

THIRD WORLD *Economics*

TRENDS & ANALYSIS

Published by the Third World Network KDN: PP 6946/07/2013(032707) ISSN: 0128-4134 Issue No 675 16 – 31 October 2018

US proposal on S&DT opposed in WTO

A US proposal to deny selected developing countries special and differential treatment (S&DT) in the WTO rules has met with strong opposition. Developing-country WTO members have branded the proposal “one-sided and arbitrary”, stressing that S&DT remains relevant to their countries, which continue to face serious development challenges and capacity constraints.

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THIRD WORLD ECONOMICS is published fortnightly by the Third World Network, a grouping of organisations and individuals involved in Third World and development issues.

Publisher: S.M. Mohamed Idris; **Editor:** Chakravarthi Raghavan; **Editorial Assistants:** Lean Ka-Min, T. Rajamoorthy; **Contributing Editors:** Roberto Bissio, Charles Abugre; **Staff:** Linda Ooi (Administration), Susila Vangar (Design), Evelyn Hong & Lim Jee Yuan (Advisors).

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Printed by Jutaprint, No. 2, Solok Sungei Pinang 3, Sungai Pinang, 11600 Penang, Malaysia.

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US suffers major setback over S&DT proposal

A US proposal to limit flexibilities in WTO rules for developing countries has come up against strong opposition from member states which say that such “special and differential treatment” is key to bridging the divide with developed countries.

by D. Ravi Kanth

GENEVA: The United States suffered a humiliating setback on 28 February at the World Trade Organization on its proposal to deny special and differential treatment (S&DT) to several developing countries.

More than 100 developing and least-developed countries asserted that S&DT is a legitimate right open to all developing countries and enshrined in the Marrakesh Agreement that established the WTO, trade envoys told the *South-North Development Monitor (SUNS)*.

At a meeting of the WTO’s General Council, many developing and least-developed countries rallied around a joint paper circulated by China, India, South Africa, Venezuela, Kenya, Cuba, Bolivia, Laos, Pakistan and the Central African Republic on the “Continued relevance of special and differential treatment in favour of developing members to promote development and ensure inclusiveness.”

The coordinators of the Africa, Caribbean and Pacific (ACP) Group of countries, the African Group and the least-developed countries, trade envoys of China and India, and senior trade officials of South Africa, Uganda, Turkey, Egypt, Bolivia, Cuba and many other developing countries rejected an American draft decision to deny S&DT to several developing countries.

While developed countries such as Norway, New Zealand, Canada, Switzerland, Australia and the European Union suggested differentiation among developing countries in availing of S&DT, albeit with varying nuances, only the EU came to the support of the US proposal that attempted to drive a wedge between developing countries on the one side and the least-developed countries on the other, said a trade envoy who asked not to be quoted.

During the marathon General Council meeting, China, India and South Africa countered the US paper, “An undifferentiated WTO: Self-declared development status risks institutional irrelevance”, as well as the US “Draft General Council Decision on procedures to strengthen the negotiating function of the WTO”.

The draft decision proposed by the US says that S&DT benefits must accrue to “those [WTO] Members with the greatest difficulty integrating into the multilateral trading system.”

In light of this, under the proposal, “the following categories of Members will not avail themselves of special and differential treatment in current and future WTO negotiations:

“i. A WTO Member that is a Member of the Organization for Economic Cooperation and Development (OECD), or a WTO Member that has begun the accession process to the OECD;

“ii. A WTO Member that is a member of the Group of 20 (G20);

“iii. A WTO Member that is classified as a ‘high income’ country by the World Bank; or

“iv. A WTO Member that accounts for no less than 0.5 per cent of global merchandise trade (imports and exports).”

Further, the proposal says that “nothing in this Decision precludes reaching agreement that in sector-specific negotiations other Members are also ineligible for special and differential treatment.”

In introducing the US paper and the draft decision at the General Council, the US ambassador to the WTO, Dennis Shea, argued that China, India and South Africa among others made rapid progress in several trade-related areas over the past 20 years while availing themselves of S&DT flexibilities.

He said that countries like Chad and Benin which failed to make much progress cannot be compared to China, India and South Africa, suggesting that only least-developed countries deserve S&DT in negotiating future agreements but not major developing countries, said a trade envoy who asked not to be quoted.

Shea said China and India have made tremendous progress in various sectors and also provide tens of billions of dollars of farm subsidies that are distorting global trade. He claimed that the joint paper by China, India, South Africa and Venezuela along with six other countries did not provide a correct account of the many trade policy achievements made by them.

Lacking legitimacy

In a detailed response through several interventions, China's Ambassador Zhang Xiangchen said the US paper "neglects the gaps between developing and developed Members in terms of per capita income, science and technology, economic structure, regional balance, social administration, quality of development as well as differences in their stages of development."

While the US "analytical paper is in itself flawed, the proposed actions in the form of draft decision of General Council certainly lack legitimacy, and can only be a groundless 'hanging garden' floating in the air," the Chinese envoy said.

Zhang said the US paper "selectively picks indicators" to exaggerate the level of development of some developing countries.

In addition to economic and social disparities between the developed and developing countries, the developing countries face "tremendous capacity constraints" in participating in the multilateral trading system, he said. China is "proud" of its "hard-won achievements" but remains "still the largest developing country in the world."

The Chinese envoy said "special and differential treatment is a key policy tool for addressing development divides and capacity constraints, and therefore is indispensable for the multilateral trading system."

While S&DT is "an exception from general trade rules", it is not "charity granted by developed Members", Zhang

said. It is "the result of the painful negotiations in which developing Members have paid a high price in exchange, and therefore an integral and indispensable part of the multilateral trade rules".

After years of unfair treatment meted out to developing countries in the multilateral trading system, S&DT was negotiated by developing countries. "Taking agriculture as an example, per capita agricultural subsidies of the US is 70 times that of China, 176 times that of Brazil and 267 times that of India," the Chinese envoy noted.

"As pointed out by an UNCTAD expert, a simple reciprocal market opening amongst the countries with different levels of economic power is in itself a discrimination," Zhang maintained.

He said that S&DT was aimed at correcting "historic discrimination". "From the Enabling Clause to the Agreement on Textiles and Clothing, developing Members fought hard to get special and differential treatment in negotiations."

Developing countries, said Zhang, made significant concessions in the Uruguay Round trade talks, particularly on trade in services and intellectual property rights, to keep textiles trade within the multilateral rules and reduce distortions in agricultural trade.

Against this backdrop, "abandoning self-declared development status is handing out our right to pick the right shoes for ourselves," he said.

Zhang also responded to a comment by his US counterpart that the joint paper by the 10 developing countries had wrongly attributed to Thomas Jefferson the quotation "There is nothing more unequal than the equal treatment of unequal people." The Chinese envoy said, "You know Thomas Jefferson better than I do, just as I know Confucius better than you do ... So we should have avoided selling water on the river. We can modify our paper to use another quote of Thomas Jefferson that you mentioned, 'Truth is the proper and sufficient antagonist to error.'"

Zhang said the failure of the WTO negotiating function, as pointed out by the Indian trade envoy J.S. Deepak, "is not caused by special and differential treatment or self-declaration, but by the capacity constraint of developing Members and the unreasonable power structure of the multilateral trading system."

Limiting S&DT for developing

members or, more precisely, for a certain group of developing members, would be tantamount to forcing them onto "a narrow path that [they] have to take to keep up in a structurally biased system," argued Zhang.

