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Real wages see drop in growth – ILO

Global real wage growth has decelerated to reach a four-year low of 1.7% in 2015, according to the International Labour Organization (ILO), with real wages in developing economies registering a marked growth decline. Falling wages could in turn increase the risk of deflation in many countries, amid a backdrop of slow growth in the world economy.

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Global wage growth at lowest level in four years, says ILO

Global growth in real wages has slowed over the last four years, according to the International Labour Organization, potentially adding to deflationary pressures.

by Kanaga Raja

GENEVA: Global real wage growth has decelerated since 2012, falling from 2.5% to 1.7% in 2015, its lowest level in four years, the International Labour Organization (ILO) has said.

In its *Global Wage Report 2016/17*, released on 15 December, the ILO said if China, where wage growth was faster than elsewhere, is not included, real wage growth has fallen from 1.6% in 2012 to 0.9% in 2015.

"The United Nations 2030 Agenda for Sustainable Development identified decent work for all women and men, and lower inequality, as among the key objectives of a new universal policy agenda. The issues of wage growth and wage inequality are central to this agenda," said ILO Director-General Guy Ryder in a preface to the report.

According to the ILO chief, trends show that global real wage growth dropped sharply during the post-2008 economic crisis, recovered in 2010, but has since decelerated.

"As I emphasized at the World Bank and IMF annual meetings in October 2016, rekindling growth requires an increase in consumer spending and in turn sustainable wage and social protection policies. Improving wages and decent work opportunities will be essential to breaking out of the slow-growth trap in which the global economy currently finds itself," he said.

According to the ILO, during most of the post-crisis period global wage growth was driven to a large degree by relatively strong wage growth in emerging and developing countries in Asia and the Pacific, most notably in China, as well as in some other developing countries and regions. More recently, this trend has slowed or reversed.

"In an economic context in which lower demand leads to lower prices (or deflation), falling wages could be the source of great concern, as it could add further pressure to deflation," said Deborah Gree nfield, ILO Deputy Director-General for Policy, in an ILO news release.

According to the report, among emerging and developing countries in the G20 grouping of major economies, real wage growth fell from 6.6% in 2012 to 2.5% in 2015.

In terms of regional wage growth, the report found that in 2015 real wage growth remained at a relatively robust 4.0% in Asia, declined to 3.4% in Central and Western Asia, and was tentatively estimated at 2.1% in the Arab States and at 2.0% in Africa.

In 2015, real wages dropped by 1.3% in Latin America and the Caribbean (mostly due to falling wages in Brazil), and by 5.2% in Eastern Europe (mostly due to falling wages in the Russian Federation and Ukraine).

In contrast, said the report, wage growth increased in the developed countries.

Among developed G20 countries, real wage growth went from 0.2% in 2012 to 1.7% in 2015, the highest rate of the last 10 years.

In 2015, real wage growth rose to 2.2% in the United States, 1.5% in Northern, Southern and Western Europe, and 1.9% in the countries of the European Union (EU).

Faster wage growth in the United States and Germany explains an important part of these trends, the ILO said. "It is as yet unclear whether such wage growth will be sustained into the future or whether developed countries will return to their previous pattern of wage stagnation."

In an economic context in which risks of deflation have increased in many countries, falling wages could themselves become an important risk factor, potentially leading to deflationary wage-price spirals, the report cautioned.

Globally, the recovery in Northern America and some European countries was not sufficient to offset the decline in emerging and developing economies.

"The lower differential in wage growth between developed and devel-

oping countries also implies a slowdown in the process of wage convergence between the two groups of countries," the ILO said.

Fall in labour share of income

According to the report, trends in real wages are influenced by economic factors such as gross domestic product (GDP) growth and price inflation, but other factors also come into play.

There is now a large body of literature showing that in a majority of countries across the world, wage growth in recent decades has lagged behind the growth of labour productivity, leading to a fall in the labour share of GDP.

This is likely due to a combination of factors including globalization, skills-biased technology, the weakening of labour market institutions, and the growing pressure from financial markets to shift surpluses generated by large businesses towards investors.

In this context, the report found that after some expected counter-cyclical upward movement in the labour share in many countries during the years 2007-10, the labour share has resumed its long-term decline in a small majority of countries during 2010-15. Exceptions include China, Germany and the United States, but even in these countries the labour shares remain far below their peak levels.

Wage inequality

The report also found that in most countries wages climb gradually across most of the wage distribution and then jump sharply for the top 10% and, especially, for the highest-paid 1% of employees.

In Europe, the highest-paid 10% receive on average 25.5% of the total wages paid to all employees in their respective countries, which is almost as much as what the lowest-paid 50% earn (29.1%).

Although the data are not strictly comparable, the share of the top 10% is even higher in some emerging economies, for example, Brazil (35%), India (42.7%) and South Africa (49.2%). In South Africa and India, the lowest-paid 50% receive, respectively, just 11.9% and 17.1% of all wages paid out.

According to the ILO report, wages and wage inequality are not determined only by the skills-related characteristics of individuals (such as level of education, age or tenure) but a host of other factors also play crucial roles. These include, for example, gender, enterprise size, type of contract and the sectors in which workers work.

In Europe, for example, women make up on average 50-60% of workers in the three lowest pay deciles; this share falls to about 35% among the best-paid 10% of employees, and further to 20% among the highest-paid 1% of employees. In some emerging and developing countries, the contrast is even greater, said the report.

"Recent literature shows that increasing inequality between enterprises (as measured by differences in average wages among enterprises) has played an important part in the increase in US wage inequality between 1981 and 2013, as well as in the fall in Brazilian wage inequality between 1996 and 2012."

In the United States, said the ILO, the higher inequality between enterprises has been mainly attributed to growing polarization, with high-skilled workers clustering in some enterprises and low-skilled workers clustering in others, consistent with the trend towards restructuring and outsourcing peripheral activities to sub-contractors or franchisees. In Brazil, a large share of the decline in inequality between enterprises has been attributed to a higher minimum wage.

According to the report, inequality between enterprises tends to be greater in developing than in developed countries. While in developed countries the average wages in the top 10% of enterprises tend to be two to five times as high as those in the bottom 10%, this ratio goes up to eight in Vietnam and even 12 in South Africa.

Norway has a high proportion of enterprises which pay middle-of-the-range average wages, compared to the United Kingdom, which has a higher proportion of enterprises with either low or high average wages.

"On average, in 22 European countries, inequality within enterprises accounts for 42% of total wage inequality, while the rest is due to inequality between enterprises," said ILO economist Rosalia Vazquez-Alvarez in the ILO news release.

Ranking enterprises by their average wages and looking at the minimum and maximum wages they pay, the report found that in Europe there is considerable wage inequality, particularly within enterprises that register relatively high average wages.

When comparing the wages of individuals with the average wage of the enterprises in which they work, most people (about 80%) are paid less than that average wage, said the ILO. At the very low end of the curve, some workers earn wages far below the average wages of the enterprises in which they work, pointing towards large inequality within such enterprises as a cause of unduly low pay. At the very top end of the curve, the top 0.1% of individuals are paid €211 per hour, while the enterprises in which they work pay on average €45 per hour.

According to the ILO, in the 1% of enterprises with the highest average wages, the bottom 1% of workers are paid on average €7.1 per hour, while the top 1% are paid on average €844 per hour.

"The extent of wage inequality within enterprises – and its contribution to total wage inequality – is quite large, which indicates the importance of enterprise-level wage policies in reducing overall inequality," said Greenfield.

The report also found that while the overall hourly gender pay gap for Europe is about 20%, among the top 1% of wage earners it reaches about 45%. Among CEOs, who are among the best-paid 1% of wage earners, the gender pay gap is above 50%.

The report recommends some possible country-specific policy measures such as minimum wages and collective bargaining, self-regulation or more regulation by enterprises of top salaries to keep wage inequality within socially acceptable bounds, promoting productivity growth among sustainable enterprises, and addressing unequal wages between groups of workers, including women and men.

Other measures include fiscal policies, in the form of taxes and transfers, to address wages and inequality, and policies that affect wages and wage distribution indirectly such as access to quality education, ongoing programmes to improve the skills of the workforce, and better matching between job-seekers and jobs. *(SUNS8379)* ❐

WTO General Council holds final meeting for 2016

Accession requests, the Doha negotiations and the e-commerce work programme were among the areas looked into by the WTO's last General Council meeting of the year, which also set the dates for the next Ministerial Conference. *Kanaga Raja* reports.

