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World economy to recover but fragilities remain – UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) has forecast world economic growth of 4.7% this year but cautioned that persistent vulnerabilities may yet put recovery at risk. In the longer term, says UNCTAD, underlying weaknesses from the pre-pandemic period need to be addressed in order to build a more resilient global economy.

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CONTENTS

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World economy to grow at 4.7% in 2021 after "annus horribilis" of 2020

A global economic recovery is expected this year, according to projections by a UN development body, but continued pursuit of the "policies of the hyperglobalized economy" threatens prospects of a resilient future.

by D. Ravi Kanth

GENEVA: The world economy is forecast to grow at 4.7% in 2021, after the "annus horribilis" (horrible year) witnessed in 2020 due to the COVID-19 pandemic that continues to impose uneven costs on countries, said a new report by the UN Conference on Trade and Development (UNCTAD) issued on 18 March.

The report, titled "Out of the frying pan ... into the fire?", said that the faster recovery of 4.7% growth in the global economy appears possible due to a variety of factors, including the large fiscal stimulus of $1.9 trillion by the United States coupled with speedy distribution of COVID-19 vaccines in several advanced countries.

It said that the latest US fiscal stimulus package is likely to boost consumer spending in the country. However, while the package contains large cash transfers, there is much less spending on investment which would expand aggregate demand and lead to a green transition. Therefore, the full effect of the package remains uncertain.

In contrast, the other advanced countries, particularly the European Union members, are lagging behind in providing substantial stimulus and relief packages as compared with the US, the report suggested.

The likely stronger global recovery could still leave a financial hole as the world economy would remain short of $10 trillion at the end of 2021 compared with pre-pandemic trends, the report said.

The developing countries are hit hard by the pandemic due to their inability to raise funds and also face huge debt-related problems.

In the face of rising geopolitical tensions, such as the formation of a new Quad comprising the US, Japan, India and Australia, apparently to contain China, the prospects for multilateral cooperation could become difficult, at least in the climate change negotiations, with the two biggest polluters – China and the US – remaining at "daggers crossed" in a so-called new Cold War.

Unlike other reports, the UNCTAD report has warned the advanced countries that blocking the TRIPS waiver proposal at the World Trade Organization to combat the pandemic could have serious adverse effects on the global economy. UNCTAD noted that the advanced countries' stand against the waiver only signals "a priority of profits over people in the fight against the pandemic."

Challenges faced

The lead authors of UNCTAD's new analysis – Richard Kozul-Wright, Director of the UNCTAD Division on Globalization and Development Strategies, and Nelson Barbosa, former Brazilian finance minister and Professor of Economics at the University of Brasilia – cautioned that the festering problems of inequality, indebtedness and insufficient investment threaten the hope for a resilient future.

According to UNCTAD, the developing and emerging economies are still not out of the woods as "the brunt of the hit to the global economy is being felt in these countries with limited fiscal space, tightening balance of payment constraints and inadequate international support."

The report offers a detailed and powerful account of the challenges being faced by countries across all regions.

It highlights how important it is to arrive at an agreement on the TRIPS waiver at the WTO to ramp up global production of COVID-19 medical products, particularly vaccines.

Against the backdrop of fragility in the financial markets, it argues for a close vigil on the continued downside risks that could arise from the financial markets and spike in asset prices in several economies, including the US and China.

The potential downside health and economic risks could still create new slippages, UNCTAD warned.

Amidst a plethora of assessments offered by various international organizations, including the Paris-based Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), UNCTAD's comprehensive analysis stands out as a *sui generis* account of the dynamics of the global economy as well as a credible gauge on the uneven and imbalanced developments in the world economy.

UNCTAD's analysis, according to Kozul-Wright at a virtual media briefing, "is also about the recovery and how it will evolve this year and the Biden bounce (and its effects on other countries) and the possible slippages that could happen."

"We call 2020 'annus horribilis' and it might have been more 'horribilis' than it turned out to be," Kozul-Wright said, adding that timely government intervention and stimulus programmes starting with the CARES Act in the US last year and other relief provided by advanced countries in response to the crisis brought a modest turnaround.

The turnaround was also made possible by the better-than-expected performance of East Asia, which registered positive growth in 2020, particularly a positive performance by China, as well as positive ramifications from regional trade links, Kozul-Wright said.

Besides, the financial markets were much stronger than expected, he said, adding that rising commodity prices also had a positive effect on the markets in the US.

Lessons learnt

The UNCTAD report said that "for 2021, we now expect a 4.7 per cent expansion, 0.6 percentage points better than our previous forecast."

"However, this more optimistic scenario hinges on three assumptions: (i) improved vaccination and disease containment in advanced and middle-income countries; (ii) a speedy transition from economic relief policies to recovery policies in the largest economies of the world; and (iii) no financial crash of global significance."

"Under these circumstances," the report said, "the challenge is less one of policy uncertainty as it is one of policy complacency setting in as the recovery advances."

The report pointed to "emerging growth patterns post COVID-19" which it said are "cause for concern":

1) the strong growth recovery in East Asia, which reflects a robust export-investment link, increased intra-regional trade, and the risk of accumulating large trade surpluses resulting in trade tensions;
2) the EU's increased reliance on export-led recovery reflecting its aversion to a coordinated and sufficiently strong fiscal expansion;
3) while the $1.9 trillion stimulus package by the Biden administration is encouraging, "the growth regime in place prior to the pandemic was heavily consumption-driven, dependent on rising household debt (in the absence of robust wage growth) and strong wealth effects (from buoyant financial markets)"; and
4) across many countries in Latin America and Africa, commodity dependence, heavy reliance on capital flows, and low rates of capital formation continue to make for a fragile growth trajectory.

"In light of the persistent vulnerabilities across the global economy," the report suggested, "a number of lessons can be drawn from what has happened to date." The lessons include:

- Austerity undermines resilience and fiscal space.
- In an interdependent global economy, international cooperation is key to both recovery and resilience. So far, it has fallen short of what is required to address an emergency global challenge. Sputtering vaccine rollouts in most countries only indicate insufficient international policy coordination as well as large-scale hoarding of vaccines by a few developed countries.
  While the likely approval by the Biden administration of a $500 billion issuance of Special Drawing Rights (SDRs) is a welcome signal, the insignificant release of around $11 billion under the Debt Service Suspension Initiative to developing countries with conditionalities is a cause for concern.
  Growing food insecurity in the face of a continued upward trend in prices since 2021 is a third area of inadequate international cooperation, which needs rapid reforms to the rules on agricultural trade at the WTO.
- The growing disconnect between financial markets and the real economy remains a systemic concern for future stability and resilience. While there was a V-shaped recovery in many financial markets, which initially saw sharp losses as the pandemic gained strength followed by unprecedented gains by the end of 2020, there was weaker recovery in terms of output, employment, investment, wages etc.
  This anaemic recovery has only contributed to a "K-shaped recovery" in many countries "as the owners of assets (and certain types of knowledge capital) have successfully managed the crisis, while the situation facing many other workers has been one of job loss and precarity."

Kozul-Wright said that "the kind of lessons we would like to draw is that financial volatility remains an endemic feature of the contemporary global economy, and that is both positive and negative." He said that many developing and emerging economies last year were engulfed in a vicious cycle because of capital outflows.

Another important lesson learnt last year, he said, was that "fiscal space matters a lot and there is a big difference between developed and developing countries in the fiscal firepower they have in response to the kind of shock we have seen."

According to Kozul-Wright, "multilateralism has lost its mojo", with coordination among the G20 major economies having become weak and debt-servicing initiatives being extremely inadequate. Also, there was no SDR issuance, which would have been an important response to the pandemic, last year.

A "lost decade"?

"Looking beyond this year, our main concern remains a misplaced optimism in the rules, practices and policies of the hyperglobalized economy," said the UNCTAD report.

"This has, if anything, only been reinforced by the lack of progress in strengthening international cooperation during a year of widespread economic collapse," it said, adding that "pressures for a return to austerity over the medium term have already surfaced."

"Austerity, inflation targeting, trade and investment liberalization, innovative finance and labour-market flexibility, amongst a litany of hackneyed economic ideas, retain a loyal following in policy circles and provide a default narrative for charting a well-trodden path for the global economy. This path led to a world of growing economic inequalities, arrested development, financial fragility, and unsustainable use of natural resources before the pandemic hit," the report pointed out.

"Barring any serious setbacks to economic growth and public health, following this path will still require several years to recover the employment, wages and output lost to the COVID-19 shock."

The report warned that "since global output growth is expected to slow down after 2021, particularly in the advanced economies, it seems reasonable to assume that, unless there is a determined shift in policy direction, the world economy will take more than a decade to catch up with its pre-pandemic trend."

"For the moment," the report said, "the fiscal responses (whether implemented or planned) in developed economies contain no tangible increase in public investment."

"There is, moreover, growing evidence that COVID-19 can have lasting effects on human health requiring dedicated medical and mental health resources, as well as increased income support. Epidemiologists and public health experts are also warning that COVID-19 may prove a trial run for far more serious pandemics."

The report said that "longer-term scarring is also appearing in the economy." It said "persistent difficulties in the service sector are one possible indicator but long-lasting difficulties from COVID-19 have also been identified in the commercial real estate market, with shrunken supply chains and through weaker consumer demand if households increase their savings rate in anticipation of difficult times ahead. Such effects would likely impede any lasting recovery."

"Moreover, the underlying conditions exposed by the global financial crisis, and not addressed since, have in some respects worsened as a result of the COVID-19 crisis," the report warned.

"The solution," it said, "lies, in part, in reviving and renewing the policies and reforms that helped establish an inclusive recovery from the Great Depression in the United States and laid the basis for a more resilient future by returning finance to its ancillary role in the economy, reversing wage repression, boosting investment in high productivity sectors and expanding the middle class."

The report cited the then US President Franklin Roosevelt as laying out "the simple, basic things that must never be lost sight of in the turmoil and unbelievable complexity of our modern world: equality of opportunity for youth and for others, jobs for those who can work, security for those who need it, the ending of special privilege for the few, the preservation of civil liberties for all, the enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living."

Unfortunately, the writing on the wall is that the Roosevelt standards are now being denied across countries with growing inequality, lack of opportunities for education for youth and others, rising unemployment for those who want to work, the denial of civil liberties and democratic rights, and the denial of COVID-19 vaccines, Kozul-Wright said. *(SUNS9309)*

Strong support for TRIPS waiver amidst opposition by Big Pharma

Despite opposition from major patent-owning drug companies, the proposal to waive COVID-19-related intellectual property rights retains the backing of most countries in the WTO, which say a waiver "makes ethical, epidemiological, and economic sense".

by D. Ravi Kanth

GENEVA: More than 100 countries have upped the stakes for text-based negotiations on the TRIPS waiver proposal aimed at better combatting the COVID-19 pandemic, amidst attempts by Big Pharma to kill the proposal, said people familiar with the development.

Ahead of the WTO's TRIPS Council meeting on 10 March, the representatives of Big Pharma had written to US President Joseph Biden noting that the "US government has stood alongside other governments, including the European Union, United Kingdom, Japan, Canada, Switzerland, Brazil, and Norway to oppose this waiver."

"We urge your administration to maintain this longstanding support for innovation and American jobs by continuing to oppose the TRIPS waiver," said the CEOs of Pfizer, AstraZeneca, PhRMA (Pharmaceutical Research and Manufacturers of America), Eli Lilly, Bristol Myers Squibb, Gilead Sciences, Merck, Sanofi, Takeda Pharmaceuticals, Novartis, Abbvie, Bayer AG, Amgen Inc and Biogen among others.

The CEOs said that "in requesting the waiver, India and South Africa argued without evidence that the intellectual property is hindering the global response to the pandemic and that the waiver would help scale up research, development, manufacturing and supply of needed products."

It was against this backdrop that the TRIPS Council meeting took place on 10 March, during which the opponents of the proposal stuck to their "diversionary" tactics to block the waiver.

The proposal, which is co-sponsored by 57 countries with support from 61 other countries, seeks the temporary suspension of certain provisions in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) relating to copyrights, industrial designs, patents and protection of undisclosed information to enable countries to globally ramp up the production of COVID-19 vaccines, therapeutics and diagnostics.

At the TRIPS Council meeting, which was held on a virtual platform, the co-sponsors of the proposal countered arguments put forward in support of voluntary licences as an alternative to the waiver, said sources who took part in the meeting.

Voluntary licences are being touted as the best way to scale up manufacturing of COVID-19 products under the so-called "third way" proposed by the WTO Director-General Ngozi Okonjo-Iweala.

"We have so far not seen one single example led by multinational vaccine and therapeutic companies that has used a different approach to voluntary licences, keeping the licence terms and conditions fully transparent, opening up worldwide coverage for production and supply of both raw materials and finished products, unconditional transfer of know-how and technologies, and coming with no other restrictive conditions," said Mustaqeem De Gama, South Africa's TRIPS negotiator, at the TRIPS Council meeting.

Participating as an observer at the meeting, the World Health Organization (WHO) openly embraced the TRIPS waiver proposal as a "win-win initiative by South Africa and India to facilitate desperately needed production of vaccines and diagnostics".

WHO expressed concern that the COVID-19 Technology Access Pool (C-TAP), intended as a means to accelerate the development of products needed to fight COVID-19 as well as to accelerate the scale-up of manufacturing and the removal of barriers to access in order to make products available globally, has not been utilized so far by owners of knowledge and patent holders.

"Only limited, exclusive and often non-transparent voluntary licensing is the preferred approach of some companies, and this is insufficient to address the needs of the current pandemic," the WHO official noted at the meeting.

However, the opponents of the waiver proposal, including Switzerland, Canada, the EU and the US, adopted ambivalent positions that amounted to stalling any move towards text-based negotiations, said several participants who asked not to be quoted.

At the meeting, the outgoing chair of the TRIPS Council, Ambassador Xolelwa Mlumbi-Peter from South Africa, underscored the need for members to engage in a candid, good-faith and evidence-based discussion on what is required for a scale-up in global production in these unprecedented times of a public health crisis, according to people who asked not to be quoted.

She urged members to focus on a result-oriented process that will contribute to an effective solution to boost productive capacity for products that are essential to deal with COVID-19 across the world.

Norway's Ambassador Dagfinn Sorli, who has consistently and vehemently opposed the waiver proposal, took over as the chair of the TRIPS Council on 11 March.

Thirty-four delegations delivered statements during the three-hour meeting on 10 March.

Global solution

India, the original sponsor along with South Africa of the waiver proposal, cautioned that the world is not producing sufficient vaccines to end the pandemic despite the existence of several approved candidates and unutilized vaccine manufacturing capacities in the world.

According to India, the proposal offers an open and expedited global solution to allow uninterrupted collaboration in the production and supply of health products and technologies required for an effective COVID response.

Despite support from more than 100 countries for the proposal, India said, a few members, who have had the lion's share in availing of vaccines, have continued to oppose it. Without naming the countries that have continued to hoard the vaccines and thereby exacerbate "vaccine inequity", India said that the vaccine hoarders have also hindered coordination for an efficient global vaccination programme. It urged these members to fulfil their obligations under WTO rules and engage in text-based negotiations on this issue.

India said it was pleased to see that some of the members which adopted a conservative approach and questioned the mere existence of any problem in vaccine access (in apparent reference to Australia, Canada, Chile and Mexico) are finally acknowledging that they are facing serious vaccine production and distributional challenges.

South Africa's De Gama intervened twice during the meeting to reiterate that the discussions cannot continue to be mired in an evidentiary loop. He called for moving towards text-based discussions. He said South Africa was ready to have a discussion on the scope and duration of the waiver following a series of bilateral meetings with other members over the last two weeks. He suggested that these conversations will spill over into the broader discussion under the auspices of the TRIPS Council.

He reminded the participants at the meeting that COVID-19 is a global problem requiring a global solution through multilateral cooperation as no one is safe until everyone is safe. He emphasized that "an effective response to the pandemic is only achievable when everyone, everywhere can access the health technologies they need for COVID-19 detection, prevention, treatment, and not through hoarding of vaccines."

"In a global pandemic," he said, "lifting IP [intellectual property] monopolies will give governments and manufacturers full freedom to operate and allow collaboration for the development, production and supply of COVID-19 medical products, including therapeutics and vaccines, without being restricted by big corporations' 'voluntary' willingness."

De Gama said that "the current ad hoc, secretive and restrictive business-as-usual voluntary licensing practices are limiting production and artificially constraining supply, with detrimental consequences for public health, society, livelihoods and the economy globally."

"It is an abuse of the intellectual property system for it has in the past one year failed to leverage global production capacity," he argued, emphasizing that "passing this waiver makes ethical, epidemiological, and economic sense."

South Africa drew attention to its experience with voluntary licences and raised sharp concerns, including: (1) the lack of transparency as the terms of the licence are usually confidential; (2) the limited geographic scope that excludes many developing countries from being supplied under the licensing agreement or allows for manufacturing only for purposes of export; (3) the licence is offered only to very specific manufacturers, presumably with the aim of limiting supply; and (4) the restrictive terms on the source and production of active pharmaceutical ingredients (APIs).

De Gama urged members to draw appropriate lessons from past mistakes to ensure that "the experience of ad hoc, secretive, limited and restrictive VLs [voluntary licences] does not repeat itself."

He said the pandemic has "shone a harsh light on the skewed and unsustainable business models with which the pharmaceutical industry maximizes its profits at the expense of legitimate public interests."

"Despite generous contributions from taxpayer money and pre-order purchases, companies are still allowed to decide on critical elements such as the scale of production (and now conveniently complain that demand outstrips supply) while setting ever higher prices that cannot be justified on any rational basis," he argued.

According to him, reports suggested that "South Africa has paid $5.25 a dose for a version of the vaccine manufactured in India while it seems that the European Commission is paying only $3.50 per shot. Uganda seems to have paid $8.50 a dose."

De Gama also challenged the argument that the TRIPS Agreement already offers sufficient flexibilities, saying that "these and other problematic terms and conditions that restrict production were commonplace even before the pandemic" and that "such approaches will not deliver to address the access needs of this devastating pandemic."

Therefore, "disparity in access is certain unless concrete steps are taken to address intellectual property barriers," he stressed.

He further said that countries have been recently criticized by the US Special 301 report with regard to their use of existing flexibilities under the TRIPS Agreement such as compulsory licences. In addition, criticism has been levelled by Big Pharma against countries like Russia, Colombia, Indonesia and Hungary for the legitimate use of compulsory licences on COVID-19 medicines in the pandemic. Even the EU has been criticized for considering how to improve the effective use of compulsory licences, he pointed out.

He announced that South Africa will convene meetings in various formats and configurations in coming weeks to start a process to discuss possible approaches to the draft waiver text.

Starting point

China underscored the need for rapid development and deployment of COVID-19 vaccines, saying it is concerned about the limited supply capacity, particularly in developing and least-developed countries.

According to China, the proposal by South Africa and India provides a good starting point for members to discuss trade emergency measures in response to the pandemic. China said it is ready to engage in such discussions to find balanced and effective solutions, said people present at the meeting.

Speaking on behalf of the African, Caribbean and Pacific (ACP) Group of countries, Jamaica said the Group "endorses the public health objectives of the proposal, which is to ensure that our people have affordable access to medicines, vaccines and other items required to prevent, treat and contain the virus."

Jamaica thanked "the co-sponsors for their hard work and take this opportunity to invite other members to engage constructively with a view to finding a landing zone. In order to move to such a landing zone, the ACP Group would support a move to text-based discussions." Jamaica said this seems to be the most effective way to tailor the waiver to a consensus approach without being tied up in a continuous evidentiary loop.

In a sharp statement, Pakistan said that the waiver proponents "have consistently been highlighting the acute shortages of supply of vaccines, the unutilized capacity in developing countries, and the tendency of big pharmaceutical companies to reap exorbitant profits on the back of global health crises by protecting unnecessarily the intellectual property, technology and technical know-how."

Pakistan said: "It is ironic and at the same time unfortunate to note that members that dismissed our arguments and concerns at the time, and had reportedly pre-purchased enough doses of the vaccine to vaccinate their population multiple times over, are now faced with supply shortages; are needing to resort to export restrictions [as imposed by the EU]; and to highlight the limitations of the COVAX facility. Some of the same members are now pleading against export restrictions on vaccines, and calling for voluntary sharing of technology and exchange of technical know-how."

Pakistan asked the opponents "how they would ensure this 'voluntary' sharing and transfer of technology." "Given that such voluntary sharing has only been possible by the private companies in an arbitrary, limited and secretive manner, creating part of the problem we are facing," asked Pakistan, "would these members force the companies to 'voluntarily' share their technology? And if so, how? This question is even more important with reports surfacing that the same pharmaceutical companies are lobbying with their governments to impose sanctions on countries that adopt compulsory licensing."

Pakistan drew reference to "alarming reports in the media that certain countries had developed patent-free vaccines several months ago as early as May last year. Yet, instead of choosing to make it public they chose to side with Big Pharma, placing profits above public health."

It said "the big pharmaceutical companies are set to reap billions of dollars of profits from these vaccines by charging inflated prices and keeping the intellectual property protected for years to come."

Several other developing countries – Tanzania (on behalf of the African Group), the Maldives, Egypt, Zimbabwe, Vanuatu, Namibia, Bangladesh, Qatar, Cuba, Nepal, Mozambique, Mongolia, Cameroon, Indonesia and Nigeria – also delivered strong statements in support of a waiver.

Ready for further engagement

The US seemed less strident on the waiver at the meeting compared with its earlier positions, said a TRIPS negotiator.

The US acknowledged that it is an important task to collectively increase access to facilitate equitable distribution of COVID-19 vaccines and to support policies that drive the rapid development, production and distribution of new vaccines, medicines and other health products.

It said it is looking forward to engaging in further fact-based discussions on the questions that a number of members have raised about the proposal, with the aim of finding multilateral solutions to amplify the public health and humanitarian responses to the ongoing crisis.

However, it stuck to its old position on the importance of incentives for innovation, so that members can better understand and consider the challenges with respect to the licensing, manufacturing, procurement and distribution of COVID-19 diagnostics, therapeutics and vaccines, and how those relate to the TRIPS Agreement.

The US said it is ready for further engagement with the sponsors of the waiver proposal, including hearing further responses to the questions posed. It said that it is committed to working constructively with members to tackle this unprecedented global health crisis and is considering proposals based on whether they can effectively address these shared goals.

Switzerland, a strong opponent of the waiver proposal, suggested that considerable efforts are underway to scale up global manufacturing, arguing that they need to be further intensified.

Switzerland asked for time as novel COVID-19 vaccines are complex, as they are based on the mRNA technology which involves completely new manufacturing processes, including the setup of new manufacturing facilities or extensive repurposing of existing ones.

The Swiss delegate said it is misleading to argue that the temporary suspension of large parts of the TRIPS Agreement would translate swiftly into a worldwide supply of COVID-19 vaccines.

The EU stressed that equitable access to vaccines is the top priority and that the main global mechanism to achieve it is the COVAX facility, which received a major financial boost following a meeting of the G7 leading industrial countries that will allow the delivery of 1.3 billion doses to 92 low- and middle-income countries by the end of 2021.

The other opponents of the waiver which spoke at the meeting included Japan, Canada, Singapore and Chinese Taipei.

However, several Latin American countries – Chile, Colombia and El Salvador – as well as Ukraine underscored the need to contribute to a constructive dialogue on the waiver so as to find balanced and effective solutions. *(SUNS9304)*

WTO DG's "third way" to fight COVID-19 a tough sell

The WTO chief's proposed "third way" to enhance supply of intellectual-property-protected COVID-19 medical products has echoes of past initiatives to secure developing-country access to technology on equitable terms – initiatives that all ended in failure.

by Biswajit Dhar

NEW DELHI: On 1 March, Ngozi Okonjo-Iweala assumed responsibilities as the seventh Director-General of the World Trade Organization and was hailed as the first woman and a person from the African continent to be in this position.

The WTO announced that the new DG "hit the ground running", which she indeed had, given that she had laid down her priorities even before she took over.

Undoubtedly, the most awaited response from Dr Okonjo-Iweala was on issues directly related to addressing the COVID-19 pandemic so that societies and economies can hasten their return to normalcy. Among these issues, nothing was more important than ensuring that during these pandemic times, vaccines, medicines and other medical products are made accessible and affordable to all.

Towards realizing this objective, India and South Africa had made a joint proposal to the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the WTO in October 2020, seeking temporary waiver of the obligations of WTO member states to implement or apply four forms of intellectual property rights (IPRs) for the prevention, containment or treatment of COVID-19.

The rationale behind the "waiver proposal" was to free up COVID-19-related medicines, vaccines and medical products from the encumbrances of IPRs, which would allow these critical products to be made available to humanity at affordable prices. In other words, the primary objective of the waiver proposal was to ensure that these products are treated as global public goods.

The proposal has already garnered the support of about two-thirds of the WTO members, including two major country groupings, namely, the African Group and the group of Least Developed Countries.

However, it did not find favour with Dr Okonjo-Iweala, though she sounded the right notes when she spoke of the need for "intensifying cooperation to make equitable and affordable access to vaccines, therapeutics and diagnostics a key plank of the recovery" and emphasized the need to broaden access to "promising new vaccines, therapeutics and diagnostics".

Calling upon the WTO members to "reject vaccine nationalism and protectionism", Dr Okonjo-Iweala suggested that there "should be a 'third way' to broaden access through facilitating technology transfer within the framework of multilateral rules".

The WTO DG argued that her "third way" would "encourage research and innovation while at the same time allowing licensing agreements that help scale up manufacturing of medical products".

Seeking fair technology licensing

Interestingly, Dr Okonjo-Iweala seems to be favouring a six-decade-old demand of the developing countries for transfer of technology through successful licensing of proprietary technology and on terms that the recipients of the technology, namely, the developing countries, can afford.

Unfortunately, as we shall see below, each of the initiatives taken in this regard has ended in failure, since developed countries have a record of unwavering support for the corporations that control the market for technology and that have been singularly focused on charging excessive rents from the rest of the world.

The first step in this direction was a Brazil-initiated submission that had led to the unanimous adoption on 19 December 1961 of the United Nations General Assembly (UNGA) Resolution 1713 (XVI), "The Role of Patents in the Transfer of Technology to Under-Developed Countries".

The resolution recognized that "access to knowledge and experience in the field of applied science and technology is essential to accelerate the economic development of under-developed countries [terminology used to describe "developing countries"] and to enlarge the overall productivity of their economies".

A study conducted as a follow-up to this resolution summed up the constraints faced by the developing countries as prospective technology recipients as follows: "Governments of under-developed countries have a legitimate interest in preventing excessive exploitation of their one-sided technological and financial dependence", which they could address by "screening and control of licence agreements, and avoidance of unduly restrictive features".

The key recommendation of the report was that the "world community and the Governments of more developed countries can assist by inducing patentees not to be unduly restrictive in the conditions and terms on which they are willing to spread technology into under-developed countries".

Soon after, in the June 1964 Final Act establishing the United Nations Conference on Trade and Development (UNCTAD), the following recommendation was made on transfer of technology: "Developed countries should encourage the holders of patented and non-patented technology to facilitate the transfer of licences, know-how, technical documentation and new technology in general to developing countries, including the financing of the procurement of licences and related technology on favourable terms."

The adoption of the International Development Strategy for the Second United Nations Development Decade in UNGA Resolution 2626 (XXV) of 24 October 1970 led to a number of initiatives for addressing the vexed issue of technology transfer.

The overall context in this regard was provided through UNGA Resolution 3202 (S-VI) of 1 May 1974 on "Declaration on the Establishment of a New International Economic Order", which was based on proposals made by a number of developing countries.

But in operational terms, the most significant decision of the UNGA was to convene negotiations for the adoption of an international code of conduct on the transfer of technology (Resolution 32/188 of 19 December 1977) to set norms and standards to facilitate technology transfer on fair and equitable terms. This decision to initiate the code negotiations was facilitated by telling evidence provided in several UNCTAD reports.

A 1975 report titled "Role of the Patent System in the Transfer of Technology to Developing Countries" found that "agreements, entered into by developing countries, concerning use of patents through foreign investments or licensing arrangements frequently contain not only high royalty payments and charges for technical services raising the direct costs of obtaining the technology, but also restrictive practices and in some instances abuses of patent monopolies, either explicitly embodied in the contractual agreements or implicitly followed by subsidiaries and affiliates of transnational corporations, which impose heavy indirect or 'hidden' costs through overcharging for imported inputs".

Another study conducted on the basis of inputs obtained from 26 technology-receiving countries provided evidence of "a wide variety of problems confronting the developing countries in acquiring access to technology on fair and reasonable terms".

The code negotiations were initiated in 1978 but were upstaged by the Uruguay Round trade negotiations for strengthening IPR norms and standards that began in 1986. And, just as the TRIPS Agreement was being operationalized in 1995, the code negotiations were all but abandoned, with the then UNCTAD Secretary-General conceding that "the conditions do not currently exist to reach full agreement on all outstanding issues in the draft code of conduct".

Developing countries resurrected the

discussions on technology transfer in the WTO after a proposal by a group of 12 countries led to the establishment of the Working Group on Trade and Transfer of Technology (WGTOT) as part of the WTO's Doha Development Agenda.

Nearly two decades since the WGTOT began deliberating on transfer of technology, expectedly, no progress has been made. But what is surprising is that the WTO secretariat itself does not seem to recognize the ongoing work in the WGTOT: "trade and transfer of technology" is not included in the list of "Trade Topics" that find a mention on the Organization's website. This should be seen as a reflection of the credibility that "transfer of technology" receives as a topic in the WTO.

The six-decade-long deliberations on technology transfer show that technology licensing has been one of those issues that have continuously reinforced the North-South divide.

It may, in fact, be argued that this issue has become even more contentious as the North has been able to ratchet up the norms and standards of intellectual property protection following the adoption of the TRIPS Agreement and has continued to push for a "TRIPS-plus" agenda on intellectual property protection, especially in bilateral, regional and plurilateral trade/economic partnership agreements.

Evidence from the post-TRIPS era (that only started in 1995) shows that pharmaceutical companies often use licensing agreements to prevent potential competitors from using the TRIPS flexibilities. These licensing agreements are used to segmentize and control the global market, keeping potential generic manufacturing competitors in line, including when patent applications are pending.

As long as technology transfer to developing countries remains un-implementable because the developed countries have never supported fair and equitable technology licensing, Dr Okonjo-Iweala will have a tough job to convince the overwhelming majority of the WTO membership that her "third way" will succeed. *(SUNS9302)*

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Growing support for 12-year transition period for graduating LDCs

The least developed countries have requested that they be allowed to have recourse to the support measures extended to LDCs in the WTO system for a further 12 years after exiting LDC status.

by D. Ravi Kanth

GENEVA: The least developed countries have upped the ante on their request at the World Trade Organization that LDC-specific support measures, including special and differential treatment and other flexibilities, must be extended for a period of 12 years for those countries graduating from the LDC category, said people familiar with the development.

The United States, the European Union and other developed countries have apparently adopted a "wait and see" approach by saying that they need to hold discussions with LDCs, while underscoring the need for a "case-by-case approach".

At the WTO's General Council (GC) meeting on 4 March, a large majority of developing countries, including China, India and South Africa, endorsed the initiative – which was put forward in the form of a draft WTO Ministerial Conference decision – proposed by Chad on behalf of the LDCs.

The draft decision calls for an outcome at the WTO's 12th Ministerial Conference (MC12), to be held in Geneva in late November, on the LDCs' request to extend all the benefits currently accruing to LDCs for a period of 12 years after an LDC moves up the ladder to become a developing country. It provides that:

"1. Support measures available to least developed countries shall be extended to a least developed country Member for a period of twelve years after the entry into force of a decision of the UN General Assembly to exclude the Member from the least developed country category.

"2. The support measures covered under paragraph 1 shall include: (i) All special and differential treatment measures and exemptions available to a least developed country under existing and future WTO Agreements, Understandings, Ministerial, General Council and other relevant Decisions; (ii) All LDC-specific technical assistance and capacity building programmes and facilities provided under the WTO system; (iii) Any other relevant measure in favour of LDCs.

"3. If a decision of the UN General Assembly to exclude a least developed country Member from the least developed country category enters into force during a transition period for LDCs provided under any existing or future WTO Agreements, Understandings, Ministerial, General Council or other relevant Decisions, the Member shall be entitled to utilize the remaining period of delay provided for LDCs...."

LDCs' case for extension

Speaking on behalf of the LDCs at the 4 March GC meeting, Chad's Ambassador to the WTO M. Ahmad Makaila said that the "main objective of the LDC graduation proposal is to provide predictability and legal certainty for a smooth transition after the graduation process, as envisaged under relevant UN resolutions."

Makaila said "the current system where individual Members can request specific waivers ultimately means that any smooth transition arrangement will depend on the negotiating capacity of a single graduating LDC negotiating with the whole membership and could be vetoed by any WTO Member".

He added that "limiting the scope of the smooth transition to specific measures would imply deciding ex ante which S&DT [special and differential treatment] provision is relevant or not, even before LDCs reach the graduation stage."

"Alternatively, defining the list of support measures to be extended to an individual LDC Member only when it reaches the graduation stage would be equivalent to the current situation and would not address the problems facing LDCs."

Makaila cautioned that "picking and choosing specific support measures or which LDCs deserve an extension or not would defeat the whole purpose of the proposed ministerial decision and would not improve on the status quo" and "it would also result in arbitrary and unjustifiable discrimination affecting the most vulnerable graduating Members."

He further said that a waiver "is clearly not the correct type of instrument to address this recurrent problem." "As mentioned under Article IX of the Marrakesh Agreement, waivers are designed for exceptional circumstances, not for a normal step in the development process of an LDC Member," he said, explaining that "the need for smooth transition is not an exceptional situation. It is recognized by all Members of the UN and has been addressed under numerous General Assembly Resolutions."

He urged the GC chair, Ambassador Dacio Castillo from Honduras, to facilitate small group consultations with delegations so as to achieve consensus on this issue. He also requested the chair to "keep this item on the agenda of the General Council until this issue of critical interest to LDCs is resolved".

At the 4 March meeting, Bangladesh, which is one of the three LDCs along with Laos and Nepal that are going to be graduated in 2026 (see following article), cautioned that in the absence of strong support measures as well as support from WTO members, the LDCs' transition will not be sustainable and the graduation will make no difference to the LDCs.

In a strong statement, Bangladeshi Ambassador to the WTO Md. Mustafizur Rahman said "smooth transition of graduating LDCs in the WTO is critically important for us."

He said that "a growing number of Members have expressed support for a formal mechanism under the auspices of WTO," emphasizing the need for a decision on the LDC request by MC12.

He said "the main purpose of the draft ministerial decision is to establish a smooth transition mechanism in the WTO which provides predictability and legal certainty. This mechanism must apply indiscriminately to all LDCs."

In response to arguments that a 12-year period for availing of all the benefits after graduation is too long if it comes on top of the graduation process envisaged under the UN Committee on Development Policy (see following article), Rahman said that "the internationally recognized concept of smooth transition is coined to help graduating LDCs to cope with a gradual removal of international support measures after graduation and is not related to the very process leading to such graduation."

"On top of that, it is in the interest of WTO Members to ensure that no graduating country falls back in the LDC category as a result of the loss of international support measures including S&DT," he said.

He added that the LDC Group is willing to discuss the 12-year timeframe "if the proposal in principle and the need for a formal mechanism, which will be applied to all LDCs after graduation, is accepted."

He reiterated that "the outcome must ensure predictability so that the LDCs after graduation get sufficient time to adjust their economies to the gradual loss of support measures."

Responding to questions that some graduated LDCs may have higher development indicators than some of the existing developing countries, Rahman said, "I may inform that the LDC graduation threshold is set at a higher level than the inclusion threshold; therefore, it is by definition possible that graduating LDCs have higher indicators of income, human asset or economic vulnerability than a few other developing countries. This was done by design to avoid a situation where a graduating LDC would fall back in the LDC category."

"This should not be argued against the graduating LDCs to benefit from a smooth transition," he said. He added that the "UN notion of smooth transition is not made conditional to the graduating LDCs having lower development indicators than any other non-LDC," stressing that "there is no reason why it should be conditional in the WTO context."

"In our view, it would rather be seen as an encouragement for other LDCs aspiring to be graduated, which is also the objective of the international community," he said.

On suggestions by some members about the issue of the time-bound services waiver, Rahman said "we are of the view that the services waiver should become permanent following the model of trade preferences for goods under the GSP in the Enabling Clause."

He said "from that context, the proposed draft ministerial decision is crafted calling on developed and developing countries to grant unilateral trade preferences to LDCs and to establish procedures for extending and gradually phasing out their preferential market access scheme."

"Should the services waiver expire before the twelve-year period of transition for graduating LDCs, according to paragraph 3 of the draft ministerial decision, a least developed country after graduation will be entitled to benefit from the remaining period until expiration of the services waiver," he said.

Rahman pointed out that the LDC Group has repeatedly said that the draft decision "doesn't request for any new support measures, instead it urges to maintain the status quo for a certain period of time after graduation." It would be in line with UN resolutions calling for S&DT provisions in the WTO to be extended for graduating LDCs, as "it would also improve predictability and confidence of LDCs about to leave the category", he said.

It is hardly surprising, according to Rahman, that "many LDCs are reluctant to graduate, considering the potentially high cost of losing support measures for LDCs at a time when the world is hit by a global pandemic."

"In this context, at the next WTO Ministerial Conference, a decision on continuation of support measures for the graduated LDCs would send a strong signal in favour of LDCs from the entire multilateral trading system," he argued.

Accommodating LDC interests

Jamaica, speaking on behalf of the African, Caribbean and Pacific (ACP) Group, commended "the approach being taken to promulgate the interests of LDCs within the WTO, especially in light of the impact of the COVID-19 pandemic."

"Undoubtedly, LDCs still face significant trade and development challenges and now, more than ever, there is an urgent need to ensure that the interests and potential of LDCs are accommodated in all our work at the WTO, especially in light of the impact of the COVID-19 pandemic and other existential and emerging challenges," Jamaica said.

"As a Group of developing countries and LDCs, we can relate to the vulnerabilities of LDCs which the COVID-19 pandemic has exacerbated," Jamaica said, emphasizing that "LDCs were already grappling to be fully integrated into the global trading system and the pandemic could undo all the strides that would have been made over the last few years."

Jamaica said the ACP Group will support "the LDCs' submissions", adding that it looks forward to "further productive engagement on the matter in order to support LDCs, including graduating LDCs, in their developmental aspirations and their efforts to integrate into the multilateral trading system."

On behalf of the African Group, Mauritius said the Group "fully supports the submission by the LDC Group contained in document WT/GC/W/807 as well as the draft Ministerial decision that would allow LDCs to continue with the LDC-specific support measures and special and differential treatment and flexibilities 12 years after graduation."

Mauritius' WTO Ambassador Usha D. Canabady said that "while the graduation of any LDC is an achievement to be celebrated, it should, however, not immediately become a brake to the further development of graduating members especially given their economic vulnerabilities and their limited negotiating capacity."

"In fact, they should continue to be accompanied in their development process and adequately prepared to face post-graduation challenges. Unfortunately, except the Enhanced Integrated Framework (EIF), there are no formal WTO procedures to support smooth transition for LDC graduation," Canabady argued.

She said "the draft Ministerial decision proposed by the LDC Group provides for a comprehensive and effective smooth transition mechanism for graduating LDCs under the WTO system."

She said that "the African Group supports the above proposal and calls upon all members to constructively engage in discussions on the proposal with a view to its adoption at MC12."

Questions from the US and the EU

The US asked whether the 12-year period in the draft decision would overlap with the nine-year graduation process at the UN or begin after the graduation process.

The EU sought to understand "whether the LDC Group is pursuing changes to the graduation process that would address its goals. For example, has the LDC Group considered seeking a longer graduation process in the UN, if a longer time frame is warranted for a graduating LDC?"

Norway apparently said that it is ready to consider the LDC Group request sympathetically, underscoring the need for more discussions, according to an LDC negotiator. *(SUNS9300)*

UN review recommends LDC graduation without COVID impact data

A UN body has recommended the removal of Bangladesh, Laos and Nepal from the "least developed countries" category – and thus from eligibility for the aid and trade benefits accorded LDCs – without adequately considering how they have been affected by the COVID-19 crisis.

by Prerna Bomzan

KATHMANDU: The United Nations Committee for Development Policy (CDP) has recommended the graduation of Bangladesh, Laos and Nepal from the list of least developed countries (LDCs) as defined by the UN.

The CDP is responsible for the periodic review of the LDC category and for recommending countries for both graduation and inclusion. The latest triennial review took place at the CDP's annual plenary which was held in virtual mode on 22-26 February.

LDCs are eligible for graduation if they meet thresholds for two of the three key LDC criteria – gross national income (GNI) per capita, human assets index (HAI), and economic and environmental vulnerability index (EVI) – or if their GNI per capita is at least twice the threshold, at two consecutive triennial reviews.

The CDP's graduation recommendations are required to be endorsed by the UN Economic and Social Council (ECOSOC) and further noted by the UN General Assembly. LDCs are normally given a three-year preparatory period from the date of the UN General Assembly resolution before the graduation becomes effective.

Graduation would no longer entitle a country to avail itself of the benefits of LDC status including: (1) aid; (2) preferential market access (e.g., duty-free, quota-free access such as through the EU's Everything But Arms scheme); and (3) important flexibilities at the World Trade Organization (WTO) such as transition periods before having to apply intellectual property protection (such as patents and copyright) and other WTO obligations.

Flawed assessment?

There are concerns that the latest triennial review of LDC graduation, which was undertaken without taking account of 2020 data and thus the impact of the COVID-19 pandemic on the key criteria scores, is a flawed assessment.

With regard to Bangladesh, Laos and Nepal, the CDP has provided "horizontal recommendations due to COVID-19":

i) an extended five-year preparatory period (as against the usual three years);
ii) analyze at the next triennial review in 2024 if extension is needed;
iii) improve the monitoring system, pay special attention to COVID-19 impacts, and alert ECOSOC if action is needed.

Further, the CDP emphasized that "support to graduating countries by development and trading partners is more important than ever" by "extending access to relevant international support mechanisms (ISMs) for an appropriate period; support to address challenges arising from COVID-19; capacity building; ...".

Myanmar and Timor-Leste were the two other LDCs considered for graduation during this review; however, decisions on their status were deferred to the 2024 review. In the case of Myanmar, the deferral was due to "concerns on negative impacts of the state of emergency declared by the military on Myanmar's development trajectory and graduation preparation; inability to review at this time". For Timor-Leste, the decision was deferred due to "continued concerns about the sustainability of the country's development progress".

Notwithstanding the specific "horizontal recommendations due to COVID-19" as well as the emphasis on "support" to the graduating countries in the context of COVID-19, the fact remains that the triennial review was conducted without 2020 data and hence without looking at the impacts of COVID-19 on the three key criteria scores (GNI per capita, HAI and EVI) which essentially determine graduation of countries.

In a 12 May 2020 statement, the CDP had announced that "the LDC criteria for the 2021 triennial review will be calculated on the basis of the most recent data available at the end of 2020 and will include data up to 2019. Hence, the LDC criteria scores will not show the impact of COVID-19".

The statement said the CDP was "deeply concerned about the possible negative impacts of the COVID-19 crisis on LDCs." "The Committee is also anxious that COVID-19 may negatively impact the preparations of LDCs that are graduating and those to be considered for graduation at the next triennial review".

It further highlighted that "COVID-19 threatens to have devastating effects" on the LDCs. "Their public health systems are often underdeveloped and unable to cope with widespread pandemic. Lockdowns and social distancing measures to stop the spread are more difficult to implement and can have particularly debilitating impacts on livelihoods."

"Moreover, LDC economies have little resilience to shocks such as the collapse of global demand, exacerbating the socio-economic consequences of the crisis."

Hardest hit

When even developed countries are currently struggling to cope with the crippling pandemic, the current list of LDCs with an estimated 1.06 billion people are undeniably the hardest hit given their low levels of income and severe structural constraints.

True to the CDP's warnings, the UN Conference on Trade and Development (UNCTAD)'s *Least Developed Countries Report 2020*, released on 3 December, forecast that "the pandemic will push LDCs to their worst economic performance in 30 years in 2020, with falling income levels, widespread employment losses and widening fiscal deficits".

The gross domestic product (GDP) per capita of LDCs was "projected to contract by 2.6% in 2020" from an already low level of only $1,088 in 2019, compared with the world average of $11,371.

The UNCTAD report said that "at least 43 out of the 47 LDCs will likely experience a fall in their average income" and that "the current account deficit of LDCs is forecast to widen from $41 billion (or 3.8% of their collective GDP) in 2019 to $61 billion (or 5.6% of their GDP) in 2020, the highest value ever".

The report further stated that "the crisis will reverse years of painstaking progress by LDCs in social fields such as poverty reduction, nutrition and education".

"The number of people living in extreme poverty (i.e. with an income level lower than $1.90 per day) in LDCs could rise by 32 million in 2020, pushing the poverty rate from 32.5% to 35.7% and limiting these countries' chances of achieving the UN's Sustainable Development Goals (SDGs). The people living in extreme poverty in LDCs account for more than 50% of the global total."

As regards graduation from LDC status, the report cautioned that "the world economic crisis brought by the COVID-19 pandemic may affect the previously planned graduation of LDCs".

Further, the CDP's own findings on the impact of COVID-19 on LDCs have stated that the "socio-economic fallout of [the] pandemic [is] a lot more devastating for LDCs", with "economies dependent on tourism and fossil fuel exports most affected" as well as "service reduction in health, education with long-term impacts".

The CDP also found that: limited fiscal space is a key constraint to response (in developed economies, the size of fiscal stimulus per capita has been 580 times higher); important support has been provided by development partners but far below what is needed; and the Debt Service Suspension Initiative is short-term relief that provides additional fiscal space but is insufficient, with LDCs spending more in servicing debt than strengthening the health sector.

The CDP further explicitly cautioned that the "health crisis is still evolving, and [the] socio-economic crisis will last even longer", thereby "stalling or reversing years of progress towards achieving [the] SDGs". "Most LDCs were not on track even before the crisis", it noted, and "returning to [the] pre-COVID-19 situation [is] neither feasible nor advisable".

In this clearly worrisome context, the recent triennial review of LDC graduation that was conducted without 2020 data must be seen as flawed. The fundamental gap in data has obviously prejudged the graduation of eligible LDCs, thus resulting in a premature graduation assessment.

For instance, the UNCTAD LDC report stated that LDC exports of garments were forecast to shrink by 20% in 2020, which will directly affect Bangladesh and Nepal amongst others, for which manufactures account for over 50% of merchandise exports, one of the eight EVI indicators.

Moreover, the triennial review has also identified countries that meet graduation criteria for the first time, namely Cambodia, Comoros, Djibouti, Senegal and Zambia. This first eligibility too is prejudged in the absence of 2020 data showing COVID-19 impacts on the key criteria scores. At the same time, the review conclusions rightly predict the "risk" that some of these countries "will fail [to meet] the graduation thresholds in 2024, mainly due to COVID-19".

Thus, it is curious why the lack of 2020 data on COVID-19 impacts did not feature more prominently in the review so that a deferment could have been recommended instead.

The huge uncertainties due to the pandemic are clear, with the World Health Organization predicting it will take 4-5 years to get it under control and the World Bank stating that global economic recovery may take five years.

Addressing the UN General Assembly Special Session in response to the pandemic on 3 December, the UN Secretary-General cautioned that "a vaccine cannot undo damage that will stretch across years, even decades to come".

The global shortage of vaccines has meanwhile triggered another wave of massive concerns, even in Europe. Prospects are not bright for the majority of LDCs and even many developing countries to achieve the required level of vaccination.

With the projected bleak scenario of continued global turmoil brought about by the pandemic, this unprecedented crisis indeed provided a case for deferral of the 2021 triennial review and decisions on LDC graduation.

Failing that, an additional nine-year preparatory period (in addition to the usual three years) was well warranted since exceptional, longer preparatory periods are clearly required under the ongoing pandemic circumstances.

It is to be noted that the UN General Assembly had on 11 February decided to extend the preparatory period for Angola, which had been scheduled to graduate in 2021, by three years (to 2024). The General Assembly noted "with great concern the reduced revenue resulting from the decline in commodity prices and the negative impact on the vulnerable economy of Angola from the global crisis triggered by the COVID-19 pandemic, which have further disrupted the sustainable development progress of the country". The three-year extension of the preparatory period is longer than the additional two years granted in the CDP's triennial review for Bangladesh, Laos and Nepal.

ECOSOC and the UN General Assembly need to reconsider the CDP's graduation recommendations for these three countries. This would bode well for these countries, while recognizing their valid aspirations for graduation as a milestone towards sustainable development and poverty eradication. *(SUNS9300)*

World Bank urged to nix controversial report

Nearly 350 civil society groups and academics from around the world have written to the Executive Directors of the World Bank calling on them to cease publication of the Bank's *Doing Business* report, which they say spurs a "deregulatory race to the bottom" among countries seeking to attract private investment. The following is the text of their 11 March open letter.

We write as concerned members of civil society organizations, academia and trade unions to call upon the World Bank's board of executive directors to end the publication of the World Bank's *Doing Business Report*. As you are aware, the *Doing Business Report* has been the focus of longstanding and well-substantiated criticisms, including from academics, legal experts, civil society organizations and trade unions. Even high-level former UN and OECD officials have questioned the report. These criticisms have been raised on several grounds, including methodology, data selection and scope, questionable robustness of the aggregate rankings, and its anti-regulation bias.

The 2013 Independent Panel Review commissioned by the World Bank issued valuable recommendations, but the institutional response was limited. The panel recommended that the use of rankings be discontinued. It also recommended the permanent deletion of the labour market flexibility and tax rate indicators, as the latter penalizes countries that require businesses to pay corporate taxes or make contributions to social security, pensions and other social protection schemes that support households.

In 2018 Paul Romer, then the World Bank's chief economist, said that "political motivation" of Bank staff may have contributed to a decline in Chile's ranking under the social democratic President Michelle Bachelet. An audit commissioned by the Bank in 2018 found no evidence of interference, but detailed that "frequent methodology changes reduce the value of the indicators to researchers, policy makers and the media".

The result is a high-stakes competition among countries, despite the foundational problems of the index and the limited meaning of year-over-year ranking comparisons. The outsized influence of the report undermines the broader policy engagement of the Bank by pushing governments toward unbalanced and short-term policymaking that is not actually beneficial for business, jobs, or sustainable development. The high-stakes nature of index positions may have also created the incentives for interference. As the world struggles to respond to and recover from the health and economic crises triggered by the COVID-19 pandemic, the consequences of the deregulatory race-to-the-bottom incentivized by the *Doing Business Report* and its world rankings have become painfully evident.

For too long, the *Doing Business Report* has encouraged policies that have worsened inequalities – including deregulations which exacerbated the global gender and racial division of labour – eroded labour protections and domestic resource mobilization capacity, suppressed domestic aggregate demand and economic diversification and thus strained the legitimacy of state institutions.

As UNCTAD's latest *Trade and Development Report* stresses, a just recovery will require that the world addresses a key weak aspect of the development paradigm: "Mainstream economic analysis has contributed to the lack of preparedness of policymakers by promoting the wrong notion of resilience – one focused on doing business and foreign investors, rather than good jobs and income security – with an attendant narrowing of the aims and objectives of economic policy."

Efforts to investigate data irregularities are welcomed in the interest of transparency. However, the problem goes much deeper and cannot be resolved by tinkering at the edges. The underlying premises of the *Doing Business Report* are not supported by evidence and contradict the objectives of a just recovery. This is why its publication should cease.

For a list of the signatories to the open letter, please go to https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2069/attachments/original/1615566215/DB_Open_Letter___Signatories_List_(1).pdf?1615566215

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Prioritize pandemic relief and recovery

Financial resources should be urgently channelled towards COVID-19 relief and recovery measures instead of debt buybacks that offer little relief to borrower countries.

by Anis Chowdhury and Jomo Kwame Sundaram

Developing-country governments are being wrongly advised to use their modest fiscal resources to pay down accumulated debt instead of strengthening pandemic relief and recovery. Thus, debt phobia risks deepening and extending COVID-19 recessions by prioritizing buybacks.

Nearly half (44%) of low-income countries were already debt-distressed or at high risk even before the COVID-19 pandemic was declared in March 2020.

Limited fiscal space has constrained developing countries' relief and recovery measures, making them far more modest than those of developed countries. Nevertheless, their government debt ratios rose faster in 2020. Many developing countries have taken on more debt, typically on non-concessional terms – from private lenders and non-Paris Club members.

Public debt in emerging markets has thus surged to levels not seen in over half a century. In January-October 2020, the average debt burden of developing countries increased by 26% as tax revenues declined sharply. The International Monetary Fund (IMF) projects their average debt ratios will rise by 7-10% of GDP in 2021, with some terming this a "debt pandemic".

Debt burdens limit fiscal resources and the policy space needed to better address the pandemic health and economic crises in developing countries. Debt is particularly debilitating in the least developed countries, where healthcare services were modest even before the pandemic.

Last October, the United Nations warned G20 senior officials of "protracted fiscal paralysis" and the "worst global crisis since WWII" if developing countries did not get significant debt relief.

For the World Bank President, the "disappointing" G20 Debt Service Suspension Initiative (DSSI) only "defers debt payments" as interest mounts, without reducing debt.

Debt buybacks?

Ostensibly to avert the "looming debt crisis", some are calling for debt buybacks while private creditors refuse to offer any debt relief. They claim "bond buybacks present a highly attractive solution, offering substantial debt relief at a relatively low cost".

Hence, they urge using the IMF's New Arrangements to Borrow plus funds from donors and multilateral institutions to buy debt at a discount. Such calls have grown with the prospect of new Special Drawing Rights (SDRs) of at least $500 billion, as the Biden administration has dropped US opposition.

Proponents do not, however, explain why debt buybacks should now take precedence over urgently deploying fiscal resources for relief and recovery. As more countries compete for funds, driving up interest rates, buybacks should ease the credit market for others.

Buyback advocates misleadingly imply that the 1989 Brady bond plan and the 2012 Greek bond buybacks were both "successful". The Brady plan wrote down some sovereign debt to commercial banks for several mainly Latin American countries, following the early 1980s spike in US interest rates.

The US debt buyback initiative was launched by George H.W. Bush's Treasury Secretary Nicholas Brady and backed with US Treasury bills after his predecessor failed to resolve the debt crises of several heavily indebted US allies.

In return for IMF support, these countries were subjected to IMF-World Bank programme conditions. These supposedly "growth-promoting" policies actually resulted in many "lost years" of stagnation.

Benefits for most debtors were unclear as buybacks failed to improve market confidence in debtor countries, or their development performance.

The Brady scheme was portrayed as "voluntary", although in fact, "officials used various techniques to pressure banks into Brady deals".

Even with fewer debt-distressed countries and more similar creditors then, "country negotiations with bank creditors often dragged on for months", even a year. In fact, only the banks gained from the Brady deals, which enabled them to close the chapter with minimal losses and move on.

The 2012 Greek debt buyback programme is said to be a "success" in "the sense of being orderly, reasonably quick". However, it only affected private debt as governments and central banks held over two-thirds of Greece's sovereign debt. While treating "holdout creditors" generously, the programme did not restore Greek debt sustainability. Unsurprisingly, the "bigger winners were hedge funds, which pocketed higher profits than many had expected".

Dubious models for emulation

Debt buyback advocates seem to ignore how debtor-creditor relations have changed since the 1980s. There are now many more types of private creditors, debtors and credit or borrowing arrangements compared with the 1980s, when government debt from US and UK commercial banks was far more significant. The US government then had much more leverage on US commercial banks as it was seen as trying to avoid bank failures and to ensure financial sector stability.

With powerful lobbyists, such as the Institute of International Finance (IIF), private finance has much more bargaining power now. Today, no single government or multilateral institution has considerable influence on the far more varied private creditors. Such lenders have already rejected the G20 DSSI and ignored IMF and World Bank calls for debt relief. Meanwhile, rating agencies threaten to downgrade the credit ratings of countries considering participation.

Many more countries face debt problems, each with its own history and mix of debt contracts. Hence, a "one-size-fits-all" buyback programme will simply not work. Each country programme will require protracted negotiations, with no guarantee of reaching a settlement.

According to World Bank Chief Economist Carmen Reinhart and her co-authors, in most cases, debt buybacks have benefited recalcitrant private creditors without providing much relief to debtors "willing to exchange higher future debt for lower payments now".

"Private creditors are increasingly claiming outsize shares of repayment in debt restructurings even when the official sector is senior creditor to the private sector ... Official creditors may be left holding the bag for the bulk of the losses, even when they start with little of the outstanding debt, as in Greece."

Hence, they caution: "make sure new funding ends up benefiting the citizens of debtor countries affected by the pandemic rather than lining the pockets of creditors ... The more official aid and soft loans can go toward helping needy citizens around the globe – and the less such assistance ends up as debt repayments to uncompromising creditors – the better."

With "collective action" complications affecting negotiations, and the greater number and variety of heavily indebted countries and creditors, equitable debt buybacks are impossible to negotiate.

Worse, prioritizing buybacks means rejecting former debt hawk Reinhart's current pragmatic advice to "first fight the war, then figure out how to pay for it".

The urgent priority is for fiscal resources to strengthen relief, recovery and reform measures. Prioritizing debt buybacks, instead of urgently augmenting fiscal resources, may thus contribute to another "lost decade" or worse. *(IPS)*

Anis Chowdhury*, Adjunct Professor at Western Sydney University (Australia), held senior United Nations positions in New York and Bangkok.* ***Jomo Kwame Sundaram****, a former economics professor, was UN Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

A Clash of Climate Change Paradigms

Negotiations and Outcomes at the UN Climate Convention

By Martin Khor and Meenakshi Raman

Climate change is the biggest problem facing humanity and the Earth. To address it requires fundamental changes to economies, social structures, lifestyles globally and in each country.

International cooperation is crucial. But to achieve this is difficult and complex, because there are many contentious issues involved, not least the respective roles and responsibilities of developed and developing countries.

This book is an account of the outcomes and negotiations at the UN Framework Convention on Climate Change (UNFCCC). It covers the Convention's annual Conference of Parties (COP) from Bali (2007) to Paris (2015), where the Paris Agreement was adopted, to 2018 where the rules on implementing Paris were approved, and to Madrid (2019).

The two main authors took part in all the COPs analysed except the 2019 COP. The book thus provides a unique ringside view of the crucial negotiations and their results at the UNFCCC as the different countries and their groups grappled with the details on how to save the world, and who should take what actions.

This brief account will be useful, even indispensable, for policy-makers, researchers, civil society activists and all those interested in the climate change issue.

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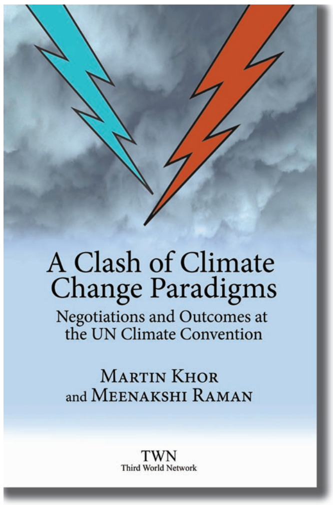

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