**Mr. Ferry de Kerckhove** observed that both speakers highlighted some of the differences of approach in their respective Asian experiences, and expressed his interest to see how much could be generalised. He said that with regard to reforms of international financial institutions, the IMF and the World Bank should not be seen as a collective entity as they have separate needs for reforms. With respect to the IMF, the issues of quotas and voting need to be resolved by the fall of 2008. He conceded that the quotas of growing East Asian economies in particular did not reflect their presence and role in the global economy. This resulted in the continuous reserve accumulation in those countries, thus strengthening their interest.

Mr. de Kerckhove informed the audience that Canada was working to increase the quota of Mexico, Turkey, South Africa and China. This is in line with its position to work towards a new, simple and transparent formula, which would also reward fast growing economies. Such a formula would be based on GDP at market prices rather than purchasing parity, contrary with the view taken by the G24. Further, Canada is in favour of doubling basic votes, which would add to the credentials of the least developing economies.

In the case of the World Bank, Mr. de Kerckhove stated Canada’s stand that it has to be a development institution, therefore the reform and change in policy and strategy has to focus on its role in reducing poverty, yet at the same time not impair its credit rating. He stressed the need for the World Bank to hire more managers from developing countries as well as more staff from African countries. He added that borrowing countries need to contribute more to IDA in order to increase their share of votes. In addition, he felt that while the World Bank may have rightly put more focus on middle-income countries, that should not be at the expense of the Bank’s lending and socio-environment standards.

Mr. de Kerckhove then outlined the level of participation and ownership of other development banks. He gave the example of the Inter-American Bank, where 50 percent of ownership

comprised of Latin American countries while the United States owned 30 percent. For that institution, he recommended that the growth model be more inclusive, and invest more in sectors such as technology, infrastructure and small and medium enterprises. For the Caribbean Development Bank, the emphasis should be on the change in corporate culture and a focus on strategies for poverty reduction. The Asian Development Bank consisted of 65 percent ownership by its member countries and the pressing issues are more inclusive and higher regional growth in conjunction with national growth, with more emphasis on environmentally sustainable growth. He pointed to the huge need for reform of the African Development Bank in terms of its overall concept and vision.

Dr. Zeti added that the Islamic Development Bank deserved mention due to its efforts at self-reform.

**Ambassador Raouf Saad** expressed appreciation for Dr. Zeti's original proposals for reform, specifically through regional cooperation and the involvement of the private sector. He concurred with the logic of regional cooperation; however, he felt that the suggestion to involve the private sector in reforms of the global financial architecture could raise some confusion. Ambassador Saad stated that he regarded the private sector as playing the role of asking for reform, and thus benefiting from it. Thus, he doubted the reasoning of the private sector as players in reforms, when such issues are usually a matter of policy and therefore should remain in the hands of governments that would have a more comprehensive view of the economy. Ambassador Saad put forward the question as to how the private sector can contribute practically to reforms, beyond asking for them.

He noted that Dr. Zeti proposed options, as opposed to alternatives, and therefore there is a possibility of applying both approaches to contribute towards reforms. He hypothesised that such a possibility would create confusion, as the private sector has different roles and interests in different regions and countries. The coordination of the role of the private sector would be difficult to reconcile in a complex issue such as financial reforms unless proper guidelines are put in place to manage the situation.

**Dr. Yash Tandon** opined that there is a need for a paradigm shift in the flawed current global financial system but piecemeal reforms of the system would fail as new challenges will continuously appear. In that sense, he expressed appreciation for Dr. Zeti's mention of the Islamic Development Bank and contemplated the principles of Syariah-based banking as an alternative paradigm. Dr. Tandon concurred with Dr. Zeti that the problem lay with financialisation of the economy as there is a surplus of capital flows rather than the flow of goods, thus resulting in the de-materialisation of production. He further agreed on the concept of regional cooperation in promoting reforms and added that new and innovative ways should be examined which would not replicate the existing system.

Dr. Tandon offered some suggestions, beginning with a new approach to asset evaluation, where assets should be valued in material rather than market value. The present approach is found to be speculative and tend to create uncontrollable bubbles. Changes are also needed in existing accounting and valuation practices, specifically in the re-definition of capital flows. An alternative

credit system should be established, based on real assets and not on fictitious or speculative values. He expressed concern, coming from a small country, on the buying-in process, by which the BRIC countries would be able to take advantage of the credit bubble in the existing system to acquire assets outside their countries, which is bound to burst. The buying into an existing system is marginalising smaller countries, which could not take advantage of the system. Dr. Tandon re-iterated the need for new and innovative financial thinking, and provided the examples of the Islamic Development Bank and reforms initiated by President Hugo Chavez in Venezuela as potential departures from the existing system to a whole new paradigm.

**Mr. Aldo Caliarì** reminded the audience of the decision made at the Monterrey Consensus was that there should be an increase in the voice of developing countries in international financial institutions. However, the countries which have been marked for an increase in their quota include three OECD members and China, which in his view was not appropriate. He said that some aspects of the quota formula are problematic and that some options are being left out. There is a need to separate the functions of the quota system, for example allocations of voting, contributions and access rights. He is of the long-held view that the quota formula is flawed and overburdened in trying to perform too many functions at once. On the one hand, the quota is supposed to determine which countries should contribute while on the other hand, the same quota is meant to determine which countries are eligible to receive funding.

Mr. Caliarì raised another point of contention - that the quota formula needed to be simple. He did not agree with having one formula to meet all of its objectives and felt that the system should not be too complex in order to meet the needs of all the stakeholders within the system. Another aspect of the quota formula is the economic weight used as the basis of the quota system, where the current situation is to use market-based exchange rates. In that sense, Mr. Caliarì is more inclined towards using purchasing power parity as a basis, which is the same position as the G24. This has met with some objections, justified by the lack of available data, though he felt that there are presently sufficient data to make it work. He emphasised that there should be only one weight to be used to measure the quota system, in order to be fair to all countries.

Mr. Caliarì then mentioned the need for openness as part of the quota equation, as the major benefactors for such a need are the European trading countries which could take advantage of intra-EU trade being measured as international trade. The other element he raised was the variability of current receipts and monetary flows, which would distort the demand side of the quota equation. On the issue of doubling basic votes, he felt it would not benefit the poorer developing countries, and suggested more dramatic measures to strengthen their voice, such as a compression factor in the quota equation for such countries.

**Ambassador German Bejarano** commented on the scope of the panel which he felt was ample and covered various financial institutions, yet still managed to stress the different needs of reform for the institutions. The common issue which affected all institutions is a need to redefine their core focus. Ambassador Bejarano summed up that the main idea for the IMF is to monitor the stability of the global financial system, including that of exchange rates, or to at least reduce financial volatility. The IMF could also play a role in identifying potential growth areas and ensure efficient



allocation of resources. He noted that the IMF has devoted a lot of effort and resources to instruments of prevention as enforcement is more difficult for such an institution, due to limited resources.

Ambassador Bejarano agreed with Dr. Zeti that regional cooperation could solve the problem of resources, at least for the present time, at the regional level. He enquired as to whether the speakers could see this replicated in every region or just in Asia, due to the region being more financially developed. He further questioned whether regional financial institutions such as the Asian Development Bank could play a role in tandem with the IMF or World Bank, while avoiding replication of functions.

Ambassador Bejarano's second question was on the issue of governance in international financial institutions, specifically on effective representation and transparency, as he is of the view that the quota system could not be used as a sole solution.

## DISCUSSION

---

**Dr. Yilmaz Akyuz** underlined that in the absence of effective multilateral arrangements for crisis prevention, the tasks fell to national authorities to ensure the stability of its economy. He argued that there were two cycles of capital flow which ended up in a crisis, namely in the 1970s and 1990s. He believed that currently the international financial system is in the third cycle. Since 2002, there has been strong capital flows from European countries exceeding USD500 billion and significant parts of that have ended up in East Asia. He observed that a third of capital flows into the region was highly speculative. He asked whether the Asian region's learning from the 1990s crisis had been able to better control the inflow of capitals into their economies. He also noted that Asian economies have been building up their reserves, like most other European countries. However, he believed that such an approach would not be able to protect the private sector against shocks from a sharp swing in risk premium, interest rates, capital flow and so forth. He hoped that the Asian economies are no longer as vulnerable as they were in the 1990s.

**Ambassador Joram Bisuari** expressed doubt on the involvement of the private sector in solving the financial quagmire in Africa as it is still in an embryonic stage. In outlining the different levels of development in Africa, he informed the Round Table that each sub-region has its own banks, whereas in Asia, there is only the Asian Development Bank (ADB). He thus asked how Africa with such a background would be able to adopt a regional approach.

**Mr. Roberto Bissio** expressed hope that the Helsinki Process would be a pre-negotiation forum in preparing for the forthcoming follow-up meeting of the Monterrey Consensus, which is scheduled to be held in the second half of 2008 in Doha. He underscored the need to improve the Bretton Woods Institutions' governance mechanism, including relating to the selection process of the President of the World Bank and transparency of the functioning of the Board of the IMF/WB; it should not be limited to voting procedure. Despite some positive developments with regard to cooperation among governments on tax evasion and tax haven, he believed that such cooperation needs to be intensified. He said that about USD140 billion per year was not taxed

by low income developing countries. Such a figure could have been raised if only there was less tax evasion, haven and exception for multinational corporations operating in those countries. The same amount would be more than enough to meet the Millennium Development Goals. Finally, he noted that in some countries, airport taxes have been implemented to fund medicine for children. Although the amount is minor, politically it showed that it is possible for governments to introduce national taxes with a global purpose. That has been put into practice with the support from more than 60 countries, suggesting that the international community would not require unanimity. He expressed hope that in the future, governments would be able to agree on carbon tax and the Tobin tax, which could generate enormous resources for development. He was optimistic that international cooperation was possible, given that proposals for those taxes which have been a taboo previously are now being discussed freely.