GENEVA: The WTO General Council on 7 December formally agreed that the eleventh session of the WTO Ministerial Conference (MC11), to be held in Buenos Aires, Argentina, will take place on 11-14 December 2017.

The final General Council meeting of 2016 also took up a number of other agenda items, some of which are highlighted below.

Under two separate agenda items, the General Council agreed to establish two working parties to examine the requests for accession to the WTO by the Federal Republic of Somalia and the Democratic Republic of Timor-Leste, both least-developed countries (LDCs). It also welcomed them as observers to the organization.

Negotiations

Under the agenda item on the report by the Chair of the Trade Negotiations Committee, according to trade officials, the statement made by WTO Director-General Roberto Azevedo and the statements of delegations at the informal heads-of-delegation (HOD) meeting on 1 December were put on the record of the General Council meeting. (Azevedo also serves as the Trade Negotiations Committee Chair.)

At that HOD meeting, a number of developing countries stressed the need for outcomes at the next Ministerial Conference on the issues of public stockholding for food security purposes as well as on a Special Safeguard Mechanism (SSM) for developing countries, with the LDCs in particular calling for the issues of special and differential treatment (SDT) and the LDC issues to be addressed (see *TWE* No. 629).

Only three delegations spoke under this agenda item at the 7 December General Council meeting.

According to trade officials, Morocco (on behalf of the African Group of countries) said that a meeting of African trade ministers in Addis Ababa had stressed the importance of regional integration across the African continent.

With respect to the WTO issues, they had highlighted the SSM, public stockholding, fisheries subsidies, trade-distorting domestic support and cotton, with the development dimension being at the heart.

Morocco said that the priority should be to conclude as soon as possible all the Doha issues. It is important to highlight the principles of the Doha Development Agenda (DDA) including a transparent and inclusive process, full participation and decision-making by consensus.

For MC11, Morocco would like to see the issues of domestic support, cotton, SSM, public stockholding and fisheries subsidies in line with Target 14.6 of the Sustainable Development Goals (SDGs).

Progress should be made in an incremental manner, it said, adding that it would like to see a mini-ministerial meeting at some point in the second half of 2017.

Uganda said exports of the LDCs have gone down by 23% in the last 10 years. It highlighted difficulties with respect to capacity. Africa is looking to make a structural transformation with industrialization at the heart of this.

Uganda said it would like to discourage all members from having a narrow interpretation of special and differential treatment, which should be much broader than just about longer time periods.

It noted that 80% of African exports are raw commodities. There is thus a need to add value to Africa's primary products, Uganda said.

Fiji (on behalf of the Pacific Group) said that the development dimension is key. It would like to see taken up the issues of domestic support in agriculture and fisheries subsidies in line with SDG Target 14.6.

E-commerce review

According to trade officials, under the agenda item on the review of progress on the e-commerce work programme, the General Council Chair, Ambassador Harald Neple of Norway, reported that Ambassador Alfredo Suescum of Panama (Friend of the GC Chair overseeing the dedicated sessions on e-commerce) held a consultation in June and a meeting in July and, based on these discussions, decided to call a meeting on 18 October. He had met with 40 delegations bilaterally including all the regional coordinators.

According to the General Council Chair, substantive discussions did not take place at the meeting on 18 October because of procedural concerns.

[At that meeting, members of the African Group underlined that they will not accept attempts to force discussions on thematic or negotiating issues that are inconsistent with the 1998 work programme on e-commerce. Following the statement by Morocco on behalf of the African Group, Suescum was forced to suspend the thematic session on "Facilitating e-commerce and e-commerce for development." (See *TWE* No. 627.)]

The General Council Chair said some think that e-commerce is being given a higher priority as compared to the Doha issues of interest to them. It was clear that there is a misunderstanding of the role of the dedicated session on e-commerce. One delegation specifically said that it would oppose any discussion on e-commerce in the dedicated session, according to the Chair. In the view of this delegation, the Nairobi decision directed members to submit and discuss papers in the subsidiary bodies.

[In the ministerial decision on the work programme on e-commerce, ministers at the Nairobi Ministerial Conference in 2015 decided: "(1) To continue the work under the Work Programme on Electronic Commerce since our last session, based on the existing mandate and guidelines and on the basis of proposals submitted by Members in the relevant WTO bodies as set out in paragraphs 2 to 5 of the Work Programme, (2) To instruct the General Council to hold periodic reviews in its sessions of July and December 2016 and July 2017 based on the reports that may be submitted by the WTO bodies entrusted with the implementation of the Work Programme and report to the next session of the Ministerial Conference, (3) That Members will maintain the current practice of not imposing customs duties on electronic transmissions until our next session which we have decided to hold in 2017."]

The Chair said that the General Council does have a central role in the work programme and it considers issues of a cross-cutting nature. In any event, paragraph 34 of the Nairobi Ministerial

Declaration says that any negotiations can only begin on the basis of consensus.

Neple said that some delegations stressed the need to avoid using procedural issues to block discussion. In their view, if some members did not want any discussion at all, they should make that clear.

Many delegations recognized the potential benefits of e-commerce but noted the existing infrastructure challenges that need to be addressed first and foremost. They need to fill the knowledge gap to help identify the development-related issues that could be discussed, the Chair said further.

Some people have said that the issue should be discussed first in the relevant subsidiary bodies and should only be brought to the dedicated session once it has matured. Others were of the view that the dedicated session had a mandate to discuss cross-cutting issues.

Some delegations wanted to see some progress by MC11. Others do not share this view and want to continue the exploratory nature of the work programme.

The Chair said that "as we move forward, it is my hope delegations will continue to discuss electronic commerce." It is important to address the knowledge gap as well as the connectivity issues, in close cooperation with other organizations that can complement the WTO's work, he added. Members should identify issues which can be discussed in the WTO and proceed incrementally in a transparent and inclusive manner.

E-commerce and development

According to trade officials, China mentioned its proposal on e-commerce (co-sponsored by Pakistan), which it said has been introduced in the Goods Council, the Council for Trade in Services and the Committee on Trade and Development, in accordance with the 1998 work programme and the Ministerial Declaration.

It said the development dimension is at the heart of this work and that e-commerce is an important component in development. But it is important to address the lack of information, the lack of capacity and the lack of skills that many delegations worry that they suffer from. It is also very important that efforts are made to facilitate and promote the cross-border flow of goods with e-commerce, and this can be done through helping countries with legislation.

China said that there is a very good chance for developing-country micro, small and medium-sized enterprises (MSMEs) to benefit from global value chains. Small farmers in China have been helped by e-commerce.

It underlined that it is not a mandate to negotiate but to examine all of the trade-related issues to do with e-commerce. Before any rule-making, there must be a better understanding of what is going on. There should be no new market access agreements. Members should avoid crossing any red lines but should be clarifying and improving the understanding of existing multilateral rules through a bottom-up approach, China said.

The European Union said that e-commerce is of use in many different ways and is something that fits into the WTO across a number of different formats. The Oslo mini-ministerial meeting in October was a good example of ministers' endorsement of this. It noted that a number of cross-cutting issues were discussed in the seven papers that were submitted in July.

It expressed regret over the meeting of the dedicated session on 18 October, saying that this could have allowed the advancement of the work. But instead now work is slowed down by procedural issues.

According to the EU, there is too much emphasis on the process. Noting that a number of members would want to address this issue in the regular committees, it said that it is flexible on this. But there is also a need to move ahead.

MC11 should deliver something on e-commerce, the EU said; 18 years after the launch of the work programme, it is not too soon to deliver something.

Members can also identify a number of legal areas that could be ripe for discussion. They should be looking at things that can be done to help the regulatory side of e-commerce, helping small and medium-sized enterprises (SMEs) to participate, the development dimension and other issues, it said.

All of these issues could be advanced by MC11, it said. In parallel, a number of larger issues could be the subject of discussion over a longer timeframe.

The EU welcomed China's initiative, saying that there are a number of things in China's paper which could be of interest, including e-contracts and e-signatures. It also called for making the moratorium on e-commerce duties permanent.

The United States said it is encouraged by the way in which the work has been revitalized. The China/Pakistan paper contains proposals that are ripe for discussion. The US also supports making the moratorium on e-commerce duties permanent, which it said is something that would mark progress.

There is not much low-hanging fruit in Geneva, but this is, said the US. If this cannot be done, it is difficult to see what can be done multilaterally on e-commerce.

Benin, on behalf of the LDCs, thanked China and Pakistan for their paper. It was of the view that the work programme of 1998 is important and that the General Council should take into account any cross-cutting issues. However, there are major difficulties in terms of capacity in the LDCs; only five LDCs have broadband connections.

It pointed out that there is no negotiating mandate on this issue. Only one million households in LDCs have Internet access, so while e-commerce is important, priority should be given to the Doha Round issues.

Japan said that e-commerce is very important for trade in the 21st century. It is encouraged that there has been some energy in the discussions but was disappointed with the discussion on cross-cutting issues in the dedicated session on 18 October.

Japan said that China's proposal is a good first step, but there is a need to look at a wide range of issues and see which belong to the relevant portfolio of WTO issues. Other elements should also be discussed, including data flows and e-signatures.

Pakistan pointed to a digital and knowledge gap, saying that this is complicated by the multi-dimensional and multi-agency nature of e-commerce. It highlighted the $15 trillion in business-to-business e-commerce transactions every year but said these opportunities are not being seized by businesses and consumers in developing countries.

Paraguay said some members are not going to be able to benefit from a lot of these gains through e-commerce because they don't have the infrastructure or the institutional capacity. This needs to be taken up so that all members can support this, it added.

Laos expressed support for the China/Pakistan paper.

Peru said that it would like to see a more substantive discussion and expressed support for the China/Pakistan paper.

Korea said that before the summer break it had been very enthusiastic about what was going on in relation to e-commerce but this did not last long; it was unhappy about the meeting in October. It maintained that the work on e-commerce is going to continue whether or not the WTO keeps up with it, as it is important for the global economy. It said it was fine with discussing the issue in the four regular bodies as well as in dedicated sessions in the General Council.

Uganda expressed support for the statement made by Benin. It said there is no problem with discussing the issue but there is a big difference between discussing and negotiating. There is no mandate for negotiations. The issue should go to the dedicated session but also be taken up in the regular bodies. It also pointed to the problem of the digital divide.

Norway welcomed the number of suggestions that have come forward. It called for a step-by-step approach. It appreciates the infrastructure and regulatory requirements in developing countries.

Canada said there is a need to identify which aspects are related in the WTO context. Whether the issue is taken up in the dedicated session in the General Council is not the key point. On those who fear a negotiation behind every discussion, those fears should be put to rest because clearly members are not at a point where anyone can really identify anything for negotiations, it said.

Canada said the General Council can and should be a forum for discussing cross-cutting issues. It is the only place where such issues can be taken up. For example, the moratorium on e-commerce duties can only be taken up in the General Council, it said.

Nigeria said the General Council has a critical role to play on this issue. There are regulatory challenges for governments and SMEs. Most of the developing countries are not really ready to discuss certain elements because there is a knowledge gap and there is also a challenge to get the SMEs involved, it said.

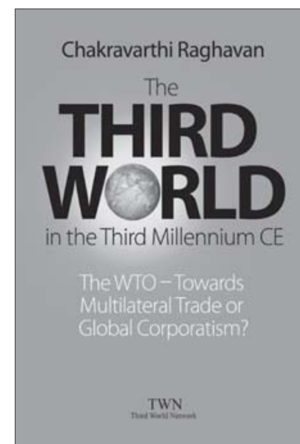
Chile expressed support for the work programme as well as continued work in the General Council and in the regular committees. There is a need to help improve the capacity of developing countries to participate more effectively, it said, and the best way to do this is by having both the General Council and the

(continued on page 9)

The Third World in the Third Millennium CE

The WTO – Towards Multilateral Trade or Global Corporatism?

By Chakravarthi Raghavan



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THE second volume of *The Third World in the Third Millennium CE* looks at how the countries of the South have fared amidst the evolution of the multilateral trading system over the years. Even at the General Agreement on Tariffs and Trade (GATT) gave way to the World Trade Organization (WTO) as the institution governing international trade, this book reveals, the Third World nations have continued to see their developmental concerns sidelined in favour of the commercial interests of the industrial countries.

From the landmark Uruguay Round of talks which resulted in the WTO's establishment to the ongoing Doha Round and its tortuous progress, the scenario facing the developing countries on the multilateral trade front has been one of broken promises, onerous obligations and manipulative manoeuvrings. In such a context, the need is for the countries of the Third World to push back by working together to bring about a more equitable trade order. All this is painstakingly documented by *Chakravarthi Raghavan* in the articles collected in this volume, which capture the complex and contentious dynamics of the trading system as seen through the eyes of a leading international affairs commentator.

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Circular economy path could benefit India by $624 billion

Taking India as an example, a new study says that moving from the present linear economic model to a regenerative and restorative circular system would yield economic, environmental and social benefits.

by Kanaga Raja

GENEVA: A circular economy path to development could bring India annual benefits of $624 billion in 2050 [or a benefit equivalent to 30% of India's current gross domestic product (GDP)] compared with the current development path, according to a new report by the Ellen MacArthur Foundation in association with the United Nations Conference on Trade and Development (UNCTAD).

According to the report, titled "Circular Economy in India: Rethinking Growth for Long-Term Prosperity", this conclusion was based on high-level economic analysis of three focus areas key to the Indian economy and society: cities and construction, food and agriculture, and mobility and vehicle manufacturing.

"The research shows that realizing these benefits fully would require applying circular economy principles in combination with harnessing the unfolding digital and technological transformation, all tailored to the Indian context," it said.

The report explains the concept of a circular economy as being "a continuous cycle that preserves and enhances natural capital, optimizes resource yields, and minimizes system risks by managing finite stocks and renewable flows." Restorative and regenerative by design, a circular economy aims to keep products, components and materials at their highest utility and value at all times.

In a circular economy, said the report, value creation is decoupled from the consumption of finite resources. The model distinguishes between technical and biological cycles, which rely on distinct capital-building strategies. Consumption happens only in biological cycles, where nutrients are metabolized – e.g., through composting or anaerobic digestion – and life processes regenerate the living systems, such as soil, plants or animals, that give rise to materials and other resources. Technical cycles recover and restore products, components and materials through strategies like reuse, repair, re-manufacture, refurbishment or (in the last resort) recycling.

"In a circular system, innovation and restoration increase long-term resilience. A circular economy does not just amount to adjustments aimed at reducing the negative impacts of the linear economy; it reflects a systemic shift that creates a positive and self-reinforcing development cycle, generating business and economic opportunities and environmental and social benefits," said the report.

"By embarking on a circular economy transformation – launching new circular economy initiatives and reinforcing existing efforts – India could leverage its expected high levels of growth and development to build a more resource-effective system, creating value for businesses, the environment, and the Indian population," the report said.

International briefing

An international briefing on the report was held by the Ellen MacArthur Foundation, an economic research and innovation think-tank, in cooperation with UNCTAD and the government of India at the United Nations here on 12 December.

In some introductory remarks at the briefing, Guillermo Valles, Director of the UNCTAD Division on International Trade in Goods and Services, and Commodities, said that most economic processes today rely on linear flow of extraction, transformation, utilization and disposal of materials. He said that this has been the essence of industrial development perhaps over the last 200 years and has led to unprecedented levels of economic growth – with all its benefits also – in the last century.

"This linear paradigm of production is, in our view however, myopic and does not account for the externalities which we know now really exist," he said. This is made clear by the environmental boundaries of the planet which have taken significant economic and political resources over the last two decades and it is very well acknowledged in the Paris Agreement on climate change and the Rotterdam and Stockholm conventions on trade in wastes.

Valles noted that recycling is already a big business. Secondary materials markets are widespread and represent important sources of livelihood in many nations. In the world today, 70% of people use second-hand clothes. Between 2002 and 2012, the combined market in the European Union alone for waste glass was €2.6 billion, €56.2 billion for paper and €26.4 billion for plastic. This amounted to a total of €85.2 billion in current prices.

According to Valles, the exercise which was done to estimate the benefits of circularity for India is important as an example for the international community.

Strong circularity can only be achieved if many countries engage in it, closing the material loops in value chains which represent most of the material flows in the world so that the trade community as we see it should be at the centre of this effort.

"We are at the very crossroads for trade, trade policy and the international trading system. We all know that trade is ... at the centre of the political agenda. It was for a long time, but more so in these days."

"What will happen as from January next year, we don't know, in terms of unilateralism, in terms of what we call the wrong responses to the wrong causes, meaning addressing fallacies and responding to fallacies with wrong policies," said Valles.

Using the concept of circular economy to help make trade more responsive and strengthening the role of trade as a means for sustainable development requires new thinking on the way we produce, the way we consume and the way we trade, he said.

Jocelyn Bleriot, Executive Officer at the Ellen MacArthur Foundation, provided some context with respect to the circular economy.

He said that the linear economy generates quite a bit of waste and the tendency to have a reductive vision of the circular economy is actually quite present. He said the Foundation wanted to see if the circular economy was a potential way to rethink the development of very dynamic markets with high growth rates, and India was an obvious one to look at, with GDP growth of 7.6%

in 2015 and an average growth of 7.4% over the last 10 years. Demographic expansion is quick as well, with India set to become the world's most populous nation by 2022.

According to Bleriot, this raises many questions when it comes to economic activity, pressure on resources and levels of consumption. It is interesting to look at a different way of emerging as a powerhouse in the globalized economy. At the moment, India is evolving in the context of a linear globalization, so the chances of it evolving along with that model are very high. But if an economic case is put together for a different type of prosperity, that window of opportunity might be taken advantage of to move towards regenerative and restorative models of growth, he said.

Ashok Khosla, co-chair of the UN Environment Programme (UNEP) International Resource Panel, explained what the circular economy means and the social, environmental, political and economic context within which a circular economy can best flourish. He went on to share his experiences both in the international community and also in India on how to make the economy circular.

He highlighted India's progress in the 40 years from 1970 to 2010, where total material extraction in the country went up by a factor of 8. The causes of this are a growing economy, consumption patterns and, to some extent, population growth. "So we need to look at all of these if we are going to solve the problems of the circular economy," he said.

Ambassador Virander Paul, Acting Permanent Representative of India to the UN in Geneva, spoke on where India stands and where the country is headed. He noted that the Ellen MacArthur Foundation had chosen India as the first country in the developing world to do this study.

Circularity might be a new concept from an academic angle but not so new as a practice because various countries do practise circularity based on their needs, their potential and their requirements, he said. But this report has given the whole concept renewed focus and packages various elements of circularity in such a way as to inspire those who haven't really looked much at this concept.

Complimenting the authors, both from the Foundation and from UNCTAD, for the hard work that they put in to bring out the report, Paul said the report advocates the adoption of a value-preserving model with respect to three focus areas, namely cities and construction, food and agriculture, and mobility and vehicle manufacturing. He said that the findings of the report are "very promising" and are in line with the larger aims and direction of Indian economic policies.

He also provided a snapshot of the current state of play of the Indian economy, saying that the government's main agenda is rapid economic development that is inclusive. He pointed out that the Indian economy has grown 7.6% in 2015-16, with foreign exchange reserves reaching the highest ever level of about $350 billion. The fiscal deficit in 2015-16 and 2016-17 are at 3.9% and 3.5% of GDP.

Highlighting India's agenda for the present year, Paul said the focus is on ensuring macroeconomic stability and prudent fiscal policy, boosting domestic demand, and continuing the pace of economic reforms and various policy initiatives. He underlined that India is transforming and ready to embrace new ideas and initiatives and a new paradigm that is in sync with the spirit and changed developmental dynamics.

He believed that this report could also serve as a foundation for policy planning in several other countries which are at a similar level of development, because the concept of circularity is universal and draws upon longstanding good practices.

Highlights of report's main findings

According to the report, a circular economy development path in India could create annual value of 14 lakh crore rupees ($218 billion) in 2030 and 40 lakh crore rupees ($624 billion) in 2050 compared with the current development scenario.

The analysis indicates that costs to provide the same level of utility would be significantly lower in the circular development scenario. Cost savings amount to 11% of current Indian GDP in 2030 and 30% in 2050.

By adopting circular economy approaches, businesses could achieve material cost savings and increase their profits. The key drivers of value creation include better product design, innovative business models and reverse logistics.

For example, shifting from selling cars to providing vehicles as a service can create new revenue streams for the automotive industry and capture the value of more intensive use of each car. "Innovative vehicle design to make maintenance easier and boost fuel efficiency can create value by increasing utility (in terms of total kilometres driven) and decreasing running costs," said the report.

In the built environment, it said, construction companies can innovate by applying design methods for modular buildings. Retrieving materials left over after construction and demolition work and keeping them in cycles could capture their value and ultimately reduce overall construction costs.

A circular economy development path could significantly mitigate negative environmental externalities. For example, greenhouse gas (GHG) emissions could be 23% lower in 2030 and 44% lower in 2050 compared with the current development scenario, helping India deliver on its targets promised in the recently ratified Paris Agreement to tackle climate change.

Other negative externalities, such as those resulting from the linear use of virgin materials and water, and the consumption of synthetic fertilizers, would also decrease. According to the report, in the three focus areas analyzed, virgin material consumption would be 24% lower in 2030 and 38% lower in 2050 compared with the current development path. Water usage in the construction industry would be 19% lower in 2030 and 24% lower in 2050, while synthetic fertilizer and pesticide use would be 45% lower in 2030 and 71% lower in 2050 compared to the current development path.

A circular economy could deliver benefits for the Indian population, such as cheaper products and services and reduced congestion and pollution. In all three focus areas studied, the analysis showed that the cost of providing the expected services for each citizen would be considerably lower on the circular development path than on the current path. "While businesses will capture part of this value, most of it would boost disposable income. The lower costs could also help India implement such initiatives as Pradhan Mantri Awas Yojana (Housing for All) and the National Food Security Mission."

The Foundation said that the analysis also suggested beneficial impact on congestion, pollution and health. For example, following the circular development path would reduce vehicle kilometres travelled on roads by 38% in 2050 compared with the current path, and reduce congestion and time spent in traffic. The circular scenario would also

include more zero-emission vehicles, reducing pollution and their associated negative effects on health and costs. "Reduced use of pesticides (76% lower in 2050 compared with the current path) is likely to improve the health of farmers."

The report also underlined that leveraging digital technology to enable the circular economy could reinforce India's position as a hub for technology and innovation. "The interplay between circular economy and digital technology creates fertile ground for value creation and given its renowned IT [information technology] sector, India is particularly well positioned to leverage these opportunities."

The report found that all three focus areas studied could leverage digital technology and the increasing ease of connectivity. For example, in the food system, digitized supply chains and platforms for sharing assets (thus maximizing their utilization rate) and knowledge (best practices) among small farmers can create significant benefits. In the mobility sector, digital devices can provide seamless door-to-door transport planning, combining diverse modes of transport and providing direct access to mobility when it is needed. In cities, digitally enabled sharing solutions are already being deployed to increase the utilization of floor space in buildings.

Moving to a circular economy

By actively leveraging and reinforcing circular economy opportunities now, India could move directly to a more effective system and avoid getting locked into linear models and infrastructure, said the report. "As the systems that provide housing, food, and mobility require development in a growing economy like India's, the country could realize significant value by developing them in a circular, rather than a linear, way."

For example, it noted, only about 2% of the Indian population currently own a car, but the demand for mobility is increasing. Demand for personal mobility in India is expected to double or even triple by 2030. Car sales are booming, and the country is expected to become the third largest market in the world by 2030, after China and the US. "Designing and building a mobility system that enables safe, convenient, and comfortable travel without car ownership could meet people's mobility needs with lower cost and fewer negative externalities than in the current development scenario."

In other areas, such as cities and the construction industry, satisfying the demand for development with highly efficient infrastructure and buildings – or virtualizing the needs altogether, which in turn has a beneficial impact on the mobility system – could reduce consumption of resources and energy for many years. The report noted that India is urbanizing at an unprecedented rate, against a backdrop of resource constraints. An estimated 700-900 million square metres of new commercial and residential space a year – the equivalent of what exists in Chicago today – needs to be built to cope with the increasing demand.

"High-growth markets like India can achieve competitive advantage over mature economies by moving to a circular economy."

The report said that applying circular economy principles to new activities from the start would firmly set the direction of travel and favour early success. In contrast, because of existing linear lock-in, mature economies would need to transform large parts of their systems to reach the same level of circularity. "This advantageous starting point could provide India and other high-growth markets with a competitive advantage over those economies."

For example, 70% of the buildings expected to stand in India by 2030 are not yet built, compared with 25% in the UK. If both economies applied circular economy principles to all new construction until that year, India's buildings would have higher embedded circularity.

Similarly, the total costs (relative to the size of the economy) of shifting to a highly circular system would be much lower for India, said the report.

The full report can be found at http://www.ellenmacarthurfoundation.org/publications/. *(SUNS8377)* ❐

(continued from page 6)

subsidiary bodies involved. E-commerce has a very important role to play in development, it said.

Hong Kong-China said that WTO members should intensify the engagement on e-commerce. It expressed support for the China/Pakistan paper.

Switzerland said that it has been a longstanding supporter of the work programme. It is open to whatever format or forum for discussion; what is important is that progress is made on substance.

Non-negotiating framework

According to trade officials, India said there is an existing framework and that it is a non-negotiating one. There is no scope for negotiations. It is, however, open to any discussion in the relevant bodies.

India noted that the Nairobi ministerial decision calls on the General Council to have a periodic review and that there should be a bottom-up approach coming out of these committees. It would not support an effort to undermine the regular bodies.

There is also a need to address the knowledge gap, the development dimension and the LDC issues, it stressed.

Australia said that e-commerce is a gateway for greater participation by MSMEs.

Brazil, on the question of the process, said that some delegations are suggesting that there be a joint session of the General Council and the relevant bodies. It could go along with that, it said. It is open to any format for a non-negotiating discussion of the issues.

Mexico was of the view that the moratorium on e-commerce duties should be made permanent.

Ecuador underscored the need to deepen the discussion but not to turn away from the DDA issues.

El Salvador, on behalf of itself, the Dominican Republic and Guatemala, said that the China/Pakistan paper is a good starting point, and that e-commerce can help MSMEs to cut costs and access new markets.

Colombia said that e-commerce can be an important tool for SMEs. The proposal by China can yield fruit. Apart from the General Council, these issues could also be addressed in the other bodies.

Uruguay said that e-commerce is unavoidable. It would like to see a decision on the moratorium on e-commerce duties and a roadmap for MC11.

Bolivia said that the problem is not just a question of physical infrastructure, but that 50% of the developing countries lack legislation that would enable them to regulate properly. *(SUNS8373)* ❐

World Bank's Doing Business *report continues to mislead*

The World Bank's much-read *Doing Business* report makes use of weak empirical evidence and selective reporting to push its advocacy of corporate-friendly deregulation.

by Anis Chowdhury and Jomo Kwame Sundaram

The World Bank's *Doing Business Report 2017*, subtitled "Equal Opportunity for All", continues to mislead despite the many criticisms, including from within, levelled against the Bank's most widely read publication and Bank management promises of reform for many years.

Its foreword claims, "Evidence from 175 economies reveals that economies with more stringent entry regulations often experience higher levels of income inequality as measured by the Gini index."

But what is the evidence base for its strong claims, e.g., that "economies with more business-friendly regulations tend to have lower levels of income inequality"?

Closer examination suggests that the "evidence" is actually quite weak, and heavily influenced by countries closer to the 'frontier', mainly developed countries, most of which have long introduced egalitarian redistributive reforms reflected in taxation, employment and social welfare measures, and where inequality remains lower than in many developing countries.

The report notes that relations between Doing Business (DB) scores and inequality "differ by regulatory area". But it only mentions two, for "starting a business" and for "resolving insolvency". For both, higher DB scores are associated with less inequality, but it has nothing to say on other DB indicators.

Other studies – by the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), Asian Development Bank (ADB) and the United Nations – negatively correlate inequality and the tax/GDP ratio.

Higher taxes enable governments to spend more on public health, education and social protection, and are associated with higher government social expenditure/GDP ratios and lower inequality.

The *Doing Business Report* (*DBR*)'s total tax rate indicator awards the highest scores to countries with the lowest tax rates and other contributions (such as for social security) required of businesses.

Bias

The *DBR*'s bias towards deregulation is very clear.

First, despite the weak empirical evidence and the fallacy of claiming causation from mere association, it makes a strong general claim that less regulation reduces inequality.

Second, in its selective reporting, the *DBR* fails to report on many correlations not convenient for its purpose, namely advocacy of particular policies in line with its own ideology.

The World Bank had suspended the *DBR*'s labour indicator in 2009 after objections – by labour, governments and the International Labour Organization (ILO) – to its deployment to pressure countries to weaken worker protections. But its push for labour market deregulation continues.

For example, Tanzania's score is cut in 2017 for introducing a workers' compensation tariff to be paid by employers, while Malta is penalized for increasing the maximum social security contribution to be paid by employers.

New Zealand beat Singapore to take first place in the latest *DBR* rankings following reforms reducing employers' contributions to worker accident compensation. Nothing is said about how it has become a prime location for 'money-laundering' 'shell' companies.

Meanwhile, Kazakhstan, Kenya, Belarus, Serbia, Georgia, Pakistan, the United Arab Emirates and Bahrain – eight of *DBR 2017*'s "top 10 improvers" – have recorded poor and, in some cases, worsening workers' rights, according to the International Trade Union Confederation.

A *DBR 2017* annex claims that labour market regulation can "reduce the risk of job loss and support equity and social cohesion", but devotes far more space to promoting fixed-term contracts with minimal benefits and severance pay requirements.

In support of its claim of adverse impacts of labour regulations, *DBR 2017* cites three World Bank studies from several years ago. Incredibly, it does not mention the extensive review of empirical studies in the Bank's more recent flagship *World Development Report 2013*, which found that "most estimates of the impacts [of labour regulations] on employment levels tend to be insignificant or modest".

DBR 2017 adds gender components to three indicator sets – starting a business, registering property and enforcing contracts – concluding: "For the most part, the formal regulatory environment as measured by *Doing Business* does not differentiate procedures according to the gender of the business owner. The addition of gender components to three separate indicators has a small impact on each of them and therefore a small impact overall."

Should anyone be surprised by the *DBR*'s conclusion?

It ignores the fact that the policies promoted by the Bank especially adversely affect women workers who tend to be concentrated in the lowest-paid, least-unionized jobs, e.g., in garments and apparel production or electronics assembly. The *DBR* also discourages regulations improving working conditions, e.g., for equal pay and maternity benefits.

Despite its ostensible commitment to "equal opportunity for all", the *DBR* cannot conceal its intent and bias, giving higher scores to countries that favour corporate profits over citizens', especially workers', interests and national efforts to achieve sustainable development.

Sadly, many developing-country governments still bend over backwards to impress the World Bank with reforms to improve their *DBR* rankings. This obsession with performing well in the Bank's 'beauty contest' has taken a heavy toll on workers, farmers and the world's poor – the majority of whom are women – who bear the burden of *DBR*-induced reforms, despite its proclaimed concerns for inequality, gender equity and "equal opportunity for all". *(IPS)* ❐

Anis Chowdhury, a former professor of economics at the University of Western Sydney, held senior United Nations positions during 2008-15 in New York and Bangkok. Jomo Kwame Sundaram, a former economics professor, was United Nations assistant secretary-general for economic development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.

Fiscal austerity has been blocking economic recovery

Fiscal austerity policies are slowing down, not accelerating, economic recovery, contends *Jomo Kwame Sundaram*.

Instead of concerted and sustained efforts for a strong, sustained economic recovery to overcome protracted stagnation, the near policy consensus on fiscal austerity in the G7 and the G20 OECD countries, except for the US and Japan, has dragged down economic recovery in developing countries.

After seven years of lacklustre economic performance and rising tensions over the eurozone straitjacket on fiscal stimuli, there are signs of a growing willingness to reconsider earlier policies.

While it is not yet clear whether this will lead to significant enough policy changes, this may well lead to the long-awaited turning point the world economy has sorely needed since the 2008 financial crisis and the ensuing Great Recession.

Opponents of fiscal stimulus cynically claim that all such efforts are bound to fail, citing, as evidence, then US President George W. Bush's 2008 tax cuts. Others deny that the US Federal Reserve's "quantitative easing" efforts have been successful, emphasizing the weak basis of the US' apparently "strong" recovery compared to other G7 economies. While undoubtedly mitigating the impact of the crisis at the outset, Europe's "automatic stabilizers" are now acknowledged not to have sustained recovery very much beyond 2009.

The first bogey has been public debt. Much has been made of high levels of sovereign debt on both sides of the Atlantic and in Japan although the fiscal challenge remains long-term, not immediate.

While Japan has the highest debt-to-GDP ratio among rich countries, this is not a serious problem as its yen-denominated debt is mainly domestically held.

The international community has, so far, failed to develop effective and equitable arrangements for restructuring sovereign debt, despite the clearly dysfunctional and problematic consequences of past international public debt crises. This prevents timely debt workouts, effectively impeding economic recovery.

High public debt has also been invoked in support of fiscal austerity in many developed countries. But, rather than helping, the rush to cut expenditure is blocking or even reversing earlier recovery efforts. With private sector demand still weak, austerity is slowing down, not accelerating, recovery.

Another distraction has been the exaggerated threat of inflation. Recent inflation in many countries was the result of higher commodity prices, especially fuel and food prices. In these circumstances, domestic deflationary policies only slowed growth and failed to stem imported inflation. This is now evident with the recent collapse of oil prices and its aftermath.

Formula for stagnation

Unfortunately, the urgent task at hand – of coordinating and implementing efforts to raise and sustain growth and job creation – continues to be ignored. Meanwhile, cuts in social and welfare spending, demanded by the austerity fetish, are only making things worse, as employment and consumer demand fall further.

The pressure on employment and household budgets is likely to persist. Strident calls for structural reforms mainly target labour markets, rather than product markets. Growing worker insecurity, exacerbated by further labour market liberalization, is imagined to be the basis for a healthy economy. This belief not only undermines remaining social protection, but is also likely to diminish real incomes, aggregate demand and, hence, recovery prospects. It has already reduced growth and employment.

And, while financial markets insist on deficit reduction, the recent decline in equity and bond prices – and the loss of confidence that this reflects – suggests that they also recognize the adverse implications of fiscal consolidation at a time of weak private demand.

Slower growth means less revenue and a faster downward spiral. Most major countries' fiscal deficits nowadays reflect the collapse of tax revenues following the growth collapse, as well as very costly bank bailouts.

Current policy is justified as "pro-market", i.e., effectively pro-cyclical choices, although counter-cyclical efforts, institutions and instruments are sorely needed instead.

Global leadership today seems to be held hostage by financial interests and associated media, ideologues and oligarchs whose political influence enables them to secure more rents and pay lower taxes in what must truly be the most vicious of circles.

Many policymakers have insisted on immediate action not only to close fiscal deficits but also to redress trade imbalances and banks' balance-sheet weaknesses. While these need to be addressed in the longer term, prioritizing them now has effectively stymied stronger, sustained recovery efforts.

Bad public policies can induce recessions. This happened in 1980-81, when the US Federal Reserve raised real interest rates, ostensibly to kill inflation but inducing a protracted global economic downturn. This contributed not only to sovereign-debt and fiscal crises, but also to protracted stagnation outside East Asia, including Latin America's "lost decade" and Africa's "quarter-century retreat".

Moreover, according to economist Thomas Piketty, in recent decades, profits have risen, not only at the expense of wages but also with much more accruing to finance, insurance and real estate compared to other sectors.

The outrageous increases in financial executives' remuneration in recent decades have exacerbated financial sector focus on the short term (recently termed "quarterly capitalism") while worsening risk exposure in the longer term, thereby worsening systemic vulnerability.

Growing income inequality in most countries before and even after the financial crisis has only made matters worse, by reducing household savings and increasing credit for consumption and asset purchases, rather than augmenting investment in new economic capacity.

Indeed, the menace that now confronts us is not public debt or inflation, but a downward economic spiral that will be increasingly difficult to reverse. *(IPS)* ❐

Jomo Kwame Sundaram, a former United Nations assistant secretary-general for economic development, was awarded the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.

Sowing the seeds of corporate capture

The world's largest agribusiness companies are rolling out a public-private partnership programme to take control of food and farming in the Global South. This extract from a report by farmers' rights NGO *GRAIN* looks at the narrow corporate interests driving the Grow initiative at the expense of food security and the sustainable livelihoods of small farmers.

Thousands of greenhouses cluster along the valleys of Lam Dong province in the central highlands of Vietnam. At night, the strong glow from their lights illuminates a flow of trucks carrying fruit, vegetables, flowers and herbs to Ho Chi Minh City or to nearby ports for export. Competition among traders here is intense. The climate is ideal for the production of a number of high-value cash crops, and companies fight to secure their supply of farmers' products or for a share of the lucrative market in chemical inputs, seeds and farm equipment such as plastic greenhouse covers or drip irrigation piping.

Farming in the highlands is a high-stakes business. Each season, farmers gamble on which crop will pay the highest price or which new seed variety will reach the yields promised by dealers. Sometimes the payoffs are big. But losses resulting from crop failures, a sudden drop in prices or scams by traders are just as frequent. Debt weighs heavily on the area's farmers.

Money is not the only problem. There's a looming water crisis from the depletion of water tables and the pollution caused by pesticides and fertilizer run-off, which is generating a public health crisis. Land conflicts are escalating too, especially in the hills where indigenous communities live. Finally, there is a potential threat to food security from producing so many crops that local people don't eat. Most farmers seem to agree that the government is doing little to address these challenges.

It is in this context that some of the world's largest transnational food companies are rolling out a programme promising "market-based" solutions. Vietnam's central highlands are the showcase for Grow Asia, an agricultural programme led by Nestlé, PepsiCo, Monsanto and other food and agribusiness giants. Grow Asia is the Southeast Asian leg of a global initiative under the World Economic Forum's "New Vision for Agriculture", which promises to increase food production, environmental sustainability and economic opportunity globally by 20% each decade. Also under the Grow umbrella are Grow Africa, Grow Latin America and several national programmes.

Under a logic of "public-private partnership", the multinational agribusiness companies participating in Grow are fostering close ties with governments in order to increase their control over markets and supply chains. While claiming to promote food security and benefit small farmers, Grow's focus on a small number of high-value commodities exposes the programme's real objective: to expand production of a handful of commodities to profit a handful of corporations.

Potato chips for food security?

The main Grow Asia project in Lam Dong promotes contract potato production linking small farmers with US-based food giant PepsiCo. Vietnam is a booming market for processed snacks, and PepsiCo is locked in a battle with South Korea's Orion for the sale of potato chips. PepsiCo needs a particular potato variety for its Lay's brand of chips and it has been trying to encourage Vietnam's farmers to grow more of it. With local supply shortages, PepsiCo has relied on imports from Europe, but with chip sales expected to grow exponentially in the Southeast Asian region, the company wants to build up a more affordable local supply.

PepsiCo Vietnam's Agronomy Development Manager, Nguyen Hong Hang, has spent nine years working with Lam Dong farmers to convince them to grow potatoes for his company. It has not been easy for him to meet PepsiCo's target of increasing local production by 20% each year. The profits for farmers have to match those they can get from other crops, and every year about a quarter of PepsiCo's contract farmers drop out or are cut from the programme. Nguyen's nine technical staff meet regularly with farmers to provide extension support and try to lower their production costs, mainly through bulk purchases of fertilizers and discounts for seed potatoes. Still, Nguyen worries that all his efforts could be in vain if the price for potatoes falls as a result of the free trade agreements Vietnam is implementing. In that case, PepsiCo would likely turn to imports or grow the potatoes itself, as it does in China.

The benefit of the project for PepsiCo is clear: it secures the potatoes it needs for chips. But in terms of contributing to food security, the environment and poverty reduction, PepsiCo's Grow project falls flat. Firstly, potato chips are a danger to public health, not a source of nutrition. Secondly, PepsiCo's contract farmers use as much fertilizer and pesticides as any other farmer. And while some farmers are making money by producing potatoes for PepsiCo, these farmers tended to be relatively wealthy even before the project, with little problem making comparable revenues from growing other crops. Lastly, it is important to consider the indirect economic impact of shifting food preferences from traditional snack foods produced and sold by local vendors to processed foods controlled by foreign corporations.

Despite these issues, there is little awareness of the Grow programme and its potential impacts on the ground. PepsiCo's contract potato farmers are not even aware that they are part of something called Grow Asia. The same goes for farmers participating in Grow Asia projects run by other companies in Vietnam. In reality, Grow Asia is little more than a set of contract farming projects – designed exclusively by its corporate members – that secure supplies of commodity crops for the companies. The Grow name exists to garner government and NGO support and to open yet another political space for corporations to mingle with politicians and lobby for business-friendly laws and regulations.

In Vietnam, this political space is a Public-Private Partnership (PPP) Task Force made up of 15 US and European corporate members of Grow, which engages directly with the Minister of Agriculture. Through this task force, Grow corporations lobby to change national laws and regulations, and to win the support of the government and some civil society groups for their investment projects. For example, PepsiCo joined forces with other PPP Task Force member companies to lobby for changes to Vietnam's seed laws in order to avoid the costly tests it must conduct before its potato varieties can be grown in the country.

Increasing the supply of Lay's potato chips – and PepsiCo's profits – is far more likely to undermine Vietnamese food security rather than enhance it. Yet such claims are being used to push similar Grow projects around the world in the interest of advancing an agenda of corporate control.

What is Grow?

Grow is part of the New Vision for Agriculture, an initiative of the World Economic Forum (WEF) that was launched in 2009 and is led by 31 of the WEF's "partner" companies involved in the food business, whether in agriculture, food processing or retail. Ninety percent of these companies are based in the US and Europe, and none of them are from China, Brazil, Japan, South Korea, Thailand or South Africa – countries that are also home to major food multinationals. Yet the New Vision for Agriculture and its Grow programme is focused entirely on Latin America, Africa and Asia – the main growth markets for the global food industry.

The New Vision for Agriculture is a vague document that calls for market-based approaches to increase global food production and ensure environmental sustainability. Its main emphasis is on contract farming linking small farmers to multinational companies (and less, for instance, on corporate plantations). But there are no specifics and no obligations on its corporate members. More than anything, the New Vision for Agriculture is an effort to bring together a particular subset of multinational food and agriculture companies under a shared platform of common interests that they can collectively advance in key political fora. In other words, it's a lobby group.

The New Vision for Agriculture has succeeded, through its programmes and other so-called multistakeholder dialogues, in bringing the interests of its corporate members directly into some of the most influential agricultural policymaking circles. Through its Grow Africa programme, launched in June 2011, the New Vision's corporations forged a partnership with the African Union and the New Partnership for Africa's Development (NEPAD) to establish and oversee "joint commitments among governments, donors and companies". This was then brought into the G8 in 2012, resulting in the creation of the New Alliance for Food Security and Nutrition in Africa – a key instrument for coercing African governments into adopting corporate-friendly policies. The two initiatives are so closely intertwined that Grow Africa and the New Alliance issue their annual reports as a joint publication.

The Grow Asia programme, meanwhile, is located within the Association of Southeast Asian Nations (ASEAN) and its Food Security Framework. It was launched at a Grow agriculture forum in 2014, with the participation of eight of the 10 ASEAN country agriculture ministries, and the ASEAN Secretariat now collaborates directly in the implementation of its activities.

In Latin America, the New Vision's companies have their sights set on the Pacific Alliance (composed of Chile, Colombia, Mexico and Peru) but it has so far been limited to a national programme in Mexico called the New Vision for Agri-Food Development or VIDA (its Spanish acronym). The programme operates in tight collaboration with the Mexican Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (Sagarpa). In June 2016, the World Economic Forum announced that three new Latin American countries had signed up to its New Vision for Agriculture initiative: Argentina, Nicaragua (through a new partnership called CultiVamos) and Colombia (through its Colombia Siembra programme).

Grow may be a corporate-led initiative, but it is funded by governments. Grow Africa is funded by the US Agency for International Development (USAID), the UK's Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC), while Grow Asia is funded by the government of Australia's Department of Foreign Affairs and Trade (DFAT) and the government of Canada's Global Affairs Canada (GAC).

Grow in the fields

The "private" in the public-private partnerships that Grow promotes consists of the investments companies claim they will make. The companies say they plan to spend $10 billion on Grow Africa investments alone, with $1.2 billion already invested by the end of 2015. Such figures need to be put into perspective, however. First, most of the corporate projects under the Grow umbrella are *proposed* investments, with no guarantee that they will be implemented. Second, they are company projects that are decided upon independently of Grow and other "stakeholders". They are not like infrastructure PPPs, in which governments bring in private companies to help finance and operate social projects that they want to construct, such as hospitals or roads. Rather, Grow flips the PPP concept on its head: it is the companies that get public agencies – as well as NGOs and farmers' organizations – to support their projects.

The focus of these projects is on a handful of high-value commodities managed by product-specific working groups. The working groups are typically co-led by a company and government body. These commodity working groups vary by country, but there are several commodities that target multiple countries such as rice, maize, potatoes, coffee, cocoa and oil palm. It is not surprising that Grow projects are focused on building vertically integrated supply chains of commodity crops and input markets for corporate members, with a heavy emphasis on contract farming. In addition to creating farmer dependency on corporations, this speeds up the erosion of local and traditional biodiversity (for example, Monsanto and Syngenta's maize project in Vietnam – see below). Some examples include:

- Unilever's contract tea production project in Vietnam with two NGOs, the Rainforest Alliance and IDH. The project aims to increase Unilever's procurement of high-quality, certified tea in Vietnam to 30,000-35,000 tons per year.
- Nestlé's contract coffee-growing project in Indonesia

with Syngenta, Yara, Rainforest Alliance and Rabobank. The project will implement a financing scheme, in which farmers who have personal bank accounts will receive loans from Rabobank and administer these to other farmers to invest in coffee production.

- Diageo's contract barley-farming project with the Ethiopian government's Agricultural Transformation Agency. The agency will enlist 6,000 smallholder farmers to grow barley for Diageo and increase the company's local supply of barley by 20%.
- Cargill and Monsanto's contract maize-farming project in Indonesia with Bank Rakyat Indonesia and a government loan programme called KKPE that provides farmers with low-interest loans as part of a national food security programme. Under an agreement among Monsanto, Cargill, BRI and three farmers' groups, KKPE credit is given to farmers to enable them to buy Monsanto's hybrid seeds and produce maize for Cargill's Indonesian feed mill.

The Grow programme claims that these and other investments it promotes abide by the Principles for Responsible Investment in Agriculture and Food Systems (RAI). But it does not hold its corporate members accountable for failures to comply, nor does it monitor or investigate compliance. It merely advises and encourages its member companies to act responsibly and enlists certain NGOs and farmer groups to participate. Grow Asia, for example, has a Civil Society Council that "advises on ensuring positive societal and environmental outcomes", but has no authority to ensure compliance.

Furthermore, there is no serious process to assess how the corporate activities sponsored by Grow contribute to the WEF's larger targets for food production, environmental performance and improved livelihoods. As with PepsiCo's project in Vietnam, independent field investigations of some of these projects indicate that they are falling far short of expectations (see below).

Failing to grow: snapshots of Grow projects around the world

Monsanto and Syngenta's maize project in Vietnam

One of Grow Asia's projects in Vietnam is a Monsanto and Syngenta-led project to assist the Ministry of Agriculture in converting 668,000 ha from traditional rice production for food to hybrid maize production for animal feed within five years. Monsanto says farmers' profits will increase by 2.5-4 times as a result of the project based in the country's mountainous northern provinces. But the conversion scheme has already had drastic impacts on the Xinh Mun people who live in this region. Over the past several years, many of them were encouraged to stop planting their traditional upland rice and to plant maize instead. Businessmen persuaded villagers to make the switch by offering them seeds and fertilizers, as well as household staples such as rice, salt, MSG, yarn and soup, in exchange for signing contracts to grow maize. Since many of them were illiterate, few were aware of what the contracts contained.

The farmers didn't realize that they would have to repay the cost of the seeds at twice the price at harvest time, because of high interest rates, and that the prices would rise even further if they failed to pay on time. Farmers often ended up paying nearly three times the initial price for seeds. As a result, nearly 100% of village households are now in debt, and 30-40% of households have lost land to repay debts.

AgDevCo's irrigation hub in Ghana

Ghana is one of 12 African countries participating in Grow Africa. The government is proud of the 20 letters of intention that companies have signed for $132 million worth of investments in the country under Grow Africa and the New Alliance for Food Security and Nutrition in Africa. One of these investments, which Grow Africa highlights as an example of responsible investment, is led by the UK "impact investor" AgDevCo.

With political support from the government of Ghana and funding from the governments of the UK and the Netherlands, AgDevCo is constructing an "Irrigated Farm Hub" in Babator, in northern Ghana. The project began in 2014 when the company signed an agreement with traditional authorities giving it control over 10,300 ha for a period of 50 years with an option to renew for another 25 years.

AgDevCo makes much of its "responsible" investment in farmlands in Africa, but a recent report claims the company paid traditional authorities so-called knocking fees in the process of acquiring these lands. (A "knocking fee" is an African expression that typically refers to a material or financial gift provided in exchange for a person's consent in a process of negotiation. It can be seen as a form of bribery.) Moreover, local community members displaced by the project say they were promised it would involve them in a contract farming scheme; provide them with high-yield seeds and irrigation water from the Black Volta River; and construct roads, schools and a health clinic. None of this has yet materialized and, although some compensation was paid to the farmers whose crops were destroyed to make way for the project, local people say they have been severely affected by the loss of land for food production and the decline in access to fish from the project's use of their water sources.

Mystery investment in Côte d'Ivoire

Côte d'Ivoire is a major target for multinational traders because of its production of export commodity crops like cocoa and coffee. It's also a lucrative market for rice imports, which have long been dominated by one of the world's largest agricultural commodity traders: the privately owned French company, Louis Dreyfus Commodities (LDC).

Grow Africa claims 25 letters of intent were signed between Côte d'Ivoire and its member companies, worth $963 million. One of these projects involves a major investment by LDC, with support from Rabobank, for local rice production. People in Côte d'Ivoire first heard about this project in January 2013 when LDC's CEO Margarita Louis Dreyfus made a personal trip to Abidjan to meet with President Alassane Ouattara to sign a deal covering 100,000-200,000 ha of lands in the north of the country. Despite the immense size of the project, the details of the deal were never made public.

Since then, however, the project appears to have stalled. The Ministry of Agriculture maintains that the government

and the company are in the process of enrolling farmers into contract production. But farmers belonging to rice cooperatives in Korhogo, where the project is supposed to be located, say they already rejected the contracts offered by LDC. They say they did not like the terms and did not want to provide the company with any of their lands. Meanwhile, LDC is silent on the project and continues to undercut local producers with cheap imported rice from Asia. Where it sources the local rice that it proudly displays at agribusiness fairs in the country is a mystery.

Contract farming for Lay's potato chips in West Nusa Tenggara, Indonesia

In Indonesia, PepsiCo produces and markets its Lay's potato chips through a joint venture with Indonesia's largest food corporation, Indofood. Like in Vietnam, Lay's is struggling to build up a local supply of its potato variety. Indofood has responded by launching a project to develop potato farming with small farmers, which now operates as part of PISAgro, the Indonesian structure of Grow Asia.

One of Indofood's projects under this project began in 2012 and involves farmers' groups in five districts of Sembalun, Lombok, West Nusa Tenggara. Participating farmers must purchase seeds of Syngenta's Atlantic potato variety, supplied by Indofood and imported from Australia. Training is provided by provincial government agencies, the Australian government and the Bank of Indonesia.

Unlike Indofood's potato projects in other parts of Indonesia, in this case there are no contracts between the company and the farmers – just a verbal agreement with the head of each farmers' group. Farmers say the absence of a contract gives them some flexibility to sell to local markets or other buyers, but it also allows Indofood to change its prices. In the 2016 season, farmers say the price offered by Indofood was half the price for potatoes in local markets. Farmers say they sold what they could on the local market, but most of their production had to be sold to Indofood to pay off debts for seed, fertilizer and administrative fees.

High-tech horticulture and processed food exports in Mexico

Mexico's New Vision for Agri-Food Development (VIDA or "life", by its Spanish acronym) includes the participation of 40 companies and Sagarpa (Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food) and aims to expand the production of cereals, oilseeds, fruits and vegetables, cocoa and coffee. It claims to have 85,000 participating farmers throughout México.

Like his counterparts in other Grow-targeted countries, Mexico's new Secretary of Agriculture José Calzada is dazzled by Grow's marketing and shares its obsession with exports and corporate supply chains: "We are moving from traditional agriculture to a lot more mechanization and technological ways of producing. Previously Mexico invested a lot to support 'very traditional' agriculture, whereas now most of the budget goes to support technology: greenhouse construction and high tech infrastructure."

For Calzada, this Mexican "horticultural miracle" goes hand in hand with the "processed food" miracle. If horticultural exports are surpassing oil earnings, processed food is also climbing. Currently, Mexico is one of the 10 most important exporters of processed food. Processed food and the export of horticultural crops are reshaping Mexican agriculture, with the production of raw materials such as starches and flours, high-fructose corn syrup and edible oils on one hand, and greenhouse-grown berries, broccoli, cucumbers and tomatoes on the other. Small farmers are pulled into such schemes, but the benefits primarily accrue to large agribusiness corporations and a production model based on chemicals, hybrid seeds, mechanization, high-tech environments and contracts that bind producers to sell exclusively to corporations.

This shift, according to Calzada, also requires the massive relocation of Mexican youth to work as labourers on corporate farms: "We need a lot of young people. Many of left the fields for the cities [sic]. We need for them to strategically move back … We have 25 million people in rural areas and 7 million work in the fields." But this system of labour resembles slavery in many regards, conditions that have given rise to a number of farmworker protests over the past two years.

Grow's power grab

Grow's greatest influence is not in the fields but in backrooms. The regional and national structures that it has established provide its corporate members with direct access to ministers and other high-level officials and provide them with opportunities to lobby for policy changes that favour their interests.

In Mozambique, for example, Grow Africa and USAID set up a Business Advisory Working Group (BAWG) which Grow Africa describes as "a private-sector led platform aimed at providing one voice of private-sector agribusinesses to government". Agribusiness companies want the government to make it easier for them to acquire licences for lands, known in Mozambique as DUATs (Direito do Uso e Aproveitamento da Terra). According to Grow Africa, "the working group raised this issue with the Ministry of Land, Environment and Rural Development, which in turn wrote to provincial offices to fast-track DUAT issue". Grow Africa hopes to repeat this success in neighbouring Malawi, where it has hired the South African branch of Deloitte to run a pilot project to set up a similar platform "to progress action on barriers to investment in the agriculture sector".

In Mexico, Grow has succeeded through its VIDA programme in formalizing a collaboration with Sagarpa to develop "agro-cluster" contract farming schemes throughout the country. These schemes have even been integrated into Mexico's National Development Plan for 2013-18. In Indonesia, PISAgro is setting up a financial credit scheme called "innovative value chain scheme" to disburse small and medium loans to farmers in cooperation with the Indonesian Chamber of Commerce (KADIN), the Indonesian Economists Association (ISEI) and Bank Rakyat Indonesia. The scheme is meant to provide farmers with finance for accessing high-quality seeds and fertilizer as well as training in good agronomy practices.

Grow structures most of its lobbying efforts around particular commodity crops that are of interest to its members such as maize, potatoes, coffee, cassava or cocoa. At the national level, these take the form of commodity working groups involving companies and government agencies, such as the Potato Working Group in Indonesia led by Indofood or the Ghana Industrial Cassava Stakeholders Platform led by Olam and SABMiller. The companies within the commodity platforms can then work together to press for specific policy changes or government support.

More of the same from the same corporate players

Grow's primary goal is to mobilize corporate investment for new forms of contract farming, repackaged as "inclusive agribusiness". While it has succeeded in convincing some farmers that they are the beneficiaries of this scheme, GROW projects in fact facilitate the corporate capture of food and agriculture systems and disempower small farmers.

The Grow programme helps a handful of corporations tap into government structures to access markets and producers like never before. In so doing, seed and agrochemical companies gain a secure market, with the help of government credits given to small farmers to buy their chemicals and hybrid seeds. Additionally, agribusiness companies save a lot of money by getting farmers to sign contracts with them instead of renting or leasing land for large-scale production. Lastly, corporations secure supplies of agriculture products and raw materials for their processed food operations from these contract farmers. For corporations, Grow offers a win-win-win scenario.

But there is no future for small farmers or small-scale food traders and processors in this vision, except where they can be made subservient to the main goal of large food corporations: securing supplies of cheap produce and raw material for processed food while selling more and more industrial farming inputs.

It is important to see this programme for what it is: a mechanism for corporate control. For farmers and civil society, the challenge is to recognize and reject these kinds of schemes that do nothing to tackle hunger, poverty or climate change. The solution lies with the communities and movements putting forward a vision of food sovereignty based in local markets, agro-biodiversity and agroecology. ❐

The above is extracted from "Grow-ing disaster: The Fortune 500 goes farming", a report (December 2016) by GRAIN. GRAIN is a small international non-profit organization that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems. The full report with references is available at www.grain.org.

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