S&DT, according to the Chinese envoy, is made up of four "L"s: "less" in terms of the scope of concessions; "lower" in terms of the amount of concessions; "longer" in terms of the timeframe for concessions; and "later" in terms of the start date of concessions.

Often, the proponents seeking differentiation among developing countries in the enjoyment of S&DT fail to see "the structural imbalance in the multilateral trade negotiations", such as "who sets the negotiating agenda, who leads the negotiation process, who has more in shaping the negotiation outcome", the Chinese envoy said. It is little surprise that "some developed Members have certain de facto privileges in the negotiations and they have made good use of these privileges".

"If such imbalances continue, the only way for developing members to partially remedy the imbalance is through special and differential treatment," Zhang contended. "Therefore, if the WTO cannot address the fundamental issue of negotiating power structure and take real reform measures, any attempt to deprive developing Members of their right to special and differential treatment is unjust and mission impossible".

"One-sided and arbitrary"

During his interventions, the Indian ambassador to the WTO, J.S. Deepak, pointedly told his US counterpart that the US approach to development is "one-sided and arbitrary", and "can cause lasting damage to the multilateral trading system".

Deepak said that S&DT for developing and least-developed countries, as provided for in Part IV of the General Agreement on Tariffs and Trade (GATT), is "an unconditional right." Further, Part IV "recognizes the enormous difference in the levels of development between different Members of the WTO, and allows developing Members the space to formulate their domestic trade policy, in a way that helps them to reduce poverty, generate employment and integrate

meaningfully into the global trading system."

"Over the past five decades, this has formed the basis for the concept of S&DT and less than full reciprocity under the GATT and WTO," he said.

Deepak challenged the US argument about "a significant reordering among countries and increasing economic differentiation among them." He said that "while developing Members have achieved progress on some economic indicators since the inception of the WTO, the old gaps in the levels of development are far from being bridged and, in some areas, have even widened." Meanwhile "new divides, especially in the digital and technological spheres, are becoming more pronounced."

The US paper's attempts "to cherry-pick and employ selective economic indicators to deny the persistence of the divide between developing and developed Members are profoundly insidious."

More disturbingly, the US proposal is "extremely divisive", said Deepak. "In addition, the proxy parameters that they have chosen for development are arbitrary and the language in their proposal is broad enough to allow for new conditions to be brought in to phase out S&DT on a sector-specific basis, even for Members who fall outside the ambit of the four criteria mentioned in the US paper."

Clearly, the US strategy "appears to be a strategy to ultimately terminate special and differential treatment at the WTO."

The US narrative on S&DT is flawed, Deepak said, adding that the United Nations Conference on Trade and Development (UNCTAD) has pointed out that S&DT provisions in various WTO agreements are "imprecise, unenforceable and in the form of 'best endeavour clauses'".

"Therefore the assertion that onerous SDT obligations are making the WTO irrelevant is untenable," Deepak said. "It is also important to note that though Members can declare themselves as developing, their specific rights and obligations are still subject to negotiations."

The Indian envoy also drew attention to an agenda item of the day's General Council meeting under which extension of an exemption was being sought

for the US for its Jones Act. (The exemption for the Jones Act had been demanded by the US as a condition for agreeing to the Uruguay Round agreements. It has been repeatedly continued since the inception of the WTO in 1995. – *SUNS*)

When asked whether this exemption granted to the US amounted to "reverse S&DT", the WTO spokesperson Keith Rockwell said it was only an exemption.

Deepak said "there exist several 'reverse SDT provisions' in the covered agreements that give explicit carve-outs to developed Members and benefit them at the expense of developing Members."

"Let me remind the United States that it sought and benefited from the waiver from some of the key obligations especially in the area of agriculture and textiles, sectors of export interest for least-developed countries and developing countries, under the GATT for almost 40 years," the Indian envoy said.

He said "it is factually incorrect to blame the self-declaration of development status as the reason for the lack of progress in negotiations." "Rather, a 'self-declared paralysis' has occurred in the WTO due to the inability of the developed Members to abide by the agreed negotiating mandates of the Doha Round and the progress made thereunder." This was, he said, in spite of the fact that "the Doha Round was launched with the primary objective of bridging the trust deficit between developing and developed Members and increasing the opportunities for developing Members to integrate meaningfully into the global trading system."

Deepak quoted former US Trade Representative Robert Zoellick who had said that the Doha Round, with development as its core, would be "the starting point for greater development, growth, opportunity and openness throughout the world." Sadly, "this is a promise that has remained unfulfilled."

Deepak said India can never agree to the US proposal to deny S&DT based on selective criteria. He argued that "self-declaration of development status has been a longstanding practice since the early days of the GATT, and therefore it became a part of the customary practices to be followed by the WTO within the

meaning of Article XVI:1 of the Marrakesh Agreement."

"Depriving developing Members of the policy space that is a right and that was enjoyed by each developed Member in their process of structural transformation and economic growth, would be a gross violation of the basic tenets of equity and justice and would strike at the very legitimacy of the rule-based system," he warned.

Fundamental right

Deepak made five points to drive home the message that S&DT is a fundamental right for all developing countries:

i. Despite the impressive economic progress made by many developing members over the past 2-3 decades, the gap in living standards with the developed members persists and has actually widened in respect of many parameters.

ii. Developing members continue to confront many formidable challenges, which provide a strong argument for the continued relevance of S&DT in their favour. If the multilateral trading system is unable to respond to their needs, some of the developing members may not retain a high stake in the system.

iii. A regime based on complete reciprocity will mainly benefit those members which are better endowed with capital and technology. Developing members, which face significant challenges and constraints, will not be able to benefit from such a regime.

iv. S&DT provisions should be viewed as an instrument to enable developing members to decide what obligations to undertake and over what timeframe.

v. In the past, the GATT/WTO membership exhibited realism and a strong sense of fairness in agreeing to S&DT provisions as an unconditional right for developing members. "In his plenary statement at the Doha Ministerial Conference, Pascal Lamy, then EU Trade Commissioner, emphasized that development belongs 'right at the heart of the multilateral trading system'."

"If future negotiations do not adopt a similar approach," warned Deepak, "then it would be a certain recipe for intractable deadlock in negotiations." He

said "it is in the combined interest of the entire WTO Membership to avoid this eventuality."

"A highly distorted picture"

In a hard-hitting intervention, South Africa said data presented in the US paper "paint a highly distorted picture that does not reflect the real state of development divide."

The South African trade official argued the developing countries which suffered premature deindustrialization are facing massive unemployment and poverty problems.

The principle of S&DT, said South Africa, was "conceived to allow developing countries a degree of flexibility to deploy such policy measures to support their growth and industrial development within the framework of global trade rules."

Nevertheless, S&DT has proven inadequate, the South African official said, pointing out that the African Group has put forward proposals for making S&DT effective.

The US draft decision "targets 34 developing countries explicitly but opens the possibility to deny S&DT to all developing countries and least-developed countries when it states categorically that 'nothing in this Decision precludes reaching agreements that in sector-specific negotiations other Members are also ineligible for special and differential treatment'", South Africa said.

"South Africa will not waive its right of self-declaration of its development status and to S&DT," the South African official maintained.

In conclusion, judging by the discussions at the General Council meeting, the US draft decision brought about unity among developing and least-developed countries to safeguard S&DT provisions. But it is clear the developed countries will continue to raise this issue in the coming days in one form or another.

(During the Uruguay Round negotiations, the US and the EU had made similar efforts, arguing that while many of the least-developed countries needed S&DT, many developing countries like India and Brazil had made considerable

progress and were competitive. Taking the US and the EU at their word then, Bangladesh, which was coordinating the least-developed countries, would seek to amend formulations on S&DT for developing countries by adding the words "and especially least-developed countries".

(After the conclusion of the Uruguay Round and the signing of the Marrakesh Agreement, at a consultation meeting of

experts convened by UNCTAD, the Bangladeshi representative Mr. Talukdar said that though the main protagonists of the Round, the US and the EU, had promised special and favourable treatment to the least-developed countries, it was Bangladesh's experience, when it came to tariff negotiations, that the US and the EU made no concessions and demanded full reciprocity instead. – *SUNS* (*SUNS8858*) □

South countries firmly oppose change in S&DT architecture

At a meeting held on the eve of the General Council session, developing-country delegates had also spoken out against the attempts to constrain S&DT as well as voiced their views on other proposed WTO reforms.

by D. Ravi Kanth

GENEVA: China, India, South Africa and

many other countries on 27 February, at an informal meeting of the Doha Trade Negotiations Committee (TNC), firmly opposed any change in the current architecture for special and differential treatment at the WTO, rejecting calls from the United States and its allies to introduce "differentiation" among developing countries for availing of S&DT.

On the crisis engineered by the US in the WTO's Appellate Body (AB) following its unilateral decision to block the filling of four vacancies at the AB, the TNC meeting witnessed near-unanimity among developed, developing and the poorest countries on the one side, and the US on the other.

Around 50 members said the AB crisis, if not resolved soon, will pose the biggest systemic threat to the WTO and to the enforcement of trade rules. Trade envoys warned that the decimation of the AB by 11 December 2019 (when the terms of two remaining AB members will expire, leaving the AB with just a single member and thereby non-functional if the vacancies are not filled) must be prevented at any cost.

Even WTO Director-General Roberto Azevedo, who is also chair of the TNC, cautioned members that non-resolution of the continued impasse in filling the AB vacancies will undermine the

WTO's dispute settlement system, according to trade envoys present at the meeting.

But the US, which has launched the sustained assault on the AB over the past three years, turned a deaf ear to calls for an immediate resolution. The US trade envoy Dennis Shea merely said the AB must adjudicate according to its mandate, but gave no assurance that Washington would allow an expeditious selection process for filling the four AB vacancies, trade envoys told the *South-North Development Monitor* (*SUNS*).

WTO reforms

On the proposed WTO reforms, sharp divisions emerged between the developing countries and least-developed countries (LDCs) on the one side, and the developed countries on the other.

India, for example, said that the "reform proposals must promote inclusiveness and non-discrimination, build on trust, address the inequities and glaring asymmetries in existing agreements which are against the interests of developing countries and LDCs, and most urgently, as a first step, break the impasse in filling the vacancies in the Appellate Body."

South Africa said that the proposals

on WTO modernization remain meaningless “if the issues of long-standing concern are to be set aside.”

“We do not believe that any proposals can be at the expense of longstanding principles of inclusivity, Member-driven participation, consensus, multilateral mandate and special and differential treatment,” South Africa emphasized.

Many developing countries, including India and South Africa, called for addressing the unfinished Doha Development Agenda issues in agriculture, particularly the trade-distorting domestic subsidies.

India, South Africa, Indonesia and several countries in Africa and South America called for an outcome on the permanent solution for public stockholding programmes for food security.

Brazil, which formed the G20 developing-country grouping for bringing the development dimension into the agriculture negotiations, called for “launching plurilaterals on key sectors in agriculture, such as beef and animal protein in general.” “These would ideally encompass domestic support limits as well as tariff cuts and quota expansion ... even SPS [sanitary and phytosanitary] provisions could be included in those efforts,” Brazil said, indicating the abdication of the G20 principles it had established with India, South Africa and China among others in August 2001.

Members supported the ongoing negotiations for hammering out disciplines on fisheries subsidies, albeit with varying cautions on the S&DT flexibilities.

India, South Africa and several other developing countries warned against attempts by developed and several developing countries, including China, to launch plurilateral negotiations on electronic commerce. Such attempts, they maintained, would not only undermine the ongoing multilateral exploratory work under the 1998 WTO work programme on e-commerce but also accentuate the digital divide.

“We believe that the negotiations on electronic commerce at the WTO [are] an idea whose time has not yet come,” said India. “In our view, these negotiations strike at the roots of the multilateral system and its mandate, and therefore, we are not persuaded to join them.”

In sharp contrast, the developed countries and several of their develop-

ing-country allies said they want an outcome on their plurilateral e-commerce rule-making initiative at the next WTO Ministerial Conference, which will be held in Astana, Kazakhstan, in June 2020.

Special and differential treatment

In brief interventions, the coordinators of the African Group, the Africa, Caribbean and Pacific (ACP) Group and the LDCs, as well as trade envoys of China, India, South Africa, Indonesia and Brazil, among others flatly opposed any change in S&DT.

Malawi, the ACP Group coordinator, said the Group “is a proponent with the G90 on the special and differential treatment agreement-specific proposals, still remaining without any attention and agreement since 2001.”

“These proposals reflect our concerns about constraints on us in the WTO, ineffective functioning of the WTO Agreements, and the need to reform the system to more effectively serve developing country interests,” Malawi said on behalf of the ACP Group.

“We have layers of developing country status within our group including those who are LDCs and small, vulnerable economies and SIDS [small island developing states],” said the ACP Group coordinator. “Proposals critical to our progressive adaptation to the multilateral trading system and structural transformation of our economies, from our beginnings on the global trading scene and under the colonial period, are still needed.”

In 2001, when the US and the EU launched the Doha Development Agenda trade negotiations in the wake of the 9/11 attacks, they had agreed to specific improvements in the S&DT provisions to make them effective and binding. But, subsequently, the developed countries failed to engage in any meaningful negotiations to bring about these improvements, according to several African trade envoys who asked not to be quoted.

China said categorically that it has no intention to discuss controversial issues such as classification among WTO members because it completely falls outside the WTO’s mandate and functions.

Chinese Ambassador Zhang Xiangchen said “China firmly believes that rules cannot be challenged and le-

gitimate rights of developing members are beyond doubt.”

“Therefore, members should not spend time on such issue, especially as we are facing so many urgent tasks and challenges,” the Chinese envoy said.

India’s trade envoy J.S. Deepak said “topmost priority is to protect and preserve the system, fix the Appellate Body issue so that the independent dispute settlement mechanism, which has served us well and has been a strong pillar for enforcing trade rules, can function effectively.”

“At the same time we need to avoid contentious issues like differentiation which could be divisive, further reduce trust within the organization and appear to be doomed to end in a deadlock,” he warned.

In a sharp intervention, South Africa said members “cannot ignore that the playing field in international trade is uneven and is likely to become more uneven with the intensification of unbalanced globalization.”

South Africa warned that “proposals in the name of modernization that will amount to requiring some of us, but likely all of us, to give up our right to S&DT as developing and least-developed countries, [are] divisive and futile – it will not obtain consensus.”

It said “South Africa is a good example of a country that took on commitments beyond its level of development, thereby closing off developmental policy space, and rapidly causing premature deindustrialization and massive economic and socio-economic shocks.”

Indonesia called for “appropriate and effective S&DT for developing and least-developed members.” “We believe S&DT would help the shortcomings of developing and least-developed countries in balancing its obligations.”

Brazil said the S&DT issue must be disentangled from the larger development debate. “S&DT is a tool that, among other uses, can and should be used to promote development – it is not a goal or an end in itself,” Brazil said, arguing that “if properly used, S&DT will allow us to reach our goal of negotiating balances.”

In short, the interventions at the TNC meeting suggested that 2019 is going to be a make-or-break year for the multilateral underpinnings of the WTO. (SUNS8857) □

US announces intention to terminate GSP benefits to India, Turkey

On the heels of its proposal to scale down the provision of S&DT to developing countries in the WTO, the US has taken steps to scrap trade benefits it currently accords to India and Turkey.

by D. Ravi Kanth

GENEVA: The United States has announced its intention to terminate benefits accruing to exporters from India and Turkey under the Generalized System of Preferences (GSP) programme on controversial grounds.

In a terse statement issued on 4 March, the Office of the US Trade Representative (USTR) said it "intends to terminate India's and Turkey's designations as beneficiary developing countries under the Generalized System of Preferences (GSP) programme because they no longer comply with the statutory eligibility criteria".

The USTR said "India's termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors."

"Turkey's termination from GSP follows a finding that it is sufficiently economically developed and should no longer benefit from preferential market access to the United States market," the USTR said.

"By statute," the USTR said, the termination of GSP benefits to India and Turkey "may not take effect until at least 60 days after the notifications to Congress and the governments of India and Turkey, and will be enacted by a Presidential Proclamation."

In a background note, the USTR said the US GSP programme offers duty-free treatment to certain products "if beneficiary developing countries meet the eligibility criteria established by Congress."

The "GSP criteria include, among others, respecting arbitral awards in favour of United States citizens or corporations, combating child labor, respecting internationally recognized worker rights, providing adequate and effective intellectual property protection, and providing the United States with equitable

and reasonable market access."

According to the eligibility review of India's compliance with the GSP market access criterion in April 2018, the USTR said, "India has implemented a wide array of trade barriers that create serious negative effects on United States commerce."

The USTR, however, did not elaborate on these so-called barriers.

"Despite intensive engagement, India has failed to take the necessary steps to meet the GSP criterion," the USTR said.

As regards Turkey, the USTR maintained that Turkey does not deserve the benefits under the GSP programme because of its rapid economic progress and increased per capita gross national income.

Preference schemes

The GSP programme provides a margin of preference in the tariffs on developing-country exports to developed countries so as to increase competitiveness in the developing countries. The preference-giving countries are allowed to design their own preference schemes.

The 1968 United Nations Conference on Trade and Development (UNCTAD) resolution on the GSP, which entered into force in 1971, called for preference schemes that are "generalized, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among the developing countries."

The so-called Enabling Clause (the 1979 Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries) under the General Agreement on Tariffs and Trade (GATT) legitimizes the legal basis for the extension of non-re-

ciprocal trade preferences to and among developing countries.

The Enabling Clause and Part IV of the GATT (adopted much earlier) offer longer time periods for implementing agreements and commitments, lower levels of commitments and measures to increase trading opportunities.

The Enabling Clause (now part of the WTO's GATT-acquis) states unambiguously that the developed countries do not expect the developing countries in the course of trade negotiations or bilateral trade relations "to make contributions which are inconsistent with their individual development, financial and trade needs."

Aggressive policy

Against this backdrop, the US decision to terminate the GSP benefits to Indian and Turkish exporters would be tantamount to an aggressive pursuit of its unilateralist trade policies, said a trade envoy who asked not to be quoted.

The US, which has been goading India to enter into negotiations on a bilateral free trade agreement, has exerted unprecedented pressure on the Indian government to fall in line with its demands for market access.

The US sought market access for dairy products and medical equipment, two sectors in which India found it difficult to concede because of its public policy priorities. The US has also been demanding that New Delhi drastically reduce import tariffs on Harley-Davidson motorcycles and various high-end electronics items.

"India is a very high-tariff nation. They charge us a lot," US President Donald Trump told his conservative supporters at a meeting on 2 March. "When we send a motorcycle to India, it's a 100% tariff. They charge 100%. When India sends a motorcycle to us, we brilliantly charge them nothing."

The government of Indian Prime Minister Narendra Modi, which entered into huge defence and nuclear reactor contracts with the US in 2017, is facing a massive economic crisis with rising current account deficits. Recently, it increased import duties on various goods because of exchange rate problems when the rupee sank against the dollar.

The USTR has also constantly found

fault with the enforcement of intellectual property policies in India even though India has adhered to the provisions in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Further, US corporations such as Walmart and Amazon are angry with India's latest policies and proposed regulations on electronic commerce. The Indian ministry of industry had unveiled draft e-commerce regulations that would encourage domestic companies.

The US decision on the GSP could undermine the bilateral free trade agreement negotiations with India, said trade analysts in New Delhi.

(However, official reactions in India suggest they view the US decision, beyond causing some irritation and disappointment, as having perhaps a minor effect on Indian exports to the US. Indian media reported Commerce Secretary Anup Wadhawan as saying on 5 March that the decision won't have any "significant impact". He said: "The total GSP benefits amount to about \$190 million on overall exports of \$5.6 billion between the two countries.")

(The US administration wants a reversal of orders by India's drug pricing regulator for a significant cut in the prices of cardiovascular stents and knee implants. It also wants changes to a decade-old religion-based rule that requires all imported dairy products to be derived from animals that have never consumed anything containing "internal organs, blood meal or tissues of ruminant origin". India has however rejected both these demands of the US. The denial of the GSP benefits is said to be related to these restrictions.

(Most of the goods that will now lose the GSP benefits are labour-intensive intermediate parts for US industry, such as car parts. Facing intense competition, the US industry which has been using these cheaper, duty-free imports will be hit as much as the Indian exporter, if not more.

(In the current political situation in India, which faces an impending general election, even if some in the Indian government might want to cozy up to the US, it will be very difficult for them to capitulate to the US demands. The GSP decision will make it even more difficult for the pro-US lobbies in India who are trying to line up India with the US against China. – SUNS)

With regard to the termination of GSP benefits to Turkey, the US decision has more to do with the political tensions between Turkey's President Recep Tayyip Erdogan and Trump, according to the *Financial Times* of 5 March.

The proposed termination of GSP benefits also coincides with the US assault on special and differential treatment (S&DT) flexibilities to several developing countries in the WTO.

Significantly, the US trade-related actions seem somewhat like Washington's actions seeking regime change in Venezuela and other South American countries based on its imperialist Monroe Doctrine of 1823.

Washington is taking a "my way or the highway" approach, which can be tackled only if all countries remain united against its assault on the bilateral and multilateral fronts. (SUNS8860) □

US-China trade deal could throw WTO into uncharted waters

Where does the mooted bilateral US-China deal to settle their trade feud leave the multilateral WTO system?

by D. Ravi Kanth

GENEVA: As the world's two largest economies, the United States and China, zero in on a "trade agreement" that is likely to be signed by end-March, a new normal is being established for resolving bilateral trade disputes. This has the potential to throw the WTO into uncharted waters.

With the two leading trading nations setting their own rules, it could irreparably damage the WTO's negotiating function, its adjudicating role and even the proposed reforms for an enhanced oversight role for the WTO secretariat, according to trade envoys.

Terms of deal

Preliminary details of the proposed US-China deal, as reported in the *Wall Street Journal* on 3 March, suggest that the China hawks in Washington, led by the US Trade Representative Robert Lighthizer and White House trade policy adviser Peter Navarro, have suffered a setback in their internal battle, with US Treasury Secretary Steven Mnuchin insisting on a rapprochement.

There is a lurking fear among Wall Street financial firms and asset managers as to what China would do in its purchase of US Treasury bonds if its trade surplus is reduced.

"What worries me about the conversation between the US and China is: China has a \$1.3 trillion pool of US Treasuries, they've been accumulating because of the [US] trade deficit," Larry Fink, the head of the world's largest asset management fund Black Rock, told CNBC television channel on 24 February. "And if China reduces the purchase of US Treasuries because of the proposed reduction in trade [gap] as demanded by the US, who is going to be the substitute buyer to buy this?"

The fear that China could cause disruption in the financial markets by reducing its purchase of US Treasury bonds weighed heavily in ramping up pressure on Lighthizer to reach a deal, according to commentators in the US media.

The preliminary details of the deal, according to the *Wall Street Journal*, indicate that China will provide enhanced market access for American farm, chemical, auto and energy products among others through reduced tariffs and scaling down of trade-related restrictions.

China has already signalled that it is ready to reduce import tariffs on foreign vehicles from the current level of 15% to somewhere close to zero. Significantly, as a political bonanza for the much-tormented US President Donald Trump who will face re-election in 2020,

China will buy unspecified amounts of soybean, beef and pork among others running into tens of billions of dollars. These purchases could buoy Trump's electoral prospects in major farm states in the US Midwest. Beijing is also expected to import natural gas from the US to the tune of \$18 billion as part of the deal.

In return, the US is expected to gradually remove the unilateral tariffs imposed under the US Section 232 and Section 301 provisions on Chinese products worth more than \$260 billion.

According to the *WSJ*, the US could allow American companies to export to China, with safeguards, some hi-tech electronic items. China is eager to buy American semiconductors and other vital products needed for its burgeoning telecommunications companies.

The proposed "trade agreement", instead of memorandums of understanding (MoUs) as conceived by Lighthizer, will also indicate a timetable for China to carry out so-called structural reforms in terms of removing restrictions on foreign ownership holdings in joint ventures, particularly in the auto and financial sectors, and increased intellectual property protection.

In addition, a bilateral mechanism to address specific concerns of American companies is going to be established as part of the proposed deal.

"The plan under discussion calls for bilateral meetings of officials from both countries to adjudicate disputes [and] if those talks don't produce agreement, Mr. Lighthizer has said the US could impose tariffs," the *WSJ* reported.

China is however resisting a demand from the US that Beijing must agree not to "retaliate at least in some cases – if the US levies sanctions". China reportedly told the US negotiators that such a demand will make the agreement an "unequal treaty for China of the sort imposed by Western powers in the 19th century", according to the *WSJ*.

China hawks in the US seem unhappy with the manner in which Trump

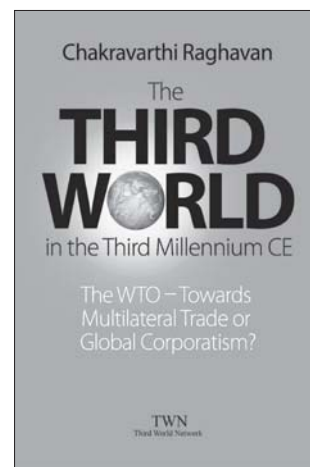
(continued on page 16)

The Third World in the Third Millennium CE The WTO – Towards Multilateral Trade or Global Corporatism?

By Chakravarthi Raghavan

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 manoeuvres. 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.



ISBN: 978-967-0747-00-2 448 pages
14 cm x 21.5 cm Year: 2014

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Poor-quality employment a major challenge – ILO

Most of the world's workers still do not enjoy decent employment conditions, finds a report by the International Labour Organization.

by Kanaga Raja

GENEVA: A majority of the 3.3 billion people employed globally in 2018 experienced a lack of material well-being, economic security, equal opportunities or scope for human development, the International Labour Organization (ILO) has found.

In its latest *World Employment and Social Outlook* report, released on 13 February, the ILO pointed out that being in employment does not always guarantee a decent living. "Many workers find themselves having to take up unattractive jobs that tend to be informal and are characterized by low pay and little or no access to social protection and rights at work."

Significantly, 360 million people in 2018 were contributing family workers and 1.1 billion worked on their own account, often in subsistence activities that are pursued because of an absence of job opportunities in the formal sector and/or the lack of a social protection system.

Overall, 2 billion workers were in informal employment in 2016, accounting for 61% of the world's workforce.

The poor quality of many jobs also manifests itself in the fact that, in 2018, more than one quarter of workers in low- and middle-income countries were living in extreme or moderate poverty, said the ILO.

On a positive note, said the ILO, the incidence of working poverty has decreased greatly over the past three decades, especially in middle-income countries. In low-income countries, however, the pace of poverty reduction is not expected to keep up with employment growth, so that the actual number of working poor in these countries is projected to rise.

The ILO report highlighted the persistence of a number of major deficits in decent work. At the current rate of

progress, the ILO said, attaining the goal of decent work for all, as set out in the Sustainable Development Goals (SDGs), especially SDG 8, seems unrealistic for many countries.

"SDG 8 is not just about full employment but the quality of that employment," said Deborah Greenfield, the ILO Deputy Director-General for Policy. "Equality and decent work are two of the pillars underpinning sustainable development," she added.

"Being in employment does not always guarantee a decent living," said Damian Grimshaw, the ILO Director of Research. "For instance, a full 700 million people are living in extreme or moderate poverty despite having employment."

Global labour force

According to the ILO report, in 2018, the global working-age population, comprising women and men aged 15 years or older, was 5.7 billion. Out of these, 3.3 billion people, or 58.4%, were in employment, and 172 million were unemployed. Both these groups taken together constitute the global labour force, which therefore stood at 3.5 billion in 2018, implying a labour force participation rate of 61.4%.

The remaining 2.2 billion people (38.6%) of working age were outside the labour force, including those engaged in education and unpaid care work and those in retirement. Within this group, 140 million were in the potential labour force (i.e., people who are looking for a job but are not available to take up employment, or who are available but are not looking for a job).

"Paid work is a key driver of material well-being, economic security, equality of opportunity and human develop-

ment; however, advances in these areas still elude a majority of workers across the world," said the ILO.

A considerable proportion of the world's working-age population is at risk of poverty, and employment in such cases is a matter of individuals trying to meet their basic living needs and those of their families. Indeed, many workers find themselves having to take up vulnerable jobs, especially in the informal economy, which are typically associated with low pay and little or no access to social protection and rights at work.

Some 360 million people, or 11% of the employed, are contributing family workers who lack effective access to social protection and income security, and whose employment status is categorized as informal by definition.

An additional 1.1 billion people, or 34% of the global working-age population, work on their own account. "Although own-account work can serve as a springboard to entrepreneurship, a large proportion of such work involves subsistence activities that are pursued because of the absence of job opportunities in the formal sector or the lack of a social protection system," said the ILO. In fact, 85% of own-account workers operate in the informal economy.

The ILO also found that just over half (52%) of global workers are wage and salaried employees. This type of employment is often associated with better working conditions and greater income security, though that is not necessarily true in many parts of the world, as evidenced by the fact that 40% of such jobs are informal.

Overall, a staggering 2 billion workers are in informal employment, accounting for three in five (61%) of the world's workforce. Many informal workers, moreover, are among the 55% of the global population who do not enjoy any social protection.

The poor quality of many jobs also manifests itself in the fact that, in 2018, more than one quarter of workers in low- and middle-income countries were living in extreme or moderate poverty [i.e., on less than \$3.20 per day in purchasing power parity (PPP) terms].

According to the report, the average annual growth of the global working-age

population has decreased from 1.9% in the period 1990-95 to 1.3% in the period 2013-18; it is projected to fall even further, to 1.1%, by 2030. This slowdown is reflected in a declining labour force growth, with the latter rate falling from 1.8% in 1992 to below 1% in 2018 and beyond. Employment growth has also decreased over the same period, from an average of 1.5% in the 1990s to below 1% in 2018.

Projected GDP growth is highest in low- and lower-middle-income countries. However, the significant expansion in employment expected to take place in low-income countries between 2018 and 2020 means that labour productivity growth in these countries is likely to be fairly low during that period, averaging 2.3% a year, compared with 4.2% in middle-income countries.

“Such modest productivity growth suggests that instead of catching up with countries in the higher income group, low-income countries are falling behind in their efforts to raise living standards and reduce poverty for all,” said the ILO.

It noted that around 61% of the world’s working-age population participates in the labour market, either by being actually employed or by searching for employment while being available for work. This participation rate has been declining on average by between 0.1 and 0.2 percentage points per year over the past 25 years, with the steepest drop occurring in the aftermath of the global financial crisis of 2008.

The global labour force participation rate for young people aged 15 to 24 declined significantly between 1993 and 2018, falling by 15 percentage points to reach 42% at the end of that period. This trend can be ascribed mainly to the rising rate of educational enrolment among young people. Globally, the gross enrolment ratio in secondary education rose from 55% in 1993 to 77% in 2017; in tertiary education, it increased from 14% to 38% over the same period.

In 2018, the youth labour force participation rate was highest, at 57%, in low-income countries; the lowest value (36%) was observed in lower-middle-income countries. In upper-middle-income countries, the youth participation rate has declined by more than 20 percent-

age points since 1993, reaching 44% in 2018, a level similar to that recorded in high-income countries (45%). However, the gross enrolment ratio in tertiary education in upper-middle-income countries (52% in 2017) is still significantly lower than in high-income countries (77%).

Some factors driving declining labour force participation rates, such as rising educational enrolment rates, greater opportunities to retire and a higher life expectancy, are positive for the people that benefit from these.

However, the projected trends in labour force growth also create new challenges regarding the organization of work and the distribution of resources, the ILO underlined.

First and foremost, existing pension systems will be strained to keep older people out of poverty. Second, a rising dependency ratio raises labour demand in specific sectors such as the care sector, accelerating structural transformation. Third, an increasingly ageing labour force challenges workers’ ability to keep up with the pace of innovation and structural changes in the labour market.

Informal employment

The ILO report noted that informal employment is the reality for the majority of workers worldwide. Thus, in 2016, 2 billion workers, or 61% of the global labour force, were pursuing economic activities that were either not covered at all or insufficiently covered by formal arrangements in law or in practice.

Significantly, informal workers are much more likely to live in conditions of poverty than formal workers. “It is important to note, though, that formality is no guarantee of escaping poverty, and that informal workers are not confined to being poor,” said the ILO.

Globally, the rate of informality is actually higher among men (63%) than among women (58%). However, women are more likely than men to be in informal employment in low- and lower-middle-income countries. By contrast, men are more frequently in informal employment in upper-middle- and high-income countries.

Informality is especially widespread among own-account workers, with 85%

of them working under such arrangements.

The workers and economic units engaged in informal own-account work, and also the businesses of informal employers, tend to lack legal recognition. Moreover, they often fail to comply with fiscal obligations and face serious difficulties in entering into commercial contracts and gaining access to financial resources, markets or property.

As for wage and salaried workers, 40% of them have informal jobs, which means that their employment relationships are, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits.

Slightly more than half of workers worldwide, including both formal and informal workers, were wage and salaried employees in 2018; the proportion is similar among both women and men. Over the next five years, the share of wage and salaried employees is projected to increase by around 0.5 percentage points.

The apparent gender equality in this category of workers, however, masks large disparities between countries at different income levels, said the ILO. First, the share of wage and salaried employment is larger in the higher-income-level countries; in low-income countries it averages 19%, compared with 87% in high-income countries. Second, women are less likely than men to be in this type of employment in low-income countries; the situation is reversed in high-income countries.

The share of wage and salaried employment is expected to increase the most in middle-income countries. Significantly, in upper-middle-income countries the female share is projected to increase to a greater extent than the male share over the next five years, with gains of 2.2 and 1.5 percentage points for women and men, respectively.

Despite the improvements that have taken place, working conditions continue to be unsatisfactory for a large part of the global workforce, said the ILO.

Globally, 1.5 billion people are estimated to be own-account and contributing family workers, which renders them especially vulnerable to the problems

associated with informality. Furthermore, the pace of progress is too slow in low-income countries to lead to a significant reduction in the shares of these two vulnerable groups: it is projected that in 2023 as many as 80% of workers in such countries will still be own-account or contributing family workers.

The report also found that the share of agriculture in total employment is shrinking across all country income groups. Globally, it has declined from 44% in 1991 to 28% in 2018, with the largest contribution to this decline being attributable to middle-income countries. In low-income countries, 63% of workers were still employed in the agricultural sector in 2018, down by just 8 percentage points since 1991.

The share of the manufacturing sector is decreasing at the global level – a trend that is driven by high-income countries. The sectors in which expansion can be observed are the construction sector, non-market services and, most importantly, market services. At the global level, services already accounted for just under half of total employment in 2018, said the ILO, adding that this share is expected to continue to rise.

Working poverty

A situation of extreme or moderate poverty (i.e., having to live on less than \$3.20 per day in PPP terms) was the reality for almost 700 million workers in low- and middle-income countries in 2018. This means that one in four persons in employment in these countries lived in conditions of poverty.

Nevertheless, enormous progress has been made since 1993, when two in three workers (altogether 1.3 billion workers) were still living in extreme or moderate poverty. It is expected that there will be further progress in the years to come, with the number of working poor decreasing by a further 55 million by 2023. The rate of decline, however, is slowing down gradually, mainly because the low share of working poor in upper-middle-income countries cannot decline much further.

Working poverty rates are declining rapidly in middle-income countries. Up-

per-middle-income countries experienced decreases in extreme and moderate working poverty rates of more than 2 percentage points per year between 1993 and 2018. This speed of decline obviously cannot continue, since by 2018 working poverty had fallen to 5.3%, said the ILO.

The consistently high economic growth achieved by China since 1993 has contributed significantly to reducing the share and overall number of working poor in the group of low- and middle-income countries. By contrast, the absolute number of working poor is rising in sub-Saharan Africa despite the declining working poverty rate there.

Lower-middle-income countries still accounted for the largest number of workers in extreme and moderate poverty (432 million) in 2018, but this number is projected to decrease by 54 million by 2023: one in three workers in these countries would then be living in poverty.

Working poverty is widespread in low-income countries, where in 2018 almost 40% of workers, or 116 million, were living in extreme poverty; an additional 27.5%, or 81 million, were living in moderate poverty. Although the working poverty rate in these countries is falling overall, the absolute number of workers in extreme and moderate poverty is projected to increase by 15 million by 2023 because the rate of creation of decently paying jobs will not be able to keep up with the rapid growth in the number of jobseekers.

Unemployment

In 2018, the global unemployment rate was estimated to stand at 5.0%: it had therefore descended again to the level of 2008 and was significantly below the average of 5.4% for the period since 2000.

“It is remarkable, though, that whereas it took only one year for the global unemployment rate to jump from 5.0% in 2008 to 5.6% in 2009, the recovery to the original value has taken a full nine years,” the ILO pointed out.

The global unemployment rate is expected to remain essentially unchanged over the next few years, in line with projections pointing to stable global economic growth. However, said the ILO, there is considerable uncertainty around the unemployment rate forecasts, which has to do with economic, financial and geopolitical risks. The probability of experiencing unemployment rates by 2020 that are similar to the level of 2009 is more than 5%.

In fact, there are already signs that the world economic outlook is deteriorating, as evidenced by the International Monetary Fund (IMF)’s downward revision of growth estimates. According to ILO estimates, the IMF’s latest projections of economic growth (published in October 2018) suggest that there will be an additional 2 million unemployed people by 2020 compared with the more optimistic scenario presented in April 2018.

In 2018, an estimated 172 million people were unemployed. This number is projected to increase slightly in the coming years as the labour force expands, said the ILO. (SUNS8848) □

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Economic crisis can trigger world war

Prolonged economic distress may raise international tensions and, consequently, the possibility of military conflict, caution *Jomo Kwame Sundaram* and *Vladimir Popov*.

Economic recovery efforts since the 2008-09 global financial crisis have mainly depended on unconventional monetary policies.

As fears rise of yet another international financial crisis, there are growing concerns about the increased possibility of large-scale military conflict.

More worryingly, in the current political landscape, prolonged economic crisis, combined with rising economic inequality, chauvinistic ethno-populism as well as aggressive jingoist rhetoric, including threats, could easily spin out of control and “morph” into military conflict and, worse, world war.

Crisis responses limited

The 2008-09 global financial crisis almost “bankrupted” governments and caused systemic collapse. Policymakers managed to pull the world economy from the brink, but soon switched from counter-cyclical fiscal efforts to unconventional monetary measures, primarily “quantitative easing” and very low, if not negative, real interest rates.

But while these monetary interventions averted realization of the worst fears at the time by turning the US economy around, they did little to address underlying economic weaknesses, largely due to the ascendance of finance in recent decades at the expense of the real economy.

Since then, despite promising to do so, policymakers have not seriously pursued, let alone achieved, such needed reforms. Instead, ostensible structural reformers have taken advantage of the crisis to pursue largely irrelevant efforts to further “casualize” labour markets.

This lack of structural reform has meant that the unprecedented liquidity central banks injected into economies has not been well allocated to stimulate resurgence of the real economy.

Instead, easy credit raised asset

prices to levels even higher than those prevailing before 2008. US house prices are now 8% more than at the peak of the property bubble in 2006, while its price-to-earnings ratio in late 2018 was even higher than in 2008 and in 1929, when the Wall Street crash precipitated the Great Depression.

As monetary tightening checks asset price bubbles, another economic crisis – possibly more severe than the last, as the economy has become less responsive to such blunt monetary interventions – is considered likely.

A decade of such unconventional monetary policies, with very low interest rates, has greatly depleted their ability to revive the economy.

The implications beyond the economy of such developments and policy responses are already being seen. Prolonged economic distress has worsened public antipathy towards the culturally alien – not only abroad, but also within. Thus, another round of economic stress is deemed likely to foment unrest, conflict, even war as it is blamed on the foreign.

Liberalization’s discontents

Rising economic insecurity, inequalities and deprivation are expected to strengthen ethno-populist and jingoistic nationalist sentiments, and increase social tensions and turmoil, especially among the growing precariat and others who feel vulnerable or threatened.

Thus, ethno-populist-inspired chauvinistic nationalism may exacerbate tensions, leading to conflicts and tensions among countries, as in the 1930s. Opportunistic leaders have been blaming such misfortunes on outsiders and may seek to reverse policies associated with the perceived causes, such as “globalist” economic liberalization.

Policies which successfully check such problems may reduce social ten-

sions, as well as the likelihood of social turmoil and conflict, including among countries.

However, these may also inadvertently exacerbate problems. The recent spread of anti-globalization sentiment appears correlated to slow, if not negative, per capita income growth and increased economic inequality.

To be sure, globalization and liberalization are statistically associated with growing economic inequality and rising ethno-populism. Declining real incomes and growing economic insecurity have apparently strengthened ethno-populism and nationalistic chauvinism, threatening economic liberalization itself, both within and among countries.

The economist Thomas Piketty has argued that a sudden increase in income inequality is often followed by a great crisis. Although causality is difficult to prove, with wealth and income inequality now at historical highs, this should give cause for concern. Of course, other factors also contribute to or exacerbate civil and international tensions, with some due to policies intended for other purposes. Nevertheless, even if unintended, such developments could inadvertently catalyze future crises and conflicts.

Publics often have good reason to be restless, if not angry, but the emotional appeals of ethno-populism and jingoistic nationalism are leading to chauvinistic policy measures which only make things worse. At the international level, despite the world’s unprecedented and still growing interconnectedness, multilateralism is increasingly being eschewed as the US increasingly resorts to unilateral, sovereigntist policies without bothering to even build coalitions with its usual allies.

Thus, protracted economic distress, economic conflict or another financial crisis could lead to military confrontation among the protagonists, even if unintended.

Less than a decade after the Great Depression started, the Second World War had begun as the Axis powers challenged the earlier entrenched colonial powers. They patently ignored Thucydides’s warning in chronicling the Peloponnesian wars over two millennia before, when the rise of Athens threatened the established dominance of

Sparta.

Anticipating and addressing such possibilities may well serve to help avoid otherwise imminent disasters by undertaking pre-emptive collective action, as difficult as that may be. The international community has no excuse for being like the owners and captain of the *Titanic*, conceitedly convinced that no iceberg could possibly sink the great ship. (IPS) □

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. Vladimir Popov, a former senior economics researcher in the Soviet Union, Russia and the United Nations Secretariat, is now Research Director at the Dialogue of Civilizations Research Institute in Berlin.

Role of women

Women play an essential role in the selection, saving and sharing of seeds, as part of a broader network within farmer-managed seed systems, shaping the agricultural diversity that meets needs of local populations. This applies to both staple crops as well as other food crops. In many ways, this pool of genetic resources, which women continue to develop and maintain, is the backbone of human society.

The restrictions placed over reproductive materials, i.e., seed (including all cultivation materials), and the centralized decision making around reproduction towards uniformity, homogeneity and ownership, create greater inequality, amplified vulnerability and a reliance on external inputs, which places the future of food production at greater risk.

Increasing restrictions on use, lack of support for these activities and even their criminalization make production conditions more challenging for all smallholder farmers, but particularly women as the majority. In the prevailing division of labour, women are generally responsible for food acquisition and diets. Restrictions on seed use, what may and may not be produced and how, translate into limits on food diversity at household level, which is a key element of nutrition.

Since the majority of seed cultivated on the continent is saved on farms, exchanged and locally traded by farmers, this provides a solid base for alternative seed sovereignty systems to thrive outside the credit and corporate market. For smallholder farmers in Africa, the importance of farmer seed systems as central to conserving biodiversity, ensuring nutrition diversity and supporting livelihoods has been highlighted in a huge body of work over the past 30 or 40 years.

However, these systems can benefit from external support. A key priority for smallholder farmers in Africa is resilience in the face of harsh weather events. This requires seed variety adaptation and greater agricultural diversity. Women are the primary custodians of our seed diversity, the custodians of reproduction, of life. This highlights the struggles of farmers' right, of reproductive rights, to self-determination, and to maintain life-supporting systems.

An ecological food systems transi-

African food sovereignty movements should connect with radical feminist movements

There is a need to safeguard farmer-managed seed systems, and the essential role women play in them, in the face of increasing corporate control over the agricultural input supply chain.

by Mariam Mayet, Stephen Greenberg and Linzi Lewis

Africa is facing dire times. Climate change is having major impacts on the region and on agriculture in particular, with smallholder farmers, and especially women, facing drought, general lack of water, shifting seasons and floods in some areas.

Smallholder women farmers are at the cold face of agricultural biodiversity erosion, deforestation, declining soil health and fertility, land and water grabs by the powerful, loss of land access, marginalization and loss of indigenous knowledge, and generalized lack of essential services and support.

At the same time, economies are weakening and remain heavily dependent on foreign aid, with extractivist interventions from outside. There is a strong authoritarian orientation in governments in the region, with secrecy and lack of transparency and accountability, weak and fragmented civil society organization, and top-down development interventions.

There has been corporate capture of key state institutions, decision-making processes and functions, with privatization of decision making and exclusion of the populace, and the occupation and appropriation of seed and food systems for multinational corporate profit.

At present, corporate power is al-

most unchecked in agricultural input supply. The dominant narrative of agribusinesses being indispensable for feeding the world holds great sway on the continent, and where corporations have captured policymaking processes from continental to national levels.

Although most seed on the continent is sourced from farmers' own saving, sharing and local markets, this system is not recognized in policies and laws in most countries. Farmer seed practices are marginalized and generally denigrated as poor-quality and backward.

The predominant thrust of agricultural and seed policy and programming on the continent is to seek to replace farmer systems with top-down interventions based on the use of privately owned technologies, as well as large-scale commercial markets that can only ever integrate a relatively small top layer of producers if not displace them outright.

This thrust is driven by multinational corporate interests with support from key continental, regional and national state institutions and agencies. This is either from a large-scale commercial industrialization thrust pushed by a powerful global agribusiness coalition, or through a Green Revolution smallholder strategy to integrate a layer of smallholder farmers into corporate value chains for the export of bulk commodity crops such as maize and soya.

tion coalition, based on agroecology and food sovereignty, has found some traction in Africa and globally, but remains relatively weak, fragmented and under-resourced.

Farmers, especially women, and civil society are doing important work on agroecology and sustainable agriculture on the ground, but are often unable to break out of their localized practices. These need to urgently connect with others on the continent into a bigger and more coherent movement for change, especially radical feminist movements on the continent.

Together, we can fight back and contest the hegemony of large-scale commercial farming and corporate agribusiness. We must, together, rebuild and strengthen local food and seed systems for all Africans. (IPS) □

Mariam Mayet, Stephen Greenberg and Linzi Lewis are with the African Centre for Biodiversity (ACB), a strongly women-led non-profit organization based in South Africa with staff in Tanzania. It carries out research and analysis, learning and exchange, capacity and movement building, and advocacy to widen awareness, catalyze collective action and influence decision making on issues of biosafety, genetic modification and new technologies, seed laws, farmer seed systems, agricultural biodiversity, agroecology, corporate expansion in African agriculture, and food sovereignty in Africa.

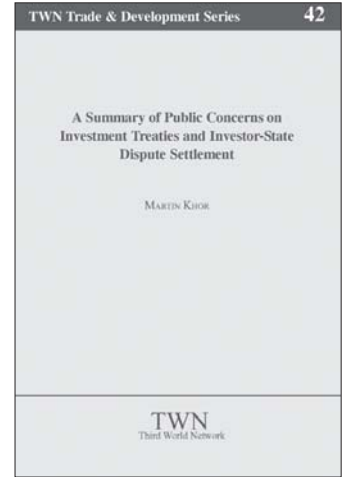
A Summary of Public Concerns on Investment Treaties and Investor-State Dispute Settlement

by *Martin Khor*

International investment agreements, specifically bilateral investment treaties and the investment chapters in free trade agreements, have come under the spotlight for what are seen as skewed provisions that grant excessive rights to foreign investors and foreign companies at the expense of national policymaking flexibility. Of particular concern is the investor-state dispute settlement framework embedded in many of these treaties, which enables foreign investors to sue host-country governments in opaque international tribunals.

The serious risks involved have prompted a rethink of investment pacts in developing and developed countries alike.

In place of the current lopsided system, calls are growing for agreements which would balance legitimate investor rights with the rights of the state to regulate investment and formulate policies in the public interest.



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(continued from page 9)

is plunging into the deal with his Chinese counterpart Xi Jinping, on grounds that the “enforcement measures may not be strong enough and will tie down the US in endless talks”, reported the *WSJ*.

“The whole process is a fraud,” said Derek Scissors, a China expert at the American Enterprise Institute, who argues that the US could better enforce its will by taking unilateral actions rather than getting hooked into consultations, according to the *WSJ* report.

Implications for the WTO

If the above reported details of the proposed US-China trade agreement are any indication, then it may sound the death knell for the WTO’s adjudicating and enforcement functions.

[It is not at all clear whether the experts being cited in US media reports are fully clued in on the WTO provisions. The WTO and its adjudicatory and enforcement functions can come into play only if and when the two parties to the bilateral accord notify the WTO of the accord and amend their WTO schedules of commitments to give effect to the terms of the accord. However, whether they do it or not, any other member state of the WTO can raise a dispute citing the WTO’s “most favoured nation” (MFN) provisions which require non-discrimination among WTO members. – *SUNS*]

Further, it will be the end of the road for any meaningful negotiations on multilateral tariff reductions and for establishing new rules on electronic commerce or other plurilateral trade agreements, as the norms set in the US-China deal could become the benchmarks, said a trade envoy who asked not to be quoted.

Also, if the deal materializes between the two, it could pose a problem to China’s demand to be treated as a developing country that can avail of special and differential treatment, said a Western trade envoy who asked not to be quoted.

In short, the proposed US-China agreement could throw the WTO and the multilateral trading system into uncharted waters for years to come. (*SUNS8859*) □

The Management of Capital Flows in Asia

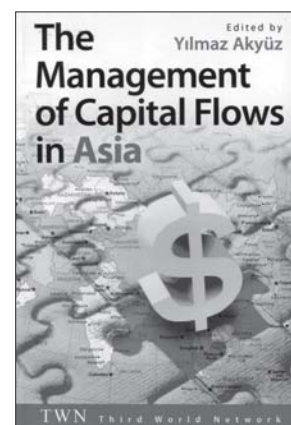
Edited by *Yilmaz Akyüz*

THE 1997 Asian financial crisis brought home to the region’s economies the importance of managing capital flows in order to avert financial shocks. This book looks into whether and how this lesson was taken on board by policy makers in Asia, and, accordingly, how capital account regimes in the region evolved in the post-crisis period.

The early years of the new millennium saw a strong surge of capital flows into Asian emerging markets amid conditions of ample global liquidity. In response to the influx of funds, these countries generally chose to keep their capital accounts open to inflows,

dealing with the attendant impacts by liberalizing resident outflows and accumulating foreign exchange reserves. While this approach enabled them to avoid unsustainable currency appreciations and external deficits, it did not prevent the emergence of asset, credit and investment bubbles and domestic market vulnerability to external financial shocks – as the events following the 2007 subprime crisis would prove.

This book – a compilation of papers written in 2008 for the first phase of a Third World Network research project on financial policies in Asia – examines the above developments in relation to the region in general and to four major Asian developing economies: China, India, Malaysia and Thailand.



ISBN: 978-967-5412-50-9 240pp
16.5 cm x 24 cm Year: 2011

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