**Tan Sri Dr. Zeti Akhtar Aziz** underscored the importance of national governments receiving independent assessments in times of crisis. Realising its vulnerabilities, Asian countries have established their own integrated Crisis Management Resolution Framework. With expertise capability within the region, Asian countries now have a mechanism that could provide independent assessment to governments and the IMF to deal with a potential crisis preemptively. The system, supported by its own technical team is created not with the intention to duplicate but to complement the IMF. Therefore, the IMF should look at it favourably. She believed that with greater strategic alliances, advantage could be gained in the area of surveillance and conditionality so that the international financial system would be more relevant, just and fair.

She expressed the hope that the IMF/WB would be able to function more effectively with greater engagement and inter-phasing with the respective regions and the private sector. She believed that the private sector must be brought into the framework as they represented a significant mass of the international financial architecture, and has greater capacity to respond than national authorities, including in dealing with issues of transparency, crisis prevention and crisis resolution. Nonetheless, she stressed that such an involvement would require safeguards to ensure that their role would not be of market discipline and without regard to having complete understanding of relevant developments. Governments could tap into the tremendous progress within the corporate sector in the area of risk management, notably with regard to transparency and self-regulation.

With regard to the Islamic Development Bank (IDB), Dr. Zeti explained that it has the same role as other regional banks. Its main aims are the eradication of poverty, promotion of development and a balanced growth in the global economy. She emphasised the need for inter-phasing among development institutions and between the IMF/WB in order to avoid duplication, and to maximise resources. Each region should focus on addressing where they have a comparative advantage. The international financial community should look at the experience of the corporate sector in forming strategic alliances. She stressed that even medium-sized companies formed strategic partnerships as they realised that they would not be able to do everything on their own. The issue is to have an architecture or framework on how to manage such alliances in order to produce the desired outcome.

With respect to Africa, Dr. Zeti explained that Asian economies too are varied and have different levels of development, ranging from Japan and Taiwan to Cambodia and Laos. However, Asian

countries believe that in their diversity lay complementarities. In discussing participation, she stated that the most important step is to have their voices heard. The next step would be capacity-building. For example, there are many infrastructures within the Asian region; Malaysia learned from the experiences of Indonesia and Bangladesh rather than from the IMF on micro-credit financing.

With regard to speculation, she explained that the Asian economies recognised the nature of capital flows and is strengthening their resilience by reforming the financial system; forming alliances; building up reserves; and strengthening the balance sheet account. With better regional surveillance and a national risk management framework, the countries now know where capitals are placed and whether in the form of deposits, stock market or bonds. She believed that the countries of the region would in the future be able to react preemptively.

**Professor Dorodjatun Kuntjoro-Jakti** stated that despite greater global integration, there is still more to be done by the international financial community. He agreed with Dr. Zeti that there is a need for an independent regional surveillance and the creation of ownership and awareness at the national level. He proposed that the Helsinki Process embark on creating a sense of collective responsibility which hinges on a combination of private sector participation, regional coordination and international institution. Despite its failure, the international institution has invested much and has managed to avoid global disaster, such as the Depression of the 1930s. He also emphasised that international institutions have an important role in promoting partnerships between the North and South. This role cannot be replaced by regional cooperation.

**Rapporteurs: Mr. Syed Mohd Hasrin Tengku Hussin  
Mr. Mohd Fareed Zakaria  
Mr. Riaz Abdul Razak**



# Session IV

## Strengthening the Role of the UN in Economic and Social Governance

**FACILITATOR : Dato' Sri Rastam Mohd Isa**

Secretary-General, Ministry of Foreign Affairs, Malaysia

**SPEAKER : Ambassador Munir Akram**

Chai of G-77, New York

**DISCUSSANTS: Mr. Roberto Bissio**

Social Watch Uruguay

---

In introducing the topic, Dato' Sri Rastam Mohd Isa underlined that the United Nations (UN) remains the premier body regulating multilateral conduct in the political, economic and social spheres. The UN agencies in charge of the economic and social aspects of international relations have in many ways outperformed their political counterparts. The political sphere of the UN has been deadlocked largely due to the battle of wills during the post-Cold War era. The economic and social spheres, on the other hand, have gained prominence in the international community, especially in addressing issues of international peace and security, development and human rights. Given the ever-changing international political and economic climate, the UN has launched several changes and reforms which are vital to its existence.

The facilitator requested participants to focus their discussions on the question of the role of the UN in economic and social governance. In citing the system-wide coherence instituted by the UN, he enquired whether it would be beneficial or disadvantageous to developing countries. He asked the participants to suggest the means of strengthening the economic and social spheres of the UN system and the role that Member States and other stakeholders can play in the ongoing reform of the UN.

He then outlined the parameters of the discussion and requested the participants to focus on the following issues:

- i. The key obstacles for strengthening the role of the UN in the economic and social governance and the kind of reforms needed;
- ii. How cooperation between the UN and other institutions of economic and social governance can be improved;

- iii. How the various plurilateral groupings, such as the Group of 7, Group of 8, Group of 10, Group of 20 and the Group of 77, as well as the NAM and OIC can help in tangible ways to achieve these outcomes; and
- iv. What are the main benefits of strengthening the role of the UN in economic and social governance?

### **Ambassador Munir Akram**

Ambassador Munir Akram stated that the Helsinki Process could play a key role in evolving consensus for change in order to respond to the challenges and opportunities of globalisation. The present international context offered good as well as bad news. In that regard, Ambassador Akram explained what he viewed as the good news, namely:

- i. Continued growth in the world economy;
- ii. Increased contribution of the South in particular by Asian countries, to global economic growth;
- iii. High investments through FDIs and other capital flows, including in emerging markets;
- iv. Continued growth in international trade; and
- v. A major rise in international liquidity made available for strategic investments, including in the South.

The bad news in his view consisted of the following:

- i. Major sections of the South are being left behind or outside the circle of growth and prosperity;
- ii. Poverty, in absolute numbers is increasing faster than prosperity;
- iii. The politics of scarcity is sparking international tensions, regional conflicts, failed states, and terrorism; and
- iv. Growth, in the most dynamic emerging markets, are uneven, accentuating irregularity and social tensions.

Meanwhile, the danger of a meltdown in the current growth cycle could not be discounted, given the macro-economic imbalances and the erosion of the ability of states and international institutions to regulate markets, in particular in the volatile financial sector. Also, new global challenges have emerged and remain largely unaddressed – for example in the case of energy, climate change, migration and the related economic, social and political issues, in addition to political tensions and terrorism.

Ambassador Akram said that the need for effective global governance to address those challenges and to capture the opportunities have never been more vital or urgent. He was of the view that global governance must seek to change the status quo, which, despite the good news, is bound to lead to major economic, environmental, social and political disasters. In that regard,

all would lose, be they South or North. The key areas which need to be addressed are also fairly evident, as already confirmed by the discussions of the Round Table, consisting of trade, finance and technology. However, some other key areas, including energy, climate change and migration, have not been fully discussed by the Round Table. The real challenge for governments and other stakeholders is how to secure far-reaching agreements in each area, and to ensure that those which are coherent and complementary be implemented.

The UN could serve as the instrument to achieve the comprehensive, coherent and effective global governance required to address those key issues. Under the UN Charter, Member States are committed to promoting “higher standards of living, full employment and conditions of economic and social progress and development” and “solutions to international economic, social, health and related problems”.

Over the last 60 years, the UN has made major contributions to fulfilling its wide mandate. It has evolved international norms and standards in the economic, social, humanitarian and other fields, which are broadly accepted. The UN has made major conceptual and analytical contributions to development. It has created several instruments and organisations to address various aspects of development, both in policy formulation and implementation of actions, including UNCTAD, UNIDO, UNDP, UNICEF, UNHCR and UNEP.

However, Ambassador Akram contended that the issue of development in the UN Charter had been sidelined by the major powers, and money became the main concern for the international financial institutions. The victors of World War II put their money in the Bretton-Woods Institutions (BWIs), which had been created almost simultaneously with the UN. Instead of the International Trade Organisation underlined by the Charter, the GATT was set up by the major powers to globalise trade. The BWIs have been organised undemocratically and became the real focus of international economic decision-making and operational activities for development. They have been used effectively by the major powers to dictate the structure of international policy as well as the regional policies of many developing countries.

The success stories of the South - in East Asia, Southeast Asia, China and India – are the result of breaking out from the disciplines imposed by the BWIs and the Washington Consensus. Earlier, successful countries depended on major players to gain access to capital, technology and access to major markets. Subsequently, players utilised the liberalisation of the goods trade, while they still had the policy space to industrialise. The latest success stories are the large economies (China, India), which built on their internal prowess and fairly closed economies to expand their exports on domestic growth. However, one result of the export-led model is the growth of irregularity. These emerging markets have benefited from the creation of enormous liquidity and financial liberalisation in the global market.

However, globalisation has one unintended consequence - the increasing marginalisation of the BWIs. It resulted in the IMF and World Bank becoming small players due to the availability of capital in the market for developing countries and the WTO negotiations being deadlocked.

In contrast, globalisation has increased the role and relevance of the UN in the development agenda due to several negative and positive factors. The negative factors include:

- i. Failure and breakdown of the Washington Consensus and the search for alternatives;
- ii. Proliferation of global challenges; rampant poverty; and deteriorating environment where over 1.6 billion people are economically worse off today than they were 20 years ago. Worse still, the net outflow of resources from developing countries has reached an all time low of USD700 billion;
- iii. Institutional and policy incoherence; and
- iv. The loss of control over the international economy, finance and trade flows.

The positive factors include:

- i. Agreement on the Millennium Development Goals to arrive at specific goals and benchmarks to measure achievements and accepted policy formulation for action. This has brought with it several agreements;
- ii. Agreement on the Monterrey Consensus on Financing for Development, which for the first time has enabled all stakeholders to participate in formulation and policy action;
- iii. Growing consensus in the international community on the need for coherence and coordination at the national, regional and international levels concerning the operational activities of the international system; and
- iv. The recent report of the High-Level Panel as the first step towards seeking to promote coherence within the international system. It has yet to address the BWIs or many other international organisations. It is, however, a first step towards coherence, whose control could be universalised.

Ambassador Akram believed that given the political realities of the world at present in which international economic developments are out of the control of states and institutions, it is imperative to empower the UN to serve the purposes stated in its Charter for coordinated action. The UN can be empowered with two kinds of function: First, to serve as a policy framework that provides broad directions and actions to be taken on a certain issue/issues. The World Summit in 2005 was one such attempt, setting out major policy directions which should be built upon by Member States. Second, the UN is tasked to be a global oversight body which looks at the policy and operational actions, assess emerging trends and provide directions for the future. In order for the UN to be able to undertake those functions, it would need a monitoring tool to measure the progress of commitment, to assess gaps in its implementation, and to secure policy acceptance.

Following the 2005 World Summit, Pakistan had proposed the creation of a matrix listing all the targets/commitments set at the major international conferences, for the development agencies to provide the benchmark for these targets as well as the framework to measure the implementation and progress of the targets which would then be reviewed at a major conference. The



development of such a matrix would provide a ready instrument to measure progress, assess failure and determine actions.

In 2006, the General Assembly adopted a decision to empower ECOSOC to conduct the annual ministerial review and to serve as a forum for development cooperation. The annual ministerial meeting could focus its work on the basis of the proposed matrix monitoring the developments and progress of emerging issues in the fields of trade, finance, migration et cetera. The meeting could then make policy recommendations for the consideration of the General Assembly or a higher body. The forum for development cooperation could also serve as the apex body for the review of all multilateral, bilateral and South-South cooperation efforts.

ECOSOC has the ability to convene itself to respond to humanitarian, economic and political emergencies. However, at present, such ability or function has not been utilised. ECOSOC should respond to any emerging issue and play the role of a counterpart to the Security Council.

Ambassador Akram raised the proposal of the High-level Task Force to create a forum of leaders of 27 countries or the L27. Should there be a desire to provide political breakthrough on such an idea, an in-depth discussion should be undertaken at the UN. At present, discussions on the proposal is being done on an ad-hoc basis and does not carry legitimacy.

Ambassador Akram listed three other requirements for the UN to be coherent in its actions, namely:

- i. The Committee of Executive Directors (CED) - Heads of all UN agencies/bodies need to play a more effective role. At present, there is a lack of effective cooperation among these bodies;
- ii. An effective UN Secretariat. At present, the Secretariat is unable to meet the challenges placed before it. The policies of the Secretariat should be reviewed to ensure it has the best and brightest staff from both the North and the South; and
- iii. The UN should have adequate resources and financial support. The UN budget has endured zero percent growth over the last decade. Even then, major contributors have sought to utilise their contributions to determine the policies and directions of the UN for their own benefit.

Before concluding his presentation, Ambassador Akram briefly stated that the G77 at the UN has been focusing on three main issues, namely, North-South negotiations, UN reform issues, and on South-South cooperation. Among those three issues, South-South cooperation had been the most substantive, as it provides an avenue for emerging economies to contribute to the integration of less fortunate countries into the international system.

### **Mr. Roberto Bissio**

Mr. Roberto Bissio, from the NGO Social Watch, agreed with Ambassador Akram on the need for a monitoring mechanism for internationally agreed commitments. He stated that the UN has been

making promises and setting goals for a long time but has somehow failed to keep track of those commitments. Most of the agreed commitments are rather specific and therefore could be measured. However, some commitments are rather fluid and have no agreed definition - for example, the question of sustainable development.

He recalled that at the national level, the UN has been successful in encouraging states to establish a system of national account which measures their developmental progress. However, at the international level, the UN has failed to create a coherent mechanism to produce international social statistics. Mr. Bissio argued that the issue has not been given serious consideration. He underlined the need for Governments to account for their commitments.

He pointed out that there were some instances where the UN had translated international commitments into international law. Mr. Bissio cited the human rights framework as a fine example, which encompasses social, economic, politics and the right to development as the basic foundation of human rights. He pointed out that unfortunately, there has been no instrument to measure the impact of human rights violations and cited the issue of accessibility of medicines for HIV treatment in the TRIPS as an example. He argued that action must be taken to solve problems at the domestic level and the international system should not take on the political responsibility of national governments in this regard.

Mr. Bissio espoused that the international system, in the form of global institutions contribute to the loss of political space of national governments in implementing their developmental agenda. He cited the on-going discussions on the Paris Declaration on aid which will be reviewed by the OECD the following year. He expressed regret that the review of the Paris Declaration merely focuses on two aspects: first, whether governments in developing countries complied with the governance criteria set by the World Bank, and second, whether the recipient governments had opened up their procurement sector for international public bidding. He pointed out that such acts were subtle infringements on policy space of national governments.

Mr. Bissio warned that developing countries were facing a new form of threat through the review of such mechanisms, which in fact created and imposed additional conditions on developing countries. Therefore, such a review posed a growing threat that made developing countries vulnerable and would lose their independence.

Mr. Bissio was optimistic that notwithstanding the setbacks, countries would be given the opportunity to discuss emerging issues at the Financing for Development Summit scheduled for 2008 in Doha. He was hopeful that the Summit would be able to produce an Outcome Document which could be used as a basis for further discussions at international fora.

## Q & A SESSION

---

Mr. Ferry de Kerckhove stressed that it was fundamental to secure the acceptance of all stakeholders on the question of the relevance of the UN in the international economic field. He was doubtful over the UN's ability to address developmental issues effectively. He was of the view that the UN should evaluate its contributions to the MDG instead of evaluating the MDG itself.

He disagreed that the Outcome Document of the 2005 World Summit had provided a broad policy framework but felt instead that the Document left a lot to be desired. He recalled that the Outcome Document was supposed to have been a blueprint for action to face the various challenges of the world but throughout the process of the Summit, states started trading on issues. As such, he was of the opinion that the 2005 Document could not be considered as a "prescription" but merely a working document.

On the points regarding ECOSOC vis-à-vis the forum for development cooperation and the proposed Group of 27 leaders, Mr. de Kerckhove stated that the speaker had put the cart before the horse. He raised the question of criteria for selection of leaders to the Group of 27 in relation to the question of democracy and leadership.

In arguing for the need to recognise the fact that those who contributed the most to the UN would be most concerned with how their money is being spent, he pointed out that it is difficult to develop cooperation between the North and South because the North-South divide, going by the concept of G77 versus the West, is politically harsher. The question of the ultimate value of development cooperation between the North and the South must be addressed.

Referring to the future role of ECOSOC and the UN as a whole in addressing issues related to development, Mr. de Kerckhove pointed out that ECOSOC has no binding powers. He argued that the high-level attendance by BWIs at the UN is often confused as good cooperation between the ECOSOC and the Institutions. He stated that the BWIs do not listen to ECOSOC. Mr. de Kerckhove also highlighted the need to reduce redundancy between ECOSOC and the General Assembly. In obvious reference to the developed countries, he categorically stated that many countries would not accept the transfer of authority of the BWIs to the United Nations.

In reference to Mr. Bissio's point regarding the Paris Declaration, Mr. Kerckhove stated that the Outcome Document of the review of the Paris Declaration should be a blueprint for action where various threats and challenges facing the world today are looked at in total and not as one threat looming larger than another. He expressed hope that the Outcome Document would not be a "prescription" but rather a basis upon which to start work.

Referring to Ambassador Akram's point regarding the possible functions of ECOSOC, Mr. de Kerchove pointed out that ECOSOC has no binding decision-making powers; this could possibly make the body dysfunctional. He also noted that a high level of attendance at meetings has often been misinterpreted as effectiveness of the outcome of the meeting itself.

**Tan Sri Ramon Navaratnam** raised the question of strengthening ECOSOC, whereby big powers appear hesitant to change and the strengthening of the organ. He highlighted the reality that small countries, consisting of participants of the Helsinki Process, do not have a strong standing in international organisations, compounded by the fact that the majority of the world is poor. He also raised the question of the role that could be played by the Helsinki Process. In addition, he elucidated on the difficulty of getting states to agree that ECOSOC could play a pertinent role as proposed by the presenter. He questioned whether the Helsinki Process could make a difference in the UN.

**Ms. Ana Lucy Gentil Cabral Petersen** made reference to a recent high-level regional ministerial meeting held in Brazil in preparation for the upcoming ministerial meeting of ECOSOC in July 2007. She stated that the South American countries present at the meeting agreed that ECOSOC needs a new role. She expressed hope that the ministerial meeting will pave the way to enable ECOSOC's transformation into a more effective organisation in order to achieve its desired objectives.

**Mr. Henri Raubenheimer**, in reference to the point made by Mr. Kerckhove, expressed disappointment that the UN is perceived by some to be able only to bring countries together to develop the MDG but lacking the capacity to evaluate the implementation and progress of work. He cautioned states against shifting the responsibility of overseeing developmental projects and programmes solely to the country level. He was of the view that the review of the Paris Declaration has opened up issues and highlighted some of the shortcomings. In this regard, he called upon the developed countries to step forward and utilise the opportunity to sincerely address the emerging issues on development. He further raised the issue of North-South harmony and highlighted the need for both parties to seek maximum consensus as a means of moving forward on those issues.

**Ambassador Raouf Saad** was sceptical of the UN's ability to address emerging issues in a meaningful way. He cited four factors that hinder the UN from becoming effective, namely:

- i. The present unipolar system which weakens the multilateral system;
- ii. The powers/ability of multinational corporations to undertake unilateral actions on certain issues;
- iii. The division between North and South is not so much political as conceptual in nature, resulting in both parties disagreeing on many fronts; and
- iv. The success stories in the South are due to individual country's achievement and not as a result of international cooperation. As such, it would be wrong to claim that the success stories have given the South more 'power.'

Ambassador Saad supported the idea of the Helsinki Process being a pre-negotiation forum and proposed that the idea be adopted as one of the main outcomes of the Round Table. He raised the question of what the Helsinki Process could do to better serve not only global governance but national governance as well. He then proposed that both the co-Chairs of the Helsinki Process

consider convening a meeting to decide on how the Helsinki Process could play a role in the UN. In that context, he opined that the Helsinki Process could participate selectively at the UN to achieve its objectives, together with the contributions of NGOs, the civil society and the private sector.

**Associate Professor Dr. Rashila Ramli** agreed that the UN should play a role in providing a policy framework on emerging issues. In this connection, she inquired whether the concept of human security has been immensely embedded in the policy framework of States/organisations, in particular that of the G-8. Given that the UN is traditionally a state-centred organisation, she wondered whether the UN should now focus on a people-centred approach in discussing emerging issues.

**Mr. Aldo Caliari** agreed that ECOSOC should be reformed, empowering it with analytical capacity and with the tools necessary to implement its decisions. He noted that the developed countries in particular viewed rather poorly the ability of ECOSOC to play a more assertive role in addressing emerging issues related to development.

## CONCLUDING REMARKS

---

**Mr. Roberto Bissio** focused his concluding remarks on the North-South divide. He stressed that a comprehensive list of priority issues to both the North and South should be prepared as a means to encourage both parties to come together and address issues of common concern. He recalled some examples from the past, namely the Social Summit which had deliberated on the issues of sovereignty, employment and social integration. As a result, between 1995 and 2000, the comprehensive social agenda of the Summit had been transformed in the North into an aid agenda. In 2005, efforts have been exerted to reintroduce the comprehensive social agenda in the international fora with the hope of avoiding a North-South divide.

**Ambassador Munir Akram** concluded by commenting specifically on the points raised by Mr. Kerckhove. Referring to the future role of ECOSOC, he argued that states need the political will to empower ECOSOC with prioritised issues and a focused agenda to deal with issues of trade, finance, climate change, energy and migration. ECOSOC should be empowered, similar to the UN Security Council, for accreditation at the level of PR or DPR only.

On the point that the UN lacked the ability to empower ECOSOC, Ambassador Munir pointed out that the issue is not about whether the UN had the power to do so or otherwise, but of one of major powers simply not wanting to accept the authority of ECOSOC. He further pointed out that the world is already a multipolar world but has yet to become a multilateral world.

With regard to who should be the interlocutors vis-à-vis the Group of 27 and the relations with democracy and leadership, Ambassador Munir pointed out that the international community should first accept democracy in the international decision-making process. He stressed that the UN as it stands today, has the ability to address emerging issues relating to development and in that regard, both developed and developing countries need each other.

He underlined that there is a need to search for different alternatives, given the failure within the international system. The new players in international affairs, such as multinational companies and civil society, can provide the answers. He concluded by saying that cynicism in the guise of objectivity is something good but optimism is something that is absolutely vital to create new ideas, which in turn would bring forth the needed change.

The **Facilitator** wondered aloud whether some drastic actions need to be taken in order to make the world a better place for both the developed and developing countries. He concluded by stressing the need for the two co-Chairs of the Helsinki Process to find ways to move the Process forward in order to bring about the solutions required for the emerging issues related to development.

**Rapporteurs:** **Mr. Bala Chandran Tharman**  
**Mr. Mohd Adlyn Mughni Shamsudin**  
**Mr. James Koh Siaw Heong**







# Session V

## The Domestic Dimension: National Development Strategies and the Challenge of Globalisation

**FACILITATOR : Dr. Yash Tandon**

Dir. South Centre

**SPEAKER : Mr. Martin Khor**

Dir. Third World Network

**DISCUSSANTS: 1. Dr. Nungsari Ahmad Radhi**

Exec Dir. Khazanah Malaysia

**2. Dato' Sri Abdul Hamidy Hafiz**

Chairman Association of Banks, Malaysia

---

The Facilitator briefly opined that the focus of the discussion should be given on the kind of policies that can be established at the national level in order to address development and economic growth. Such a discussion can also provide the opportunity to look into how policy makers at the national level maximise their policy space.

### **Mr. Martin Khor**

Mr. Martin Khor stated that the battle for the national policy makers at present is to get as much benefit as possible for the national economy and at the same time allow for its interaction with global realities, the economy and the environment. The concept of policy space is the ability of a government to choose between different policy options. It is for the government to try to select from the different options, a combination of policies which it feels is suitable to be implemented at a particular time. This differs from country to country because of the different stages of development, different preferences or conditions.

Policy space can be constrained by the global market, external factors, global rules or the external situation in which a country finds itself. Policy space can also be enhanced by the capacity of the country itself - the stronger and less dependent it is, the more policy space it has. Policy space can be enhanced by the right policies. Choosing the right policies would generate more policy space. Choosing the wrong policies may cause a country to fall into dependence and begin to lose policy space. Policy space can be enhanced by a conducive global environment.

During the colonial period, the external environment was such that the colonial master determined the type of economy to be developed in a particular territory. Economies grew in a distorted way to fit into the dictates of the master's economy and the world economy — hence, leading to the development of export commodity, commodity enclaves, commodity dependence and the collapse of local industries. There was also the development of infrastructure such as railways and roads, and some social development. These led to the impetus for political independence so that countries could take charge of their own economies.

In the immediate post colonial phase, many developing countries experimented with ways to build a domestic economy and to re-orientate their economy in order to have greater domestic benefits. Today, leaders of these politically— independent countries are still grappling with ways to reduce foreign dominance and enhance domestic control. They use various means. Different countries try different methods. Some practice expropriation of foreign enterprise and plantations; purchasing foreign companies that are dominating the economy; engagement with foreign enterprise; and changing the ratio of production sharing benefits such as in production sharing arrangements for petroleum. In the context of biodiversity, such benefit-sharing arrangements are trashed out in the CBD.

In relation to national development strategies, there is the issue of ownership — ownership by the State, public sector, private sector and peoples' economy i.e. self-ownership and self-employment. National strategies would include the peoples' economy. There are various models used in national strategies. There is the command economy, the creation of cooperatives, public enterprise, local private sector, and big foreign companies. Therefore, there are many choices for the government.

Malaysia in recent years saw an interesting hybrid. In undertaking privatisation, Malaysia learned that this was not necessarily efficient. Now, the Malaysian government is buying back the assets of failed privatisation projects. When it reacquires those companies, the government decides how the companies should be managed by the professionals. These are publicly owned companies but privately operated and professionally managed. Khazanah is a holding owned by the Ministry of Finance of Malaysia with interests in various companies and is trying to implement the above.

In the past global environment, countries had the choice and space on how to interact with the global economy, but with current global rules setting in, countries are constrained as to what they can or cannot do. An example is the Bretton Woods Institutions (BWI). If countries fall into a debt problem and subsequently have to re-schedule their debt and get into loan conditionalities, then they would lose much of their policy space. In the area of interacting with the global economy, the lending institutions dictate that governments must have maximum liberalisation – i.e. trade liberalisation, investment liberalisation and financial liberalisation. This pushes the countries into stagnation and even bankruptcy in paving their development. Countries which do not fall in debt rescheduling conditions maintain their policy space. In the area of trade, the consensus now is that globalisation does not generally work.

When globalisation is phased in with a combination of protection and liberalisation of different sectors at different times and done in a calibrated way with proper plans, globalisation can play an important role in stimulating the economy through competition.

In different phases of industrialisation, different tariff regimes should be applied. In the first phase, which is more labour intensive, zero tariff should be applied for machines and raw materials, and a high tariff rate for raw products so that it will fetch a lower price for finished products and lower production costs. In the second phase, tariff for raw materials should be increased while tariff for finished products reduced. In the third phase of industrialisation where the idea is to produce machines, it is recommended that tariff for raw materials are reduced and a high tariff for machines applied. The BWIs do not seem to understand the benefit of this.

In addition, it is important for commodity producing countries to coordinate with similar commodity producers in terms of controlling the supply and prices, as to add value to the manufactured products, is important.

Malaysia's experience in dealing with the financial crisis provides a good model. If Malaysia had come under the IMF, it would have had to take the orthodox policies which would not have succeeded. Malaysia tried the IMF policies for a year but found companies failing. Therefore, Malaysia took the step of implementing a package of policies. Malaysia lowered the interest rates so that its economy could grow but this would result in money flowing out. Therefore, to prevent money from flowing out, Malaysia temporarily installed capital controls. However, when capital was blocked from going out, the exchange rate would collapse, therefore Malaysia fixed the exchange rate. That allowed Malaysia to boost its economy. The Malaysian alternative to the IMF worked. This evidently shows that there are alternatives to IMF policies but it requires a careful and skilful mix of policies.

A major part of national economic policy-making has to do with domestic policy in terms of macro-economics, production in the three sectors - agriculture, services and manufacturing, and to get that production plan done properly. Next is to see how the national policy interacts with the world market and to ensure that the world market will not damage it. The foreign market could also be utilised for benefit in the implementation of national policy. There needs to be a conducive foreign environment that is not intrusive in terms of the wrong kind of rules, conditionalities or WTO-related rules. The big challenge is to get the national strategies and international rules right. It is in this respect that South-South and North-South cooperation are important.

### **Dr. Nungsari Ahmad Radhi**

The context of discussion is on the balance between national and international space, and public and private space. Dr. Nungsari believed that there is no overlap between the two. He highlighted that from the point of view of Malaysia whose total trade had always exceeded GDP, Malaysia experienced globalisation even before the word was coined.

Dr. Nungsari briefly introduced Khazanah as an institutional response by the Malaysian Government to address globalisation. It is a national investment company that operates within the private and commercial sphere. It is also a national investment company which operates in a commercial state, with a very clear developmental role. It is part of a bigger and larger trust institution economy where it acts as a public interest institution which operates in a private sphere. Khazanah is a slightly different breed from Permodalan Nasional Berhad Malaysia (PNB), Lembaga Tabung Angkatan Tentera or the Employees Provident Fund (EPF). It is the only institution of its nature in Malaysia. The presence of this institution has alleviated some of the problems caused by globalisation. In a way, this is a recognition that part of the ownership, equity and distribution needs to be filled by the likes of trust institutions since the national private sector is unable to compete on their own with the much larger and bigger multinationals. Khazanah is however mindful of its role as an entrepreneur in Malaysia.

In the context of Khazanah, the discussant highlighted the following three issues:

- i. **Multilateralism and unilateralism:** The question of the role of a multilateral body such as the UN was raised by the discussant. From the point of view of a development investor such as Khazanah, the issue of multilateralism occurs in a different space than that which is occupied by the likes of the UN or other global public institutions. There exist various global standards such as accounting standards, disclosure standards, industry standards, food standards, legal standards or technological standards, which operates outside the purview of local public institutions and have more impact than the UN per se. In a way, this raises the issue of what should be the role of the UN and others in that regard since they are looked upon as barriers. Countries like Malaysia would have problems in terms of its ability to fulfil those standards. This is one area which the UN should look into. From the point of view of a country like Malaysia, it would have to raise its capability in order to meet those standards. There are also increasing bilateral measures that affect Malaysia's interests such as the proliferation of bilateral trade agreements. This has made the lives of investors difficult as bilateral agreements go well beyond what the WTO is supposed to do.
- ii. **Liberalisation in the financial sector:** There is concern that the divergence between the real economy and the monetary side of the economy, is on the increase. There is more money in the world today and more money is used as numeraire to value food and services. This constitutes a huge amount of capital in the world. Preliminary studies show that in Malaysia, the rewards to labour as opposed to rewards of capital is widening to the point that it is becoming rather worrying. Therefore, Khazanah plays a role as trustee to owners of capital in order to overcome this problem.
- iii. **Competition policy and intellectual property rights:** The discussant raised the issue of balancing between a vigorous domestic competition policy and national and international policies. There is a need to balance between the domestic competition policy in order to protect national interest, vis-à-vis unfair competition — and to have a policy in which more entrepreneurs proliferates the domestic economy in order to stimulate the growth of the economy. Lack of a strong domestic competition policy may invite unfair competition from multinationals. Therefore, there is a need to balance consumer surplus, producer surplus

and national surplus with welfare. Khazanah has a tough job managing and creating value out of State-Owned Enterprises or Government-Linked Companies (GLCs). These are companies that are not owned by the Government – i.e. the government only has an interest in them. Khazanah has to create value for shareholders that are held in trust as owners of capital, and to re-distribute it to them. Khazanah also undertakes investment that capitalises on the domestic economic sectors. The third role that Khazanah plays is that of human capital development, whereby Khazanah is used to develop the human capital needed by the nation.

### **Dato' Sri Abdul Hamidy Hafiz**

Dato' Sri Abdul Hamidy Hafiz began his discussion by explaining the apparent benefits and drawbacks of globalisation and liberalisation. He said that the true challenge of an economy is to attain a level of independence that enables a country to structure its own economic policies. Malaysia proved just that when, with its high level of independence, it doctored its own panacea to weather the country out of the Asian financial crisis.

In tackling globalisation, he said that there are important questions of whether a country has the right material, presence and weight to be able to make a difference. These are key questions that need to be asked especially in the field of economy and trade, not so much on matters concerning poverty and the have-nots as many would have thought. Globalisation also brings about the grim reality where some economies find that they can progress by slowing down other economies. They initially begin from absolute free trade to restrictive trade and eventually graduate to more restrictive trade regimes that subsequently harm other economies.

The dictum 'wealth is might' rings truer than ever in economy, particularly in the area of free trade. The mighty are able to dictate unfair terms, citing standards and conventions that govern free trade. Dato' Sri Abdul Hamidy cited his personal experience where he saw new standards introduced in the banking sector such as Basel 2 and FRS 39. Basel 2 requires banks to meet a higher capital requirement. Upon further scrutiny, the returns under Basel 2 do not commensurate with the outlay and it burdens smaller banks leading to them becoming potential targets for foreign takeovers.

In summing up, Dato' Sri Abdul Hamidy advocated for smaller economies to analyse their domestic position before venturing internationally. It would be best if they belong to a grouping to better fight for a level playing field.

### **Q & A SESSION:**

---

**Dr. Yash Tandon** agreed that there are countries in Asia which have policy space. He also mentioned that South Africa too has similar companies like Khazanah, with the company's aims being to develop an entrepreneurial class, though it has yet to meet with success. He noted that Brazil is increasingly becoming relevant in the global economy and is thus able to exercise greater policy space. He further floated the idea that developing economies should ponder Venezuela's de-linking from the global economy and whether Africa should pursue a similar move.

**Tan Sri Ramon Navaratnam** stated that Malaysia is one of the few developing countries which has gone far in meeting the advent of globalisation heads-on. While it is agreed that the international financial architecture needs reform, not much progress has been achieved due to obstacles that need to be overcome before any meaningful reform can be made. To this end, Tan Sri Ramon hoped that the Helsinki Process would in a small way help bring about change to the conundrum. Tan Sri Ramon mentioned the need to do things within one's means and to keep up the struggle. He stressed on the importance of good governance and felt that a national development strategy must be transparent and responsive. Government institutions need to serve with integrity, he added.

In the face-off with globalisation, Tan Sri Ramon submitted that while some quarters would like to push for Malaysia to globalise and liberalise, Malaysia has to maintain its position that it is not against liberalisation but would rather move at its own pace and time. It is a question of right timing. He disagreed with Mr. Martin Khor's theory that the big-bang globalisation is something that the IMF did not comprehend when they asked the South to liberalise. Tan Sri Ramon suggested that the developed economies were fully aware of what they were doing and it was actually their ploy to force the developing and emerging economies to liberalise so that they could have full access to trade, investment and resources. The developing and emerging economies should not be 'taken for a ride'.

**Mr. Mohideen Abdul Kadeer** expressed concern about the national development policy. Malaysia, for example, has mines and rubber estates and bring in labour from India, China and Indonesia. There is also an outflow of wealth. He asked whether such a development is sustainable and whether Malaysia can meet the target of a developed nation status as per Vision 2020.

**Mr. Henri Raubenheimer** informed the Round Table that South Africa and Malaysia share similar experiences in terms of certain policy space. He felt that economic development is related to social development and both play a part in the determination of the level of policy space. The level is also dependent on the international support that a country may enjoy. He stated that leadership is something that cannot be imposed on anyone. A country either has leadership or has to develop or demonstrate it. The ability to lead often diminishes depending on the degree of how beholden that country is to outside forces. He thought it ironic that high priority is placed on ownership when it is something that can be acquired beyond borders.

**Mr. Ransford Smith** stated that policy space provides a country with the opportunity to determine its own economic structure and that policy autonomy has been reduced in multifaceted ways.

**Ms. Pilanya Niyomthai** agreed that conditionalities set by international organisations contradict with domestic policy. Therefore, a country needs to be clear of its position in the world and be able to identify it. More important, it is necessary to have measures to counter adverse circumstances. She cited the example of Thailand. In December 2006, Thailand announced measures to prevent the fall of its domestic currency.

**Dr. Yilmaz Akyuz** made three comments. He wondered whether the world is in a phase of a troubled market. If that is the case, then certain changes need to be adhered to. Since the beginning of the millennium, it is perceived that the world commodity market is expanding. For the first time in many years, the terms of trade actually favour the European countries. The growth in economy is strong in developing countries like China and India. The growth in the South has greater commodity context than the growth in the North and this is what is driving the commodity prices up. More research is needed on this and is important for national development studies as he believed that in the past, some commodities had more added value. He cited the example of the Malaysian palm oil export which has more added value than the export of electronics.

Dr. Akyuz also drew the attention of the Dialogue to the Washington Consensus. He believed that a number of European countries have been forced to adopt certain policies, particularly policies regarding African countries. But it is wrong to say that these policies are forced on developing countries everywhere. In a number of European countries, not many subscribe to the views expressed in the Washington Consensus. In fact it is the South that subscribes to it, not the North. The provisions in the Washington Consensus were designed for the South and not the North. The South in fact welcomed the Washington Consensus. It is therefore not fair to say that policies formulated were forced on developing countries.

Dr. Akyuz also stated that most people think that the Washington Consensus is not dead. There is no major policy reversal in the developing world, particularly in Latin America when this view was brought forth. In Asia, on the other hand, there is a tendency to go in a measured way. Dr. Akyuz stressed that he was merely making an observation that the Washington Consensus is not dead and is being implemented.

**Ambassador Joram Bisuari** elaborated on the African experience. He noted the different views expressed, in particular regarding the domestic development strategy and the challenges faced within the globalised world. He also noted the merits and demerits of the present system. He made reference to the Tanzanian economic development growth and its poverty reduction policy, which is the Vision 2025, and which has received wide UN acceptance. In taking care of small and medium size entrepreneurs, Tanzania has developed a national strategy aimed at enhancing and empowering small and medium entrepreneurs by allowing them access to loans. They also introduced national trust funds, where small and medium size entrepreneurs could get access to banking facilities. Given the environment in Africa at present where most of the countries are now democratic, there is stronger determination in taking this as a challenge.

**Ambassador Ami Mpungwe** stated that in the early days of globalisation, Africa responded by casting a declaration on global changes and consequences in Africa - a declaration of what is happening in the world and for Africa to respond to. Issues of democracy and human rights were addressed. The Heads of State of the OAU declared that they would not tolerate Member States abusing human rights, non-interference and sovereignty. Most of those countries were not States then but just a collection of tribes. Today Africa is focusing on economic issues independent of foreign intervention.

**Mr. Ferry de Kerckhove** challenged the point made by Tan Sri Ramon that the developed economies from the North are out to take advantage of the developing economies. He argued that globalisation affects the North as much as the South and maintained that there exist pockets of poverty in the North. He said that no one is forcing anybody to accept anything, referring in particular to the Asian financial crisis that saw a couple of Asian countries subscribing to the IMF remedy. He suggested that instead of harping on the issue of the 'victimisation of the South', the international community should harness the positive attributes of globalisation for the mutual benefit of all countries.

**Ms. Ana Lucy Gentil Cabral Petersen** drew the attention of the Round Table to Brazil where there is full awareness that the Washington Consensus did not achieve what was expected. Brazil had to review the implementation of the Washington Consensus as it was disappointed with the outcome.

**Dato' Sri Abdul Hamidy Hafiz** agreed that globalisation cannot be stopped but said that care must be taken to ensure that none are left out. He shared his experience with regard to financial aid provided with conditionalities. Upon the acceptance of financial aid, these organisations would then try to control the accepting countries' financial management. These are the things that developing countries should try to avoid. Multinational organisations should not put emphasis on conditionality when offering aid.

**Dr Nungsari Ahmad Radhi** stated that national governments have to decide the kind of policy space they wanted and put in place the required institutions. These institutions should have specific roles.

## **CONCLUDING REMARKS**

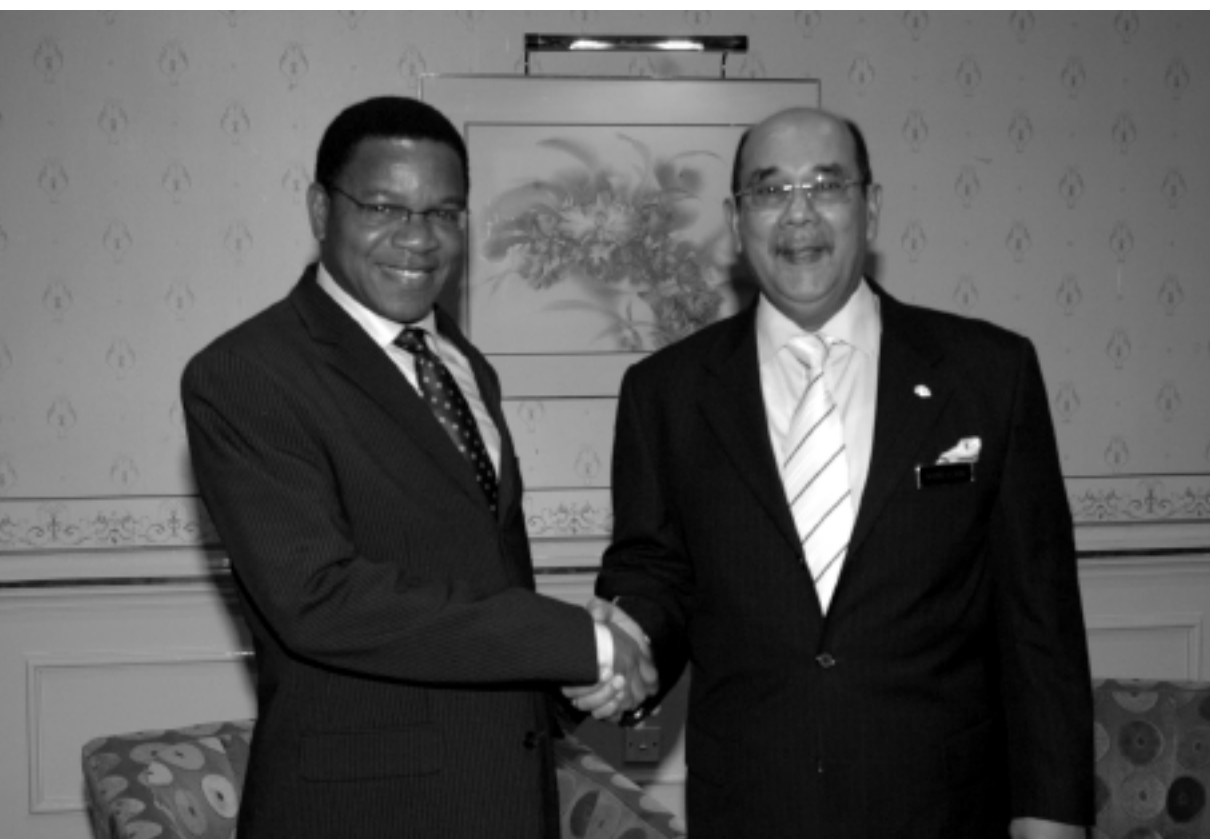
---

**Mr. Martin Khor** concluded that the experience from the Asian financial crisis revealed that the actors were either ignorant or victims of double standards. Ignorant because they took the measures from IMF blindly. As to the question of the 'stupidity' or 'ignorance' of the IMF, he felt that it was probably a combination of both. The IMF came into the picture to assist countries in trouble during the Asian financial crisis and became the cause of the worsening of the crisis. It advocated that cronyism was bad and imposed its orthodox policies, which turned out to be ineffective. He gave an example of an IMF outreach programme which sought to explain the financial crisis. The explanation by IMF proved to be highly inaccurate. He also gave an example of how the IMF prescription with regard to Ghana's trade in chicken was ridiculous and ineffective.

**Rapporteurs :** **Ms. Sarah Albakri Devadason**  
**Ms. Nurashikin Ismail**  
**Mr. Mohd Fareed Zakaria**







# Closing Session

## Remarks by Participants

### **FACILITATOR : Dato' Sri Rastam Mohd Isa**

Secretary General, Ministry of Foreign Affairs, Malaysia

---

Prior to the close of the Meeting, the Round Table held a session to invite views, comments as well as ideas regarding the way forward for the Helsinki Process following the two days of discussions. The session was facilitated by Dato' Sri Rastam Mohd Isa, Secretary General of the Ministry of Foreign Affairs, Malaysia.

### **Mr. Folke Sundman**

In reacting to the comments, views and suggestion raised during the two-day meeting, Mr. Sundman shared his views - which were subsequently endorsed by many delegations — that the quality and substance of the discussions during the Round Table have been very high, even in comparison with other Round Tables convened. This itself represented a step forward in the Helsinki Process.

Mr. Sundman said that as co-Chairs of the Process, both Finland and Tanzania felt the 'heat' generated throughout the discussions at the Round Table from the expectations and hopes pinned by the various stakeholders of the Process. He acknowledged that it will be a difficult task to fulfil all the demands that were made at the two-day meeting.

He outlined three main issues arising from the two-day session, namely:

- i. What can the Helsinki Process do to influence decision-making at the international level, in particular among developing countries?
- ii. That the Helsinki Process be utilised as a pre-negotiating forum at the international arena; and
- iii. To study how to move forth some of the issues on the table, in particular within the UN agenda.

On the first issue, he stated that the participants should be realistic in their expectations of the Process as change could not occur in an instant. Countries cannot be forced to do what the Process thinks is right. As a way forward, the Helsinki Process can be utilised as a body to promote ideas as well as a win-win approach to change the international mindset and bring the

positions of important players closer. Such an approach can also convince others that there are benefits to be derived from the Process.

On the second issue, Mr. Sundman stated that the ideas suggested have already been floated for quite some time throughout the existence of the Process itself, most notably by the Friends of the Process at both Ministerial and Senior Officials' (SOM) levels.

With regard to the third issue, he stated that the idea can most certainly be pursued if there is commitment from the Friends of the Helsinki Process. In this context, he alerted the Meeting's attention to several future events of the Helsinki Process, for example a side-event is being organised with the Second Committee of the General Assembly. Further, a Review Conference will be held in Dar-es-Salaam, Tanzania in late November 2007.

With regard to the issue of the Summit for Financing for Development scheduled for late 2008, raised by Mr. Roberto Bissio (Social Watch), Mr. Sundman stated that the issue has not been raised previously in the context of the Helsinki Process. He said that following discussions at the Kuala Lumpur Round Table, the Meeting could consider placing the issue on the agenda of the Helsinki Process.

Mr. Sundman said that thematic issues have been suggested during the course of the Round Table. He informed the Meeting that the Helsinki Process will be organising several workshops on Climate Change and environmental governance issues in October 2007, and that these issues will be discussed within the Helsinki Process framework in their effort to develop new and more specific themes for the Helsinki Process.

Mr. Sundman expressed the hope that Malaysia and Tanzania will work together to jointly bring forward the two themes on which each have organised a Round Table, i.e. global governance, and issues of employment, strengthening growth of domestic markets and industries respectively, as the two themes are inter-related. The conclusions, suggestions, ideas and proposal on governance issues discussed during the Kuala Lumpur Round Table can be combined into a specific package as inputs for the Helsinki Process Roadmap. In concluding his remarks, Mr. Sundman stated that the Helsinki Process should no longer be seen only as a forum for debate and dialogue but that it needs to lay out more concrete actions.

In referring to the work-plan referred to by the earlier speaker, the facilitator asked when such a draft Roadmap can be produced – whether it should be done during the Review Conference or whether the process can start prior to that.

### **Mr. Ferry de Kerckhove**

Mr. de Kerckhove posed the question as to whether the meeting appreciated the full extent of the divide between developed and developing countries or whether such concerns were being exaggerated. He then remarked on the existence of spaces within that divide in which the Helsinki Process can work to bridge.

He questioned the credibility of the Process in its capacity to deliver change. He also remarked that several newcomers to the process had remarked that the Helsinki Process should do everything. Additionally, he stated that despite possessing a sense of focus, the Helsinki Process was a scattered movement which has yet to attain the 'critical mass' needed before it can become an effective interlocutor at the international arena. He viewed the value of the Process as to be in educational terms and as a sensitising process i.e. its participants can be the interpreters to their own governments as well as others on some of the concerns raised by stakeholders.

Rather than create new and big solutions, Mr. de Kerckhove recommended that the Helsinki Process focus on bringing added value to existing situations. Lastly, he expressed strong reservations of the Process becoming a pre-negotiating forum, stating that it lacked credibility to become one and that it was still an unknown forum to many.

### **Ambassador Raouf Saad**

Ambassador Raouf shared his views on the Kuala Lumpur Round Table, which he described as a success, attributing it to the following factors:

- i. Its actors are geographically diverse;
- ii. Good choice of topics, which have been well discussed within the time frame. In this regard, he remarked that more time should be allocated for discussion at future fora;
- iii. It involved the non-governmental representatives who actively contributed to the discussions both as speakers as well as participants; and
- iv. The quality of the participants as well as the discussion proved that the Helsinki Process was in fact gaining credibility due not to its structure or name but rather to the quality of discussions.

He then shared his observation that despite the good selection and treatment of topics by the Meeting, there was inadequate complementarity between some speakers and discussants. He further stated that while individually, all the topics selected were important, some of them did not serve the overall theme of the Round Table.

Concerning the Process itself, Ambassador Raouf said that thus far, it has done a good job of discussing different issues and trends and served as a useful source of information to others. He then stated that in order for the Process to benefit the North-South Dialogue, there is no need for it to assume new structures or create new mechanisms and institutions. However, he emphasised that the Helsinki Process could undertake more consultations as well as open up to more unofficial players such as civil society and Multi-National Corporations (MNCs). He suggested that the Process invites corporations to host some meetings in order to inform all stakeholders of their actions and the potential roles they could play.

With regard to the relationship between the Helsinki Process and the UN, Ambassador Raouf agreed with the view that at present, the Helsinki Process did not carry sufficient weight for it to move as a structure or group at the UN. He opined that the Process could act as a facilitator and in this regard, proposed that it consider taking on one or two issues at the UN and start leading consultations on those issues.

### **Tan Sri Ramon Navaratnam**

Tan Sri Ramon commended Mr. Sundman for his summation and sought clarification as to whether it would be attached as part of the outcome of the Round Table. He then expressed his appreciation at the sincerity of purpose and genuine interest shown by the participants.

He expressed the hope that the proposal for the Helsinki Process to become a pre-negotiation forum would be incorporated in the Round Table's final statement, as it would be one of the fundamental outcomes of the process. He underlined the need to formalise such a mechanism, not only in preparation for the upcoming UN sessions but also to ensure continuity in coordinating and consulting with various interlocutors.

Tan Sri Ramon put forward the question of how to make developed countries want to change in order to bring benefit to all i.e. what would be in their interest to want to do so? He suggested that one way of doing this would be to play up the opportunity cost of inaction and lethargy, and that the strive to push the envelope is what would eventually lead to greater recognition of the Helsinki Process. He encouraged the Process to identify other groups and actors who are similarly committed for greater collaboration towards world peace and sustainable development.

Tan Sri Ramon next expounded on the suggestion by Ambassador Munir Akram regarding the matrix of commitments and expressed the hope for its incorporation into the Round Table statement. He said that it was necessary for such a mechanism to monitor progress, trends and developments, and added that it would be particularly useful in identifying potential hotspots which could threaten world peace and economic stability. Tan Sri Ramon concluded that while recognising that things would not change overnight, by taking gradual steps the Helsinki Process could become a facilitator and catalyst towards a fairer deal and a better world for all.

### **Mr. Henri Raubenheimer**

Mr. Raubenheimer expressed his appreciation to Mr. de Kerckhove in particular for providing a different perspective on what makes the Process a true dialogue. He reminded the audience of the question raised by Ambassador Munir Akram on the identity and objectives of the Helsinki Process. He viewed the collective inputs toward the matrix of commitments as providing a sense of ownership and responsibility on the part of UN members. He noted that in this regard, the Economic and Social Council of the UN (ECOSOC) could be an avenue in which to take the initiative forward.

## **Professor Dorodjatun Kuntjoro-Jakti**

Professor Dorodjatun said that Helsinki Process members are being overwhelmed by rapidly evolving events. In that regard, he ventured that the private sector had more capacity to cope with the situation due to its reliance on continuous market adjustments, and support by the ICT-driven global financial system. He added that the private sector has always been supported by consultants in order to mitigate risks. More pertinently, he stressed on the support provided by political risk analysts, and opined that there is perhaps not much thought given by governments, in particular in the developing world. He observed that the coping capacity of society in general is the weakest factor, again particularly in developing countries. Taking that into account, he suggested that the Helsinki Process be tasked with providing information to all concerned parties, especially to governments and stakeholders in societies.

He enquired about the possibility of initiating translation of the Helsinki Process literature into major languages. Lastly, recommended that the Helsinki Process post an open, internet-based alert service on urgent events and important developments taken or about to be taken. Recalling Mr. de Kerckhove's remarks, Professor Dorodjatun expressed his belief that such an information-sharing mechanism would lead to the socialisation of credible inputs, which would add value to the decision-making process. He added that only after the Helsinki Process has gained significant trust as a reliable and credible mechanism would it be able to move towards convincing other parties to take riskier steps and make difficult decisions.

The Facilitator thanked all participants for their views and inputs, in particular for the ideas raised at the Round Table such as information-sharing and taking an incremental approach towards change. He assured them that those ideas would be recorded by the Secretariat and the Co-Chairs of the Helsinki Process, and would be incorporated in the published statements of the Round Table. He announced that Malaysia, Finland and Tanzania would be studying the outcome of the meeting to provide inputs for the upcoming Review Conference.

## **“The Way Forward” - Remarks by the Honourable Dato’ Seri Syed Hamid Albar, Minister of Foreign Affairs, Malaysia**

**FACILITATOR :** **Dato’ Sri Rastam Mohd Isa**

Secretary General, Ministry of Foreign Affairs, Malaysia

---

At the close of the two-day Round Table meeting, the Minister of Foreign Affairs of Malaysia delivered the Closing Remarks. He summarised the thrust of discussions in preceding sessions.

2. The Foreign Minister expressed the hope that participants would be able to capitalise on the ideas generated during discussions at the Kuala Lumpur Roundtable, utilising them as building blocks for future discussions under the Helsinki Process. He outlined the discussions as follows:
  - i. There was consensus on the need for reform of the global institutions in the areas of finance, trade, economy and governance;
  - ii. The multilateral approach has to be maintained but it should be made more coherent so as to address the imbalances and asymmetries that existed in order to achieve a just and fair global system;
  - iii. The need for collective management of North-South relations, as well as the negative and positive aspects of the global system; and
  - iv. The need for the multi-stakeholder approach to be sustained and in that context, for focus and attention to be people-centred.
3. In recalling some parts of the discussion, the Foreign Minister noted that despite some countries having achieved impressive advances in technology, others, particularly the poorer countries, were left further behind as the existing global structures were unable to meet the challenges brought about by globalisation and technology transformation. In addition, he stated that while some developing countries had managed to attain good or high economic growth, many other countries were still grappling with the problems of poverty and unemployment.
4. He reaffirmed that dimensions of global governance included the decision-making process and the nature and effects of multilateral rules and practices and that multilateral discipline was needed to overcome the pursuit of self-interest and for the promotion of global public goods. The Minister opined that a legitimate and credible multilateral trading system would have to be able to balance between national autonomy and multilateral obligations. However,



he was of the view that in the current world order, there exist asymmetries and imbalances which mainly benefited the developed countries. While the protectionists believe in agriculture, labour movements and technology transfer, they at the same time dictated to the South to liberalise in industrial goods, capital flows and Foreign Direct Investment (FDI), in order to gain market access. As such, the current globalisation scenario restricted the freedom for developing countries to formulate their policies.

5. Referring to a point raised consistently throughout the Round Table, i.e. that the current global arrangements were imbalanced and incoherent, he stated that some of those hurdles can be overcome by better national economic governance in developing countries. However, major overhauls were needed in the multilateral trading system so that it could serve development needs better, and in that regard, developing countries needed to coordinate their views and determine the kind of multilateral system they wanted.
6. With reference to the Doha Round of the WTO, the Minister concurred that the policy space of developing countries was being further curtailed. He advocated reform of the multilateral trade system with more democratic and transparent decision-making processes which all developing countries could participate in.
7. With reference to the views and proposals made by the Round Table in the preceding session, the Foreign Minister assured the participants that they would be annexed to the final report of the Kuala Lumpur Round Table, to be published in due course. He expressed appreciation for the constructive, frank and open manner as well as active contributions of the participants of the Round Table.

**Rapporteurus :** **Ms Astanah Abdul Aziz**  
**Mr Johan Ariff Abdul Razak**  
**Mr Riaz Abdul Razak**

# LIST OF PARTICIPANTS OF The Helsinki Process Round Table on Effective Global Governance

NO.	NAME	ORGANISATION	ROLE
1	The Hon. Dato' Seri Syed Hamid Albar	FM Malaysia	Host/Facilitator
2	H.E. Bernard K. Membe	FM Tanzania	Co-Chair/Facilitator Session
3	The Hon. Ahmad Shabery Cheek	Parliamentary Secretary for the MFA Malaysia	Participant
4.	H.E. Dato' Sri Rastam Mohd Isa	Secretary General MFA Malaysia	Facilitator Session 4
5	Amb. Ilari Rantakari	Head of the Helsinki Process, Finland	Facilitator Session 3
6	Dr. Yash Tandon	Executive Director, South Centre	Facilitator Session 5
7	Dr. Yilmaz Akyuz	Former UNCTAD Director	Speaker Session 1
8	Mr. Bhagirath Lal Das	Former Amb. Of India to GATT	Speaker Session 2
9	Tan Sri Dr. Zeti Akhtar Aziz	Governor Bank Negara Malaysia	Speaker Session 3
10	Amb. Munir Akram	PR of Pakistan to the UN, New York/ G77 Chair	Speaker Session 4
11	Mr. Martin Khor	Director, Third World Network	Speaker Session 5/Advisor
12	Dato' Seri Mohamad Jawhar Hassan	CEO, ISIS Malaysia	Discussant Session 1/ Advisor
13	Mr. Folke Sundman	Team Leader of the Helsinki Process, MFA, Finland	Discussant Session 1
14	Amb. Ransford Smith	Deputy Secretary General, Commonwealth	Discussant Session 2
15	Prof. Gurdial Singh Nijar	University of Malaya	Discussant Session 2/ Advisor
16	Prof. Dorodjatun Kuntjoro-Jakti	Former Coordinating Min. of Finance and Economy, Indonesia	Discussant Session 3
17	Mr. Roberto Bissio	Social Watch Uruguay	Discussant Session 4
18	Dr. Nungsari Ahmad Radhi	Executive Director, Khazanah Malaysia	Discussant Session 5
19	Dato' Sri Abdul Hamidy Hafiz	Chair, Assoc. of Banks Malaysia	Discussant Session 5
20	Tan Sri Ramon Navaratnam	President, Transparency International	Participant / Advisor
21	Amb. Jukka Leino	Ambassador for the Helsinki Process, Finland	Participant
22	Mr. Martti Antola	Helsinki Process Secretariat, Finland	Participant
23	Amb. Ami Mpungwe	Ambassador to the Helsinki Process, Tanzania	Participant
24	Amb. Dr. Joram Bisuari	Helsinki Process Secretariat, Tanzania	Participant
25	Mr. Omary Mjenga	Helsinki Process Secretariat, Tanzania	Participant
26	Mr. Mbelwa Kairuki	Special Officer of the FM of Tanzania	Participant
27	Amb. Tan Seng Sung	Deputy Secretary General II, MFA Malaysia	Participant
28	Amb. Syed Sultan bin Mohd. Idris	Amb. of Malaysia to Finland	Participant
29	Amb. German Bejarano	Amb. of Spain to Malaysia	Participant
30	Amb. Raouf Saad	Assistant to the Minister, MFA Egypt	Participant

# LIST OF PARTICIPANTS OF The Helsinki Process Round Table on Effective Global Governance (FINAL LIST)

NO.	NAME	ORGANISATION	ROLE
32	Mr. Mohideen Abdul Kader	Vice President Consumer Association Penang	Participant
33	Prof. Dr. Mahani Zainal Abidin	Director General of ISIS	Participant
34	Tan Sri Hasmy Agam	Executive Chairman, IDFR	Participant
35	Mr. Mohd Zulkefli Mohd Noor	Undersecretary, MFA Malaysia	Participant
36	Mr. Shahrul Ikram Yaakob	Undersecretary, MFA Malaysia	Participant
37	Dr. Rashila Ramli	Assoc. Professor, UKM	Participant
38	Mr. Yeo Heng Hau	Ministry of Finance Malaysia	Participant
39	Amb. Dr. Fauziah Mohd. Taib	Director General, MFA Malaysia	Participant
40	Ms. Pilanya Niyomthai	MFA Thailand	Participant
41	Mr. Anis Yusal	Director, IIM	Participant
42	Ms. Hardev Kaur	Head, Corporate & International Affairs Department, Securities Commission	Participant
43	Dato' Hussin Nayan	Director General, SEARCCT	Participant
44	Ms. Ana Lucy Gentil Cabral Petersen	Min. of External Affairs, Brazil	Participant
45	Mr. Ferry de Kerckhove	MFA Canada	Participant
46	Mr. Eduardo Ruiz Mazon	DCM, Emb. Of Mexico	Participant
47	Mr. Ricardo Sanchez Mandez	Consul, Head of Eco. Affairs, Emb.of Mexico	Participant
48	Amb. Madjid Bougerra	DG of Multilateral, MFA Algeria	Participant
49	Mr. Henri Raubenheimer	Economic Devt, MFA South Africa	Participant
50	Mr. Aldo Callari	Rethinking Bretton Woods Project	Participant
51	Mr. Ahmad Izlan Idris	Undersecretary, MFA Malaysia	Participant
52	Ms. Rabab Abdel Hadi	Second Secretary, Emb. Of Egypt	Participant
54	Mr. Choi Won Seok	Second Secretary, Embassy of ROK	Participant
55	Mr. Mhd. Hasanein Khaddam	Counsellor, Emb. Of Syria	Participant
56	Ms. Tricia Yeoh	Snr Research Analyst, ASLI	Participant
57	Ms. Celine Tan	Third World Network	Participant
58	Mr. Syed Shahir bin Syed Mohamud	Malaysian Trade Union Congress	Participant
59	Mr. Said Mimoun Amenzou	Counsellor, Embassy of the Kingdom of Morocco	Participant

# LIST OF PARTICIPANTS OF The Helsinki Process Round Table on Effective Global Governance (FINAL LIST)

<b>NO.</b>	<b>NAME</b>	<b>ORGANISATION</b>	<b>ROLE</b>
60	Mr. Ali M Sungkar	Embassy of the Republic of Indonesia	Participant
61	Mr. Shamsuddin Mohd Mahauiddin	Bank Negara Malaysia	Participant
62	Dr. Junaidy B. Abdul Wahab, MP	Member of Parliament Malaysia	Participant
63	Tuan Haji Markiman Kobirah, MP	Member of Parliament Malaysia	Participant
64	Datuk Dr. Raman Ismail, MP	Member of Parliament Malaysia	Participant
65	Datuk Nur Jazlan Mohamad, MP	Member of Parliament Malaysia	Participant

## **ACKNOWLEDGEMENTS**

We would like to acknowledge the kind assistance and inputs of the following individuals:-

**Mr Ahmad Izlan Idris;  
Mr Agus Salim Yusof; and  
Mr Bala Chandran Tharman**

who were kind enough to proofread the final version of the reports.

