Third World ECONOMICS
Trends and Analysis

No.720 1-15 April 2021 e-ISSN : 2716-5388

UN chief urges financial support for developing countries

With COVID-19 exacerbating the fiscal constraints and debt burdens confronting developing countries, the UN Secretary-General has called for liquidity support and debt relief to help them to not only recover from the pandemic but also invest in achieving the Sustainable Development Goals.

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THIRD WORLD ECONOMICS
is published fortnightly by the Third World Network (TWN), an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

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Decisive action needed to tackle debt crisis in developing countries

The UN Secretary-General has highlighted the urgency of meeting the financial needs and easing the debt burden of developing countries to enable their recovery from the COVID-19 pandemic and investment in sustainable development.

by Kanaga Raja

GENEVA: More than a year into the COVID-19 pandemic, the severe fiscal impacts of the crisis are triggering debt distress in a growing number of countries and severely limiting the ability of many countries to invest in recovery, climate action and the Sustainable Development Goals (SDGs).

This is one of the main conclusions highlighted by UN Secretary-General Antonio Guterres in a new Policy Brief released on 29 March.

"Such fiscal impacts, along with the rise of vaccine nationalism, have also resulted in developing countries facing enormous difficulties in accessing vaccines against COVID-19, which threatens to prolong the recovery period," said the Secretary-General.

"Unless we take decisive action on debt and liquidity challenges, we risk another 'lost decade' for many developing countries, putting the achievement of the SDGs by the 2030 deadline definitively out of reach," he added.

The Policy Brief was released just as a high-level virtual event on debt and liquidity took place on 29 March. The event was organized by the Secretary-General together with the Prime Minister of Canada Justin Trudeau and the Prime Minister of Jamaica Andrew Holness.

In his opening remarks at that high-level event, Guterres said: "We are at a turning point in the COVID-19 crisis. The pandemic has cost over 2.7 million lives. More than 120 million people have fallen into extreme poverty.

"We are in the worst recession since the Great Depression. Richer countries have benefited from an unprecedented $16 trillion of emergency support measures, preventing a downward spiral, and setting the stage for recovery. But many developing countries cannot invest in recovery and resilience, because of financing constraints. The least developed countries have spent 580 times less in per capita terms on their COVID-19 response than advanced economies."

This division, Guterres added, is starkly reflected in global access to vaccines. "Many developed countries are on the brink of mass vaccination. In developing countries, this could take months, if not years – further delaying a global recovery. We face the spectre of a divided world and a lost decade for development."

Financing constraints

According to the Secretary-General's Policy Brief, titled "Liquidity and Debt Solutions to Invest in the SDGs", the international community's response to the socioeconomic crisis caused by COVID-19 was significant but not sufficient.

"Initial measures included monetary easing, access to fresh concessional financing, a suspension of debt service payments on bilateral debts, and targeted but limited relief on some multilateral debt. More action is needed," it said.

According to the Secretary-General, over the last 12 months, countries have taken unprecedented policy actions to control the spread of the deadly virus and mitigate its socioeconomic impact. To reduce pressure on overwhelmed health systems, governments imposed exceptional social distancing policies, including lockdowns, business closures and travel bans. These emergency policies succeeded in flattening the curve of contagion and saved lives, but they also resulted in a 4.3% contraction of world gross domestic product (GDP), the first increase in extreme poverty since 1998, and the loss of the equivalent of 114 million full-time jobs relative to the level in 2019.

The Secretary-General said that these

impacts could have been significantly worse in the absence of extraordinary national fiscal support measures, which amounted to a global total of $16 trillion as of March 2021. However, the capacity to respond to the crisis differed markedly across country groups. While advanced economies increased their fiscal expenses by more than 12% of their GDP, middle-income and low-income economies mobilized less than 4% and less than 2% of their GDPs, respectively.

These differences reflect the existence of constraints to fiscal spaces and difficulties of access to external financing, he said. In fact, many least developed countries entered the crisis with already elevated debt risks. Globally, debt risks had been on the rise since the 2008-09 global financial crisis, as the world experienced the largest, fastest and most broad-based episode of sovereign and corporate debt build-up in the past 50 years.

In March 2020, at the outset of the pandemic, capital flows massively exited developing countries, threatening to cause a major financial crisis, but a massive expansion of central bank liquidity in developed countries stabilized global financial markets and facilitated a return of capital flows to some developing economies. However, the recovery in portfolio flows has been highly uneven. While some middle-income countries have returned to international bond markets since April 2020, only two countries in Sub-Saharan Africa have been able to issue new bonds.

"Going forward there is a risk that many middle-income SIDS [small island developing states] and LDCs [least developed countries] with very high re-financing needs in 2021 will not have access to financial markets at affordable rates," said the Secretary-General.

"The rapid growth of financing needs and the collapse in revenues and GDP growth caused by the pandemic have exacerbated debt burden risks across the globe."

The Secretary-General said over half of least developed and low-income countries that use the IMF-World Bank Debt Sustainability Framework (LIC-DSF) are now assessed at a high risk of debt distress or in debt distress.

Among the 151 economies that borrow from capital markets and, consequently, are rated by the three major rating agencies, 42 have experienced downgrades since the start of the pandemic, including six developed countries, 27 emerging market economies and nine least developed countries, he said.

"Sovereign downgrades cause borrowing costs to rise, especially for developing countries, which can, in turn, increase the risk of more countries tipping over into unsustainable debt – especially if the COVID-19 pandemic is more protracted and deeper than expected."

As the world gradually recovers from the current crisis, catch-up growth will remain vulnerable due to the risk of a premature phase-out of current fiscal support measures, continuing debt service obligations, and the need to boost public and private investment substantially, said the Secretary-General.

"The rapid growth of financing needs and the collapse in revenues and GDP growth caused by the pandemic have exacerbated debt burden risks across the globe."

According to the Policy Brief, the main priority at the moment is to ensure that the developing countries will have enough fiscal space to recover from the pandemic, vaccinate their populations and invest in the SDGs, including climate action. This will require fresh financing, in some cases combined with debt relief measures.

In this context, the Secretary-General said that governments need to:

- Meet official development assistance (ODA) commitments and provide fresh concessional financing for developing countries, especially LDCs and SIDS;
- Recapitalize multilateral, regional and national development banks and accelerate the timetable for agreeing on a fresh replenishment of funds;
- Provide long-term financing to the developing countries for investment in inclusive growth and sustainable development.

"Productive investments aligned with sustainable development should help countries improve debt management in the long run, even while raising debt levels in the near term," he said.

Multilateral development banks (MDBs) have an important role to play in offering long-term and counter-cyclical financing to developing countries, he added. "Going forward, the MDB system should significantly scale up financing, consider extending maturities, and explore more options to provide long-term financing. MDBs should provide concessional financing for all developing countries, including middle-income countries."

According to the Secretary-General, central banks across the world introduced monetary easing measures on an unprecedented scale, which helped prevent a new global financial crisis. However, massive injections of liquidity are not without risk as ultra-low interest rates can fuel high asset prices and speculation. In addition, many developing countries have not been able to access capital markets because of low credit ratings and corresponding high borrowing costs.

At the onset of the pandemic, these countries faced an impossible choice between: (i) continuing to service their external debts; (ii) addressing urgent needs related to combating the pandemic and supporting jobs and income, including through basic social protection; and (iii) investing in the SDGs and a more sustainable and resilient future.

To support developing countries in need, the International Monetary Fund (IMF) temporarily doubled access to its Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), providing over $100 billion to member countries, in addition to the more than $200 billion delivered by MDBs.

In addition, in April 2020, the finance ministers of the G20 major economies endorsed the Debt Service Suspension Initiative (DSSI) to bolster crisis mitigation in IDA-eligible countries. By early March 2021, 46 out of 73 eligible countries had benefited from around $5 billion in debt service suspension, with savings contributing to the pandemic response, said the Secretary-General.

However, the financial impact of the DSSI has been blunted by the lack of participation of private creditors, to whom DSSI-eligible countries collectively owe about one-third of their total debt service obligations in 2021, he said.

"Another gap is that the DSSI eligibility criteria excludes nine of the 34 countries with a substantial risk of debt default, which includes some highly vulnerable small island developing states."

In addition, middle-income countries not eligible to the DSSI have $31 billion in bilateral debt service due in 2021 compared with $16.6 billion for eligible countries, and while some of them have adequate market access to refinance their debts, many do not.

"Without international support, these countries will need to cut fiscal expenditures to be able to service their external debts, curtailing their response and recovery prospects."

Provision of liquidity

The Secretary-General said that recommendations to provide liquidity to developing countries fall into two main categories: a Special Drawing Rights (SDRs) allocation (and reallocation), and an extension of the DSSI to temporarily bridge foreign exchange and fiscal shortfalls.

In this regard, he highlighted the following:

- Provision of a new allocation of SDRs (as discussed by the IMF Board), with a reallocation of SDRs from countries with sufficient international reserves to countries facing persistent external deficits or emergency situations, including vulnerable and conflict-affected countries;
- IMF member countries are also urged to consider (i) replenishing the Poverty Reduction Growth Trust (PRGT) of the IMF and (ii) establishing a new trust fund hosted by the IMF to support middle-income countries in their response and recovery efforts.

According to the Secretary-General, a new allocation of SDRs in a crisis context is not without precedent: in 2009, during the global financial crisis, the IMF issued 182.6 billion SDRs, bringing the total cumulative allocations to about 204.2 billion SDRs, equivalent to around $294 billion in 2020.

As of 19 March 2021, the G7 leading industrial countries endorsed a "new and sizeable" allocation of SDRs, with most experts recommending between 350 billion and 455 billion SDRs (equivalent to $500 billion to $650 billion).

According to the Policy Brief, SDRs are distributed across the IMF members in proportion to their quota shares, with developed countries receiving 60.4% and developing countries 39.6%, including 3.5% to least developed countries. Thus, said the Secretary-General, to ensure that the new SDRs go to countries that need them most, IMF member countries with strong external positions could voluntarily reallocate their existing SDRs, either bilaterally or through existing mechanisms such as the IMF's PRGT.

However, only low-income countries are eligible to borrow from the PRGT. The establishment of a new trust fund to be housed at the IMF should therefore be considered to support middle-income countries, and SIDS in particular, in their response and recovery efforts, he added.

"Overall, a new SDR allocation combined with a range of options to reallocate excess SDRs to countries that need them most will send a powerful signal of a cooperative multilateral response," said the Secretary-General.

The Secretary-General also said that the G20 would need to:

- Extend the DSSI at least until the end of June 2022;
- Include middle-income countries, in particular SIDS, conflict-affected and other vulnerable countries that have been seriously affected by the crisis; bilateral and multilateral creditors should consider offering DSSI terms to these countries on a case-by-case basis;
- Ensure that debt relief is additional to existing concessional aid;
- Bilateral G20 creditors, including hybrid lenders, should consider mechanisms to include private sector participation in the DSSI and in future debt standstills.

Referring to the G20's Common Framework on Debt Treatments Beyond the DSSI, established in November 2020, which extends the provision of debt relief to all the DSSI-eligible countries, the Secretary-General said that it faces similar limitations to the DSSI. First, vulnerable middle-income countries remain ineligible. Second, in the absence of additional measures to incentivize or compel private creditor participation, comparable treatment of commercial creditors will remain challenging in practice.

Despite these limitations, the Common Framework can be an effective platform for creditor coordination, which could serve as a starting point towards a more universal and permanent framework for sovereign debt resolution, he said.

The Secretary-General urged the international community to:

- Build on the Common Framework to offer legal and technical advice on options for debt and debt service relief to help countries in need – including debt swaps, debt buybacks, credit enhancements, re-profiling or exchanging debt, and/or cancellation – depending on a country's specific circumstances and debt challenges;
- Extend the eligibility to debt relief under the Common Framework to other vulnerable countries on a case-by-case basis;
- Consider other mechanisms that would allow countries to access the Common Framework without creating a stigma or compromising the credit rating of the beneficiaries, including funds and other instruments within existing institutions.

According to the Policy Brief, while the dramatic impact of the current crisis requires an immediate response, the crisis has also highlighted the need to address underlying challenges, both at national levels and in the global architecture.

"The current debt architecture has been ineffective in both preventing repeated episodes of unsustainable debt build-ups and in restructuring debts, when needed, in an efficient, fair, and durable manner," it said. It is characterized by numerous gaps in transparency and a lack of clarity about roles and responsibilities. More importantly, there are no processes that incentivize all creditors and debtors to act cooperatively in accordance with a uniform set of principles and standards.

Architecture reform will require new tools, instruments and legislative backing, but also a shift in mindset towards a set of principles including responsible borrowing and lending with fair, transparent, efficient and equitable workouts, said the Secretary-General.

The reform of the international debt architecture should have two objectives: (i) to facilitate expedient, fair and orderly debt workouts, when needed, and (ii) to address the underlying causes of unsustainable increases in sovereign debts and prevent their recurrence.

An effective debt architecture should thereby give countries greater room for investing in sustainable development and play an important role in increasing the resilience and stability of the international financial system in the face of future pandemics or climate-related disasters, said the Secretary-General. *(SUNS9317)*

HRC calls for equitable and universal access to COVID-19 vaccines

Voicing concern over the unequal distribution of COVID-19 vaccines globally, the UN's Human Rights Council has urged fair and full access to immunization for all.

by Kanaga Raja

GENEVA: The United Nations Human Rights Council on 23 March called upon States and other relevant stakeholders "to take appropriate measures to guarantee the fair, transparent, equitable, efficient, universal and timely access and distribution of safe, quality, efficacious, effective, accessible and affordable COVID-19 vaccines, and to enable international cooperation" in combating the COVID-19 pandemic.

In a resolution adopted without a vote, and as orally revised, at its 46th regular session, the Council emphasized "the urgent need for ensuring the right of everyone to the enjoyment of the highest attainable standard of physical and mental health and for facilitating the development of robust health systems and universal health coverage, encompassing universal, timely and equitable access to all essential health technologies, diagnostics, therapeutics, medicines and vaccines in response to the COVID-19 pandemic and other health emergencies, in order to ensure full access to immunization for all, in particular persons and groups in vulnerable situations, as a matter of global priority for all States."

The Council recognized that "the availability of vaccines, medicines, health technologies and health therapies is an essential dimension of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health."

It noted that, since the beginning of the vaccine rollout, the majority of all vaccines administered have been concentrated in high-income countries, while low-income countries still lag behind in gaining access to vaccines.

It expressed serious concern over "the disparity between developing countries and developed countries in terms of the distribution of COVID-19 vaccines, which prevents the entire international community from achieving the complete elimination of COVID-19 as soon as possible, and also further hampers progress in the realization of the 2030 Agenda for Sustainable Development."

It underscored that "equitable access to health products is a matter of global priority and that the availability, accessibility, acceptability and affordability of health products of assured quality are fundamental to tackling the pandemic."

In response to the adoption of the resolution, Tamaryn Nelson, Health Advisor at Amnesty International, said: "This resolution is yet another urgent reminder that vaccine access is a basic human right that every single person is entitled to."

"The resolution rightly calls for increased international cooperation, and expresses serious concern over the global disparity in access to COVID-19 vaccines. It emphasizes the urgent need for states to fulfil the right to health and the right to enjoy the benefits of scientific progress and its applications, which includes access to vaccines," she added.

"States must cooperate to ensure vaccines are developed and manufactured in sufficient supply, and distributed in a timely and equitable manner around the globe. Businesses, especially the pharmaceutical industry, must live up to their human rights responsibilities and make every effort to ensure that vaccines are affordable and accessible to the maximum number of people worldwide," Nelson said further.

"To this end, Amnesty International urges states and businesses to work together to ensure that intellectual property rules do not prevent any countries from upholding the right to health," she added.

"This includes agreeing to a temporary 'waiver' on certain aspects of the TRIPS Agreement for the production of COVID-19 health products, and joining the WHO's COVID-19 Technology Access Pool (C-TAP), a shared platform for knowledge and technology that aims to increase global supply of vaccines."

Uneven access

In its resolution, the Human Rights Council recognized "the importance of international cooperation and effective multilateralism in ensuring that all States, in particular developing States, including the least developed States, have affordable, timely, equitable and universal access to COVID-19 vaccines in order to minimize negative effects in all affected States and to avoid the resurgence of the pandemic."

It recognized further that "universal health coverage implies that all people have access without discrimination to nationally determined sets of needed promotive, preventive, curative, palliative and rehabilitative essential health-care services and essential, safe, affordable, effective and quality medicines and vaccines, while ensuring that the use of these services does not expose users to financial hardship, with special emphasis on the poor, vulnerable and marginalized segments of the population."

The Council was deeply concerned about the negative impact of the COVID-19 pandemic on the enjoyment of human rights around the world, and emphasized the importance of human rights in shaping the response to the pandemic, both in terms of the public health emergency and the broader impact on people's lives and livelihoods.

It reaffirmed the fundamental role of the United Nations system in coordinating the global response to control and contain the spread of COVID-19 and in providing support to States, and in this regard, acknowledged the crucial leading role played by the World Health Organization (WHO).

The Council was deeply concerned that "the COVID-19 pandemic perpetuates and exacerbates existing inequalities and that those most at risk are persons in vulnerable and marginalized situations, including older persons, migrants, refugees, internally displaced persons, persons with disabilities, persons belonging to minorities, indigenous peoples, persons deprived of their liberty, homeless persons and persons living in poverty."

It recognized the need to ensure non-discrimination and equality, and stressed the importance of age-responsive, gender-responsive and disability-sensitive measures in this regard.

It noted with concern "the uneven access to quality, safe, efficacious and affordable COVID-19 vaccines and the difficulties that a large number of countries face in gaining access to and supplying them to their populations."

It stressed the important role of the Access to COVID-19 Tools (ACT) Accelerator initiative, as well as other relevant initiatives that "are aimed at accelerating development, production and equitable access to COVID-19 diagnostics, therapeutics and vaccines to all countries and at strengthening health systems, and recognized in particular its vaccines pillar, the COVID-19 Vaccine Global Access (COVAX) Facility, which will be key to ensuring an equitable global distribution of vaccines to all States."

The Council recognized that "the COVID-19 pandemic requires a global response based on unity, solidarity and multilateral cooperation, to ensure that all States, in particular developing States, including the least developed countries, have unhindered, timely, fair and equitable access to safe diagnostics, therapeutics, medicines, vaccines and essential health technologies and their components, as well as equipment, bearing in mind that immunization against COVID-19 is a global public good for health in preventing, containing and stopping transmission, in order to bring the pandemic to an end."

International cooperation

The Council called for "intensified international cooperation and solidarity to contain, mitigate and overcome the pandemic and its consequences, including the human rights implications, through responses that are people-centred, gender-responsive, multi-dimensional, coordinated, inclusive, innovative, swift and decisive at all levels, with full respect for human rights, including by supporting the exchange of information, scientific knowledge and best practices and enhancing maintenance capacity, in particular to assist people in vulnerable situations, including all migrants, and the poorest and most vulnerable countries, to build a more equitable, inclusive, sustainable and resilient future and to realize the 2030 Agenda for Sustainable Development."

It encouraged States to work in partnership with all relevant stakeholders to increase research and development funding for vaccines and medicines, leverage digital technologies and strengthen the international scientific cooperation necessary to combat COVID-19 and to bolster coordination, including with the private sector, towards the further development, manufacturing and distribution of diagnostics, antiviral medicines, personal protective equipment and vaccines, while adhering to the objectives of quality, efficacy, safety, equity, accessibility and affordability.

The Council recognized "the importance of tools to achieve extensive immunization against COVID-19 as a global public good for health in preventing, containing and stopping transmission, in order to bring the pandemic to an end, by ensuring the availability of safe, quality, efficacious, effective, accessible and affordable vaccines."

It called upon States and other relevant stakeholders "to remove unjustified obstacles restricting the export of COVID-19 vaccines, resulting in an unequal distribution in access to them between developed and developing countries, and to promote equitable global distribution and universal access to vaccines, in order to further the principles of international cooperation and solidarity, to end the current pandemic and to promote the realization of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health."

The Council urged States to facilitate the trade, acquisition, access and distribution of COVID-19 vaccines, as a crucial element of their responses to the pandemic, to ensure the right of everyone to the enjoyment of the highest attainable standard of physical and mental health and to support the administration of vaccines to address the pandemic, in accordance with international human rights obligations and the Sustainable Development Goals and other international legal frameworks, taking into account the principles of non-discrimination and transparency.

It reiterated the call for States "to continue to collaborate, as appropriate, on models and approaches that support the de-linking of the cost of new research and development from the prices of medicines, vaccines and diagnostics for diseases, to ensure their sustained accessibility, affordability and availability and to support access to treatment for all those in need."

The Council called upon States and all relevant stakeholders to promote research and capacity-building initiatives, as well as to enhance cooperation on and access to science, innovation, technologies, technical assistance and knowledge-sharing, to ensure universal, equitable and affordable access for all persons to COVID-19 vaccines, including through improved coordination among mechanisms, especially with developing countries, in a collaborative, coordinated and transparent manner and on mutually agreed terms, in response to the COVID-19 pandemic and towards advancing the realization of the Sustainable Development Goals.

It urged States to leverage digital technologies for the response to COVID-19, including in support of efficient, transparent and robust immunization, addressing the socioeconomic impact of COVID-19, paying particular attention to digital inclusion, patient empowerment and the right to privacy and protection of personal data.

The Council reaffirmed the right of States "to use the provisions of the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the flexibilities therein, as reaffirmed in the Doha Declaration on the TRIPS Agreement and Public Health, in which it is recognized that the agreement should be interpreted and implemented in a manner supportive of the right of States to protect public health, in particular to promote access to medicines for all, to facilitate access for all to COVID-19 vaccines and to bolster coordination, including with the private sector, towards the rapid development, manufacturing and distribution of vaccines, while adhering to the objectives of transparency, efficacy, safety, equity, accessibility and affordability."

It called upon States, other partners and donors to urgently support funding and close the funding gap for the ACT Accelerator and its mechanisms, such as the COVAX Facility, support the equitable distribution of diagnostics, therapeutics and vaccines, and further explore innovative financing mechanisms aimed at ensuring affordable, timely, equitable and universal access to, and the fair distribution of, COVID-19 vaccines for all and the continuity and strengthening of essential health services.

It also called upon the international community to continue to assist developing countries in promoting the full realization of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health and the right of everyone to enjoy the benefits of scientific progress and its applications, including through access to medicines that are affordable, safe, efficacious and of quality and through financial and technical support for and training of personnel, while recognizing that the primary responsibility for promoting and protecting all human rights rests with States.

The Council requested "all States, international organizations and relevant stakeholders to commit to transparency in all matters related to the production, distribution and fair pricing of vaccines, in accordance with national and regional legal frameworks."

It urged States "to immediately take steps to prevent speculation and undue export controls and stockpiling that may hinder affordable, timely, equitable and universal access for all countries to COVID-19 vaccines."

It recognized the immense logistical challenges posed by the lack of infrastructure related to the distribution of vaccines in developing countries, including the least developed countries, and called for greater assistance and building the capacities of developing countries, including through effective training programmes in vaccine delivery in this regard.

The Council strongly urged all States "to refrain from taking any economic, financial or trade measures that may adversely affect equitable, affordable, fair, timely and universal access to COVID-19 vaccines, in particular in developing countries."

It requested the United Nations High Commissioner for Human Rights, in consultation with States, United Nations agencies, funds and programmes, in particular WHO, the special procedures of the Human Rights Council, the treaty bodies, civil society organizations and other stakeholders, to prepare a report on the human rights implications of the lack of affordable, timely, equitable and universal access and distribution of COVID-19 vaccines and the deepening inequalities between States, including the related vulnerabilities and challenges and the impact on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health, for submission to the Council at its 49th session, and to provide an oral update thereon to the Council at its 48th session.

It also decided to hold, at its 49th session, a half-day panel discussion on the matter and requested the Office of the High Commissioner to make the discussion fully accessible to persons with disabilities. *(SUNS9313)*

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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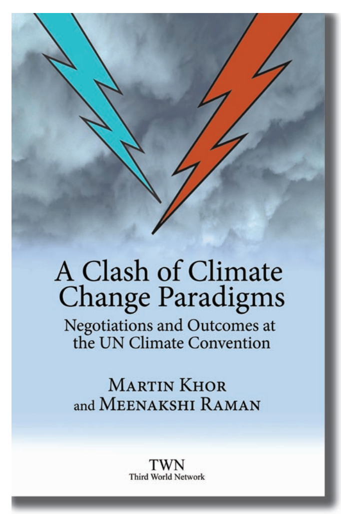

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Several WTO members oppose hybrid negotiating sessions at MC12

Preparations towards the coming Ministerial Conference were the focus when the WTO's General Council convened on 30 March, with member states outlining their priorities for the yearend meeting and some objecting to holding it in a hybrid format.

by D. Ravi Kanth

GENEVA: Several countries have opposed any negotiating sessions in a hybrid format at the World Trade Organization's 12th Ministerial Conference (MC12) that is likely to start in Geneva on 30 November, highlighting the pitfalls due to the raging COVID-19 pandemic and lack of vaccination across countries, said people familiar with the development.

At an informal WTO General Council (GC) meeting held on a virtual platform on 30 March, several developing countries such as Pakistan, Zimbabwe and South Africa, as well as the European Union among others voiced their opposition to convening negotiating sessions in a hybrid format.

Meanwhile the new GC chair, Ambassador Dacio Castillo from Honduras, spoke largely on process-related issues, particularly on what ought to be the outcome document for MC12.

Also at the meeting, WTO Director-General (DG) Ngozi Okonjo-Iweala unveiled her priorities that seem to be bordering on a few multilaterally mandated Doha issues such as fisheries subsidies, and several divisive issues like the non-mandated Joint Statement Initiatives (JSIs) that allegedly violate core provisions in the WTO's foundational Marrakesh Agreement.

In what appeared to be part of her proposed "third way" to tackle the COVID-19 pandemic, the DG highlighted her second round of meetings with Big Pharma to address the shortage of vaccines, an attempt that seemed to be aimed at chipping away at the TRIPS waiver proposal, said people familiar with the development.

In a move that may please the US, which has single-handedly atrophied the WTO's Appellate Body (AB), the DG has drawn a subtle linkage between the "Appellate Body impasse and [developing] work programmes for future reforms, including the WTO's response to climate change and other environmental challenges."

This linkage, according to one trade envoy, has an ominous implication in that agreeing to the "future reforms" as sought by the US could be interpreted as a payment for restoring the AB.

DG's priorities

At the GC meeting, Okonjo-Iweala urged members to "leverage the power of trade in pursuit of" objectives set out in the Marrakesh Agreement to improve living standards and create new jobs.

She said that WTO members "can deliver new rules that curb overfishing, overcapacity and IUU [illegal, unreported and unregulated] fishing and make our oceans more sustainable."

She also said that "the multilateral trading system can provide a meaningful collective response to this and future pandemics."

The DG further said that members can advance on agriculture and development, without suggesting whether there should be an outcome on the much-delayed mandated issues such as the permanent solution on public stockholding programmes for food security for developing countries, the special safeguard mechanism, and other issues involving sharp reduction commitments in domestic support by the US and other developed countries, said people who preferred not to be quoted.

In the face of serious legal challenges being raised on the status of the JSIs and whether they are inconsistent with core provisions in the Marrakesh Agreement, the DG said "groups of members can foster greater certainty and inclusiveness in the 21st century global economy through the Joint Statement Initiatives."

On the immediate restoration of the AB as demanded by more than 125 countries, Okonjo-Iweala merely said "we can find a way forward on the Appellate Body impasse and develop work programmes for future reforms, including the WTO's response to climate change and other environmental challenges."

"If we can do this," she said, "I think the outcome document, such as it will be, will fall out naturally."

Although she remains "very hearted" about the progress in the fisheries subsidies negotiations, Okonjo-Iweala said, "sometimes, as I walk around, I am also a little bit worried" because of the familiar positions in some of the agenda items.

"And, I would want to continue to stress that if we want to deliver results, we have to do things differently," she said, suggesting that "the world is changing and we cannot afford for us to be left behind in this change."

The DG said that it will not look so good if trade ministers come out with no agreement, "no contribution to the meaningful issues that are being faced by the world today, nothing to add in terms of a framework for tackling the next pandemic."

"Looking good means being seen by the world as having delivered for today's problems," she emphasized.

Okonjo-Iweala urged members "to be focused on the menu of issues that are before us", warning that "bringing a lot of unresolved issues to this meeting will be a recipe for failure."

"What I am asking is for us to create a recipe for success up-front," she said, suggesting that "two or three or four concrete deliverables will be such a recipe, starting with those we are working on like fisheries, together with work programmes on other items we've not agreed on, so that we can have a way forward for the future."

By July, she said, members "should identify those issues we can agree on and agree on them so that ministers can stamp these when they come together." For those issues that members cannot agree on, she suggested developing "a meaningful work programme to move forward on them or a framework, depending on the nature of the issue. But for all of this to happen, we really have to exercise the needed flexibility now, not later."

She said that "as Director-General, I am committed to a preparatory process that is transparent, effective and agile, where all members have the opportunity to put forward their views. But at the end of the day, those views have to come together. I have already started and I will work relentlessly until we get to the outcomes we need."

She spoke about the newly established Delivery Unit that "will work closely with me and with units across the [WTO] Secretariat, to better support you in your efforts to reach concrete outcomes."

"The idea is to help me follow the deliverables relentlessly, day after day, until we get to the results," she said, adding that she is planning "to convene a meeting of the TNC [Trade Negotiations Committee] and a Heads of Delegation [meeting] – ideally before the May General Council – to determine where we stand as we look ahead towards MC12."

In what appeared to be part of her much-publicized "third way" to address the COVID-19 pandemic, the DG informed members that she is "planning an event in mid-April with vaccine manufacturers from developing and developed countries." She said the underlying rationale for convening this meeting with Big Pharma "is to move us along on our quest to solve this unacceptable, inequitable access of poor countries to vaccines."

Reflecting on the "very serious scarcity in supply" of vaccines and how to expand manufacturing in all its ways, the DG said that "we also need to look to the future and agree a framework where countries do not need to stand in the queue in order to get access to life-saving vaccines, therapeutics, and diagnostics."

She expressed confidence in the meeting while remaining totally silent on the need to arrive at an expeditious decision on the TRIPS waiver proposal that is co-sponsored by 58 countries with support from 61 other members.

"I hope we can come to a good arrangement on both increasing manufacturing volume, looking at the TRIPS Agreement and seeing how we land – what landing zone we have on that – and agreeing to something that we can take to the ministerial that will be equitable and that will engage with the problems that we have now," she said.

According to the DG, the meeting with Big Pharma "will enable manufacturers to tell us their problems and at the same time listen to our issues and our desire to improve on vaccine manufacture and delivery."

The meeting will be held under "Chatham House rules (that require things discussed at the meeting to not be attributed to the speakers), so I hope to invite some members along with representatives of other groups so that the membership can get reports back and be fully engaged in what is happening."

Types of outcome document

With eight months left before MC12, the GC chair Castillo focused on what ought to be the outcome document. He suggested that the "main types of outcome documents that have emerged in past Conferences include, with slight variations: (i) a consensual Ministerial Declaration; (ii) a Chair's summary, under his/her own responsibility; and (iii) a 'hybrid' document, containing on the one hand, a consensual part, negotiated and agreed by the General Council before the Conference, and on the other, a Chair's summary under his/her own responsibility."

In particular, he said, "looking at past Ministerial Declarations, at earlier Ministerial Conferences, these were fully-fledged, in as much as they contained a consolidated text of all decisions taken, as well as instructions or guidance provided by Ministers."

Castillo said "in more recent Ministerial Conferences, such as MC9 and MC10, we had Ministerial Declarations that were set out in three parts: Part one contained a preamble or introduction; Part two was a list of the individual decisions taken by Ministers at that particular Conference; and Part three contained Ministerial guidance on future work."

He said the preparatory process in the run-up to MC12 will remain a bottom-up, transparent and wholly inclusive process.

Members' interventions

In what appears to be a sharp response to the DG's priorities, South Africa said it is sine qua non to pursue two central priorities for MC12: addressing the COVID-19 pandemic by agreeing to the TRIPS waiver expeditiously, and restoring the AB without delay.

South African Ambassador to the WTO Xolelwa Mlumbi-Peter said "we are living in extraordinary times, which require appropriate and exceptional measures." She said "the COVID-19 pandemic continues to rage globally" and that "the world is also facing the deepest economic crisis since the Second World War."

"In this context," she said, "MC12 acquires added importance."

"Whether a meeting in any format would be possible will depend on how well we deal with the pandemic," she said, expressing "serious doubts that a fully digital ministerial could be possible given the huge time differences between members as well as uneven digital connectivity."

Against this backdrop, she said, "the most important and immediate objective of the WTO is to deal with the pandemic by ensuring that the TRIPS waiver is passed expeditiously." "Until and unless we scale up production across the world and ensure that everyone has equitable access to vaccines, therapeutics and diagnostics, none of us will be safe." She added that "economic recovery depends on our ability to deal with the pandemic, including trade rules that facilitate manufacturing, growth and jobs."

Mlumbi-Peter said that "we also need to resolve the impasse at the Appellate Body as a matter of great urgency." "Without an operational multilateral, rules-based adjudication system, it makes no sense to negotiate new rules since they will not be enforced. Equally, if we cannot respect existing mandates, it makes it very difficult to agree on new ones."

The South African trade envoy underscored the need "to think carefully what issues we want to take forward at MC12. These must be realistic, be responsive to the current context and recognize the strategic vulnerabilities exposed by the pandemic."

She said "MC12 must deliver food security, livelihoods and economic recovery outcomes, as well as preserve the core principles of the WTO."

"An ambitious trade liberalization agenda is therefore not realistic given the current context," she cautioned.

South Africa demanded that "multilateral mandates and unfinished business under the DDA [Doha Development Agenda] must be given priority, since they are intended to rebalance the trading system and to build an inclusive world economy."

"Even before the pandemic, much of

the developing world was struggling with record high debt and weak growth," said Mlumbi-Peter.

She said "the time is ripe for a conversation about the nexus between trade and development and the contribution of the WTO in achieving the goals set in the Marrakesh Agreement and its alignment with the SDGs [United Nations Sustainable Development Goals]."

She expressed concern that "140 million people could fall into extreme poverty this year, with South Asia and Africa the hardest-hit regions." "This reinforces the importance of special and differential treatment (S&DT) in not only dealing with the crisis but to promote structural transformation of our economies, and the G90 proposals are the most concrete and realistic to deliver on the existing mandate."

She also said that consultations as suggested by the GC chair on two moratoria under the WTO – the moratorium on customs duties on electronic transmissions (ET) and the moratorium on TRIPS non-violation and situation complaints – cannot be linked.

On e-commerce, she said, "the multilaterally mandated work is the 1998 work programme and we must reinvigorate the work through the various bodies of the WTO." She said "the outcome on the e-commerce moratorium at MC12 will depend on clarifications with regard to the scope and definition of ET."

In relation to WTO reform, Mlumbi-Peter said "we must safeguard the multilateral character and preserve the key principles of the WTO, as well as ensure an inclusive MTS [multilateral trading system] that promotes structural transformation, equitable growth and development, employment and improved living standards."

Pragmatic outcomes

Barbados, which is apparently assisting the DG in her efforts to find new Deputy Directors-General, commended the GC chair and the DG for their efforts to find pragmatic outcomes.

Kazakhstan, which is expected to chair MC12, called for concrete results in four areas: (1) ensuring access to delivery of vaccines and medical goods to all countries; (2) conclusion of the fisheries subsidies negotiations; (3) restoration of the AB; and (4) the initiatives being undertaken by the DG.

Australia said that good preparatory processes are currently underway, adding that it endorses the DG's call for concrete outcomes at MC12. It cautioned about the DG's suggestion of a work programme on agriculture.

Zimbabwe expressed grave concern over the mode of conducting MC12, suggesting that a virtual or hybrid meeting will not be able to deliver a transparent outcome. It spoke of a non-negotiating meeting at MC12, saying that members should arrive at all decisions by consensus. It also argued that the DDA remains the only viable way to create a balanced and equitable system, and called for DDA-plus solutions at MC12.

Pakistan said that several things about MC12 are not clear yet, with members, for example, not having received any information about how the delegates will be vaccinated. "A hybrid ministerial meeting cannot be the forum to address the meeting and for poor countries with infrastructural difficulties, it would be seriously problematic."

The European Union said that this year's ministerial meeting will not be like past meetings, suggesting that it would not be a negotiating meeting and that the pandemic will influence the meeting. It called for a modest agenda along with a work programme for unresolved issues for the future. It said that some results – both reform results and policy issues – can be delivered. It emphasized that members should not be distracted with the discussion on the outcome document and instead should focus "on substance and the flexibility."

China said "the outcome document should deliver a positive signal to the international community demonstrating the solidarity at the WTO." It said it supports a transparent and inclusive process. It further said that supporting the outcome document discussions should not become hard negotiations, adding that they should not distract from the actual work.

Several other countries including Indonesia, Sri Lanka, Bangladesh and Chad called for credible developmental outcomes at MC12.

Indonesia called for a "pragmatic approach" with a meaningful outcome on the pandemic. It emphasized that MC12 must deliver credible and developmental outcomes on the longstanding issues. It said that it cannot agree to new issues, and that agriculture and curbing harmful subsidies on overcapacity and industrial-scale fishing must be targeted. It also called for accelerating work on the 1998 e-commerce work programme.

Jamaica, on behalf of the African, Caribbean and Pacific (ACP) Group, said priority should be given to securing "tangible, inclusive and development-friendly" outcomes at MC12, including on fisheries subsidies, agriculture, S&DT, measures to ameliorate the impact of the COVID-19 pandemic and a post-MC12 work programme for WTO reform. *(SUNS9318)*

Fisheries talks deadlocked over specific carve-out to major subsidizers

A proposed exemption for major subsidizing countries to continue providing handouts seen as contributing to depletion of global fish stocks remains a big sticking point in the WTO fisheries subsidies negotiations.

by D. Ravi Kanth

GENEVA: The Doha fisheries subsidies negotiations remain deadlocked over the specific carve-out provided by the chair for major subsidizers to continue with their industrial-scale fishing subject to demonstrating their implementation of sustainable marine conservation programmes, said people familiar with the development.

During the March cluster of meetings that ended on 19 March, the chair of the negotiations, Ambassador Santiago Wills from Colombia, acknowledged that positions remained unbridgeable on the core provisions of Articles 5.1 and 5.2 of his second revised draft consolidated text.

Article 5.1 prohibits and provides a list of subsidies that contribute to overcapacity or overfishing. Article 5.2 however states that "a member may grant or maintain subsidies referred to in paragraph 5.1 if it demonstrates that measures are implemented to maintain the stock or stocks in the relevant fishery or fisheries at a biologically sustainable level."

This provision in Article 5.2 gives a "green light" to the big subsidizers to continue with their subsidies on industrial-scale fishing, said several people who asked not to be quoted.

The chair appears to have introduced this carve-out based on proposals made by the big subsidizers such as the European Union, Japan and South Korea along with a few other countries which have contributed to the grave problem of overcapacity and overfishing and depletion of global fish stocks.

Also, many developing countries remain opposed to a trade-off between the carve-out on the one side, and negotiating effective special and differential treatment or common but differentiated responsibilities for developing and least-developed countries on the other, said negotiators who asked not to be quoted.

The chair held three small-group meetings to find common ground on Article 5.2 but differences persisted. He acknowledged that there is still a lot of work that needs to be done.

Clean prohibition

At the 19 March meeting, the African, Caribbean and Pacific (ACP) Group issued a strong statement setting out its positions on the issues discussed during the meeting.

According to the statement, "Article 5.1 must be a clean prohibition for the most harmful subsidies to overcapacity and overfishing."

Arguing that the relationship between Articles 5.1 and 5.2 is a challenge, the ACP Group said it is important to defuse "the impression that the wording cast as sustainability is too easy for the large subsidizers to meet." It is hardly surprising that "when sustainability is invoked in this context, it seems contrived and designed to evade the very discipline that SDG 14.6 speaks to," it said.

The United Nations Sustainable Development Goal 14.6 says: "by 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation."

The ACP Group warned that "our engagement and comments on Article 5.2 should not be understood to mean that we are open to accepting an outcome." It said that "Article 5.2 should be removed."

The Group noted suggestions by some WTO members that the Article 5.2 exemption would apply only to fishing within the subsidizing country's exclusive economic zone (EEZ). It said this "makes more sense since if the most egregious subsidies go to distant water and large-scale fishing, and if these were to apply beyond the EEZ of subsidizing members, it would enable the unabated plunder of our waters." Further, "this will result in a manifest sidestep of our mandate and a total nullification of the Article."

The Group argued that the text for Article 5.2 is "flawed as it only requires that members demonstrate that measures are in place to maintain stocks." Instead, "a more sustainable approach would be to have members demonstrate that stocks are in a healthy condition", it said, stating that "the mere existence of measures does not guarantee that stocks will not be overfished."

It called for avoiding "the impression that Article 5.2 will open up Article 5.1 to circumvention."

In addition, it said that Article "5.7 and special and differential treatment, which is integral to our mandate, must be treated completely separate from the proposed Article 5.2 exemption". "The mandate does not require us to place conditions on [special and differential treatment]," it said.

The Group called for observing "proportionate responsibility," adding that "at the same time, an agreement should allow us the space to sustainably grow our resources, provide food and job security for our fishing communities, and for poverty reduction."

It also expressed concern that moves to "replicate the context of the TBT [Technical Barriers to Trade] and SPS [Sanitary and Phytosanitary Measures] agreements in the fisheries subsidies context, would be a large step in the direction of breaking our understandings that these negotiations would not substantively and de facto result in the WTO as a fish management agency."

"If this negotiation was about fish management and bringing the WTO into this domain to monitor and enforce our management systems, there would be no need for a negotiating mandate to address fisheries subsidy," it said.

Mauritius, speaking on behalf of the African Group, said that it has consistently raised concerns about the implementation of Articles 5.1 and 5.2 and its effectiveness in prohibiting harmful subsidies as per the mandate.

Mauritius said that the African Group's reading of these articles is that "a member can provide unsustainable subsidies if it demonstrates that measures are implemented with a view to mitigating the negative effect of those harmful subsidies. This is the letter of Articles 5.1 and 5.2."

It said that "there is an inconsistency in the current formulation of the discipline. If a subsidy is harmful to sustainability, the reasonable and recommended action for responsible governments is not to grant or maintain that subsidy programme and [it] should, therefore, be prohibited. It would, otherwise, sound like creating a sickness and trying to cure it in parallel."

Artisanal fisheries

Another focus during the March cluster of meetings was on the horizontal exemption being demanded for artisanal fisheries which sustain millions of small-scale fishermen who depend on fishing for their basic livelihood.

The chair came under intense pressure for his apparent bias with regard to some proposals tabled by members on artisanal fisheries, particularly for ignoring a proposal tabled by Cameroon which seeks a complete carve-out for artisanal and small-scale fisheries, said people who took part in the meetings.

The controversy arose because the chair had scheduled discussions on a proposal tabled by Argentina, Chile and Ecuador concerning the specific exemptions to be granted to artisanal fisheries, while ignoring other proposals on artisanal fisheries.

The proposal by the three South American countries, which was issued on 22 February, seeks exemption for artisanal fisheries from two pillars – overfished stocks in Article 4, and overfishing and overcapacity in Article 5 – in the chair's second revised draft text. Under the proposal, the disciplines in these two pillars "shall not apply to low income, resource-poor or livelihood fishing and fishing-related activities at sea with the aim of, among others, ensuring food security; provided that these activities are performed within a [12] nautical miles area from the coast baseline. The activities mentioned in this Article shall nevertheless comply with the applicable domestic legislation." The three countries did not clarify what is meant by "fishing-related activities" in their proposal.

When the proposal came up for discussion during the March cluster, South Africa sought to know why the chair had not held discussions on two other proposals concerning artisanal fisheries, said people familiar with the proceedings.

Cameroon and the group of least developed countries (LDCs) had also submitted proposals in this area.

Cameroon's 19 February proposal seeks a general carve-out for artisanal fisheries in all three pillars of the negotiations – illegal, unreported and unregulated (IUU) fishing, overfished stocks, and overcapacity and overfishing. Under the proposal, "this instrument [the proposed agreement in scope] does not apply to artisanal and small-scale fishery. For the purpose of this Agreement, each member shall, upon ratification, communicate its national law and policies on artisanal and small-scale fishery and notify in advance of any changes that may occur."

Unlike the proposal from the three South American countries, which calls for exemption in only two pillars, Cameroon's proposal seeks exemption in all three pillars. Neither does it insist on any conditions such as a limit of 12 nautical miles for artisanal fisheries.

Several members severely quizzed the chair for not including Cameroon's proposal in the scheduled discussion on artisanal fisheries, pointing out that it was unfair to ignore the proposal.

In its intervention on artisanal fisheries, the ACP Group provided the following figures:

- Only 19% of the $35.4 billion of global fisheries subsidies is provided to the small-scale fishing sector, while 81% percent goes to the large-scale fishing sector.
- A large-scale fisher receives four times more funds when assessing subsidies per number of fisher, and two times more funds as subsidies per dollar landed. This undermines the economic viability of the small-scale fisheries in the long term.

The African Group cited the UN Food and Agriculture Organization (FAO) as saying that "small-scale fisheries serve as the economic and social engine, providing food and nutrition security, employment and other multiplier effects to local economies while underpinning the livelihoods of riparian communities." It said members must endeavour to deliver on SDG 14.6.

Bangladesh proposed a dedicated discussion on the proposed exemption of small-scale artisanal fisheries from the disciplines so as to protect "the disadvantaged and vulnerable group of our society – the coastal fisheries." It called for horizontal exemption for artisanal fisheries. *(SUNS9311)*

Third World ECONOMICS No. 720, 1-15 April 2021

Acute hunger set to rise in over 20 countries, say FAO/WFP

Two UN food agencies have warned of an impending increase in hunger levels driven by conflicts and economic and climate shocks.

by Kanaga Raja

GENEVA: There is a likelihood of further deterioration in acute food insecurity in over 20 countries in the coming months, according to the UN Food and Agriculture Organization (FAO) and the World Food Programme (WFP).

In their Hunger Hotspots report covering the period of March-July 2021, FAO/WFP said that the projected rise in acute hunger is due to multiple drivers that are interlinked or mutually reinforcing. "These are primarily conflict dynamics, economic shocks, the socio-economic impacts of COVID-19, weather extremes and the diffusion of plant pests and animal diseases."

Of absolute urgent and imminent concern today are more than 34 million people across the world who already face emergency levels of acute food insecurity, FAO/WFP added.

According to the report, a specific group of hotspots – Afghanistan, Burkina Faso, the Central African Republic, the Democratic Republic of the Congo, Ethiopia, Haiti, Honduras, Nigeria, Sudan, South Sudan, Syria, Yemen and Zimbabwe – are particularly concerning due to the scale, severity and trends of the existing food crises.

"In some areas of these countries, parts of the population are experiencing a critical hunger situation, with extreme depletion of livelihoods, insufficient food consumption and high acute malnutrition."

In such fragile contexts, any further shocks could push a significant number of people over the brink and into destitution and even starvation, said the FAO/WFP report.

"The magnitude of suffering is alarming. It is incumbent upon all of us to act now and to act fast to save lives, safeguard livelihoods and prevent the worst situation," said FAO Director-General Qu Dongyu.

"In many regions, the planting season has just started or is about to start. We must run against the clock and not let this opportunity to protect, stabilize and even possibly increase local food production slip away," Qu added.

"We are seeing a catastrophe unfold before our very eyes. Famine – driven by conflict, and fuelled by climate shocks and the COVID-19 hunger pandemic – is knocking on the door for millions of families," WFP Executive Director David Beasley said.

"We urgently need three things to stop millions from dying of starvation: the fighting has to stop, we must be allowed access to vulnerable communities to provide life-saving help, and above all we need donors to step up with the $5.5 billion we are asking for this year," he added.

Conflict and violence

According to the FAO/WFP report, conflict or other forms of armed violence are likely to increase in parts of Afghanistan, the Central African Republic, the Central Sahel, Ethiopia, northern Nigeria, northern Mozambique, Somalia, South Sudan and Sudan.

"In these contexts, violence will aggravate food insecurity through different pathways – such as new displacements, disruption of trade and cropping, population movements, confinement of communities, abandonment of agricultural land, and loss of life and assets – while also affecting access to humanitarian assistance."

For instance, in Afghanistan, one of the deadliest conflicts in the world, uncertainty about the withdrawal of foreign military forces, scheduled for May 2021, poses a major risk of further escalation of violence that will drive up displacement, said the report.

The recent conflict in Tigray region in Ethiopia is likely to have wider repercussions on longstanding faultlines in other parts of the country and might lead to ethnic and inter-communal violence, especially in the run-up to the June elections, it said.

"The crisis engulfing the Central Sahel will continue worsening, with high displacement levels and abandonment of agricultural lands triggered by violent insurgencies and counter-insurgencies."

In Yemen, conflict is likely to persist on existing frontlines affecting further agricultural and livestock production and trade, while new escalations may happen in some other areas, including the capital.

Meanwhile, in Syria, conflict has become static and more localized. For the coming months, it is expected to affect mainly northeastern provinces, said the report.

Economic shocks

According to the report, as a result of the economic impact of the COVID-19 pandemic, in 2021, the economies of numerous countries will continue to be highly vulnerable to economic shocks.

FAO/WFP said decreased revenues from remittances, commodity exports, tourism and industrial production have been accompanied by ballooning expenditures aimed at supporting population groups whose incomes have been disrupted by movement restrictions and the near-total shutdown of vital economic sectors such as tourism.

As a result, while several economies are expected to reach pre-crisis levels of output only in 2022, debt levels have been increasing steadily and significantly throughout 2020 and are likely to grow further in 2021. "In many cases, the debt accumulated over the past year has compounded high pre-existing sovereign and external debt levels, increasing the chance for many countries to default in absence of a strong economic recovery and support by international investors and donors."

The economic downturn has been particularly pronounced in economies characterized by high levels of informality in the labour market, and especially in countries that were already facing conflict, political and/or socioeconomic crisis before the onset of the pandemic, and were therefore lacking crucial buffers to cushion its socioeconomic impact, said the report.

FAO/WFP said that as a result of the slow recovery, 2021 is expected to see a continued loss of working hours worldwide in comparison with the last quarter of

2019, estimated at approximately -3% (equivalent to 90 million jobs).

In the Middle East and North Africa, countries that were already facing significant conflict and/or socioeconomic crises at the end of 2019, such as Yemen, Syria and Lebanon, are expected to see further economic deterioration driven by rapid currency depreciation and skyrocketing inflation.

In Latin America, the pandemic was preceded by a protracted period of stagnating growth and increasing debt levels. As a result, the region has been the most affected worldwide in terms of economic output decline, and is expected to see the slowest recovery in the coming years according to the International Monetary Fund (IMF). Those countries already struggling with political instability, protracted socioeconomic issues, climate shocks and high poverty levels, such as Haiti, Venezuela, and the Central American republics of Honduras, El Salvador, Guatemala and Nicaragua, are those poised to show the strongest economic deterioration, said the report.

In several African countries such as Sudan, Zimbabwe, Sierra Leone and Liberia, elevated levels of currency depreciation and food inflation continue to reduce people's purchasing power. Coupled with recent climatic shocks in some of these countries, which significantly depressed agricultural production, there is a considerable risk that with the likely reduction in domestic food supply, food inflation may worsen in the coming months.

Weather extremes

The report noted that weather and climate extremes driven by the ongoing La Nina event, expected to continue through April/May 2021, are likely to affect several parts of the world.

In Afghanistan, poor rainfall has affected most parts of the country since November 2020 and continues to be forecast, threatening rain-fed wheat-crop production. Water availability for spring and summer crops could also be limited due to reduced snowmelt in some basins.

In South Sudan, above-average rainfall is expected, with an increased likelihood for flooding in some areas, said the report.

In Haiti, poor previous harvests, due to climate shocks and Hurricane Laura, could be further aggravated by potential below-average rainfall for the upcoming first rainy season from April to June.

In Central America, the double impact of hurricanes Eta and Iota in the fourth quarter of 2020 have significantly affected vulnerable livelihoods.

The desert locust situation in East Africa and on the Red Sea coast remains of concern and should be monitored closely in the coming months, said FAO/WFP. In Southern Africa, more specifically in parts of Angola, Botswana, Namibia, Zambia and Zimbabwe, a serious outbreak of the African migratory locust poses a serious threat to summer cropping, it added.

Overall, humanitarian access constraints continue to be a prominent aggravating factor for acute food insecurity, hampering crisis-affected populations' access to much-needed humanitarian assistance, said the report.

It noted that as of December 2020, access continues to be extremely challenging in Yemen, as a result of conflict and insecurity, bureaucratic impediments and COVID-19 restrictions.

Constraints remain very high in parts of Afghanistan, the Democratic Republic of the Congo, Ethiopia, Mali, Nigeria, Somalia, South Sudan and Venezuela, while Burkina Faso, the Central African Republic, Honduras, Lebanon, Mozambique, the Niger and Sudan are experiencing high constraints.

Yemen, South Sudan and Nigeria remain countries with the highest alert for the outlook period, said the report.

Among the other hotspot countries, Afghanistan, the Democratic Republic of the Congo, Ethiopia, Haiti, Sudan and the Syrian Arab Republic are of absolute urgent and imminent concern, as they have large numbers of people or prevalence of people in emergency [IPC (Integrated Food Security Phase Classification) Phase 4].

"Further intensification of conflict, deepening economic crises and weather extremes, combined with varied restrictions to humanitarian access, are likely to further aggravate critical food insecurity levels in the next six months," the FAO/WFP report cautioned. *(SUNS9316)*

Third World ECONOMICS No. 720, 1-15 April 2021

Experts condemn corporate action after rollback of pension privatization

Nobel laureate Joseph Stiglitz, Juan Somavia, Jeffrey Sachs, Jose Antonio Ocampo and over 100 other high-level development experts issued the following statement in March protesting insurance corporations suing Argentina and Bolivia, at closed sessions of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank, over the reversal of their failed pension privatizations.

We the undersigned – economists, social security and development experts – strongly condemn and oppose the cases:

- Metlife Insurance vs. Argentina;
- BBVA Bank vs. Bolivia;
- NN Insurance International vs. Argentina.

Private insurance corporations are suing Argentina and Bolivia for loss of potential profits as a result of the reversal of privatization of pension programmes.

Financial corporations started administering the pensions of Argentinians in 1993 and of Bolivians in 1996. Argentina and Bolivia are among only 30 countries (of the world's 192) that experimented with privatization of their pension systems. Today, the majority of these countries are reversing the privatization of pensions. In accordance, the Government of Argentina returned to a public pension system in 2008 and Bolivia in 2009.

Pension policy is not about securing profits for private insurance corporations. Pension systems exist to provide income security in old age – to ensure that older persons retire with adequate pensions.

It is the duty of the governments of Argentina and Bolivia to best ensure the welfare of their citizens. In 2008-09, this involved reinstating a public pension system. They did not act alone; other governments also reversed pension privatization because of demonstrated inadequacies/failures in the private pension system:

- Coverage rates decreased or stagnated under private pension systems.[1]
- Pension benefits deteriorated, making private pensions very unpopular.[2]
- Old-age poverty worsened due to low pensions.
- Gender and income inequality increased.[3]
- Private systems were expensive: The high transition costs of privatization created large fiscal pressures.[4]
- Private pension administrators incurred high administrative costs and extracted excessive profits through these extraordinary administrative fees.[5]
- Financial and demographic risks were transferred to individuals; pensioners had to suffer the loss of benefits when these risks occurred, such as during the global financial crisis.
- Social dialogue severely deteriorated.

The governments of Argentina and Bolivia took legitimate decisions in the interest of their citizens that must be respected, as part of a country's sovereignty. It is reprehensible that investment treaty arbitration allows corporations to initiate dispute settlements against governments – and ultimately people – in order to continue profiting.

We also oppose the lack of transparency of the process at the World Bank's International Centre for Settlement of Investment Disputes (ICSID). While corporations may argue that procedural protections are needed, these cases affect the lives of millions of Argentinians and Bolivians. They must be open and transparent.

If Argentina and Bolivia lose the disputes, it means that their citizens – ordinary people who have had to suffer low pensions because of the privatization – will now have to pay millions of dollars to wealthy financial corporations.

These legal cases should serve as a warning for the majority of countries of the world that have not privatized mandatory pensions but may have pressures to do so: On top of suffering lower pensions, more old-age poverty, and high fiscal costs, you may be sued by the private insurance administrators. We hope that other countries are dissuaded from pension privatization by this corporate attack on government's right to set policy to promote the welfare of their citizens, an attack made in pursuit of profit and at the expense of impoverished citizens and elderly pensioners. *(IPS)*

Notes

1. In Argentina, coverage rates for men fell from 46% (in 1993, prior to the reform) to 35% (in 2002) and for women to only 31%; in Bolivia, they stagnated.
2. In Bolivia, after privatization, the replacement rate fell to 20% of the average salary during working life; this is far below ILO international standards.
3. In Bolivia, the proportion of elderly women receiving a contributory pension fell from 23.7% in 1995 to 12.8% in 2007 as a result of privatization.
4. In Argentina, initial estimations put the cost at 0.2% of GDP; later the World Bank increased the cost estimate to 3.6% of GDP, 18 times the original estimate; in Bolivia, the actual transition costs of the reform were 2.5 times the initial projections.
5. In Argentina, administration costs jumped from 6.6% of contributions in 1990 before privatization to 50.8% in 2002; in Bolivia, from 8.6% in 1992 to 18.1% in 2002 after privatization.

See the full list of signatories to the statement at http://cdn.ipsnews.net/documents/Signatories_Open_Letter_ICSIC_cases_Pensions.pdf

Third World ECONOMICS No. 720, 1-15 April 2021

COVID-19 has decimated water systems globally, but privatization is not the answer

While the coronavirus pandemic has sparked pressures in some countries for the privatization of water utilities, it has also demonstrated the value and significance of a transparent, democratic and equitable public water service.

by David McDonald and Susan Spronk

The financial impact of COVID-19 has been devastating for public water operators around the world. Millions of households and businesses have not been able to pay their water bills due to lost income, while operating expenses have risen sharply.

Data collected in June 2020 found that revenues had fallen by up to 40% for some water operators. In the United States alone, the financial impact on water utilities is expected to exceed $27 billion as a result of COVID-19.

This temporary financial crisis is made worse by long-term budget deficits, with at least $150 billion a year required to meet global backlogs for water and sanitation. As much as one might like to think that COVID-19 will be the contagion that finally wakes the world up to the need for adequate funding for these basic public services, there is no indication that the required public money will be forthcoming.

COVID-19 and privatization

Alarmingly, one possible consequence of COVID-19 may be an increase in privatization in the water sector. Our recent book, co-edited with Daniel Chavez, a fellow at the Transnational Institute in Amsterdam, demonstrates how many governments are using the crisis to promote private sector participation in water and sanitation.

This pressure to privatize is particularly notable in places where there was already a push to do so, such as Brazil. In other cases, fiscal strains are pushing authorities to consider privatization, such as in Philadelphia. In Jakarta, COVID-19 has emboldened the state to retract its promise to reverse water privatization.

Some multilateral organizations are also using COVID-19 to promote water privatization. The World Bank has created a "blended financing" programme that requires private sector participation before public water operators can receive financial support. UN-Habitat and UNICEF are promoting public-private partnerships to "engage and empower" small private water vendors.

Ironically, these calls for privatization contradict the warnings of a large group of UN Special Rapporteurs who recently published an op-ed outlining how "COVID-19 has exposed the catastrophic impact of privatizing vital services" like water and sanitation, with private water companies putting profit ahead of basic needs and public health.

Nevertheless, private water companies are also on the offensive. As the CEO of one private equity water company noted in May 2020: "We believe water utilities are amongst the most resilient sectors to an epidemic … Water consumption is rigid by nature and we think the sector will actually become even more attractive to investors."

COVID-19 appears to be contributing to a rash of mergers and acquisitions in the sector, further concentrating the power of big multinational water firms. Some analysts are predicting a "complete restructuring of the water industry," exemplified by one of the most dramatic potential takeovers of the past 50 years: a hostile takeover bid by French water multinational Veolia for rival company Suez.

Another concern is that COVID-19 will deepen the trend towards commercializing public water services, with budget cuts and neoliberal doctrine (such as small government, low corporate tax and deregulation) forcing public water agencies to act like private companies, charging market prices even when households cannot afford to pay. Many public water operators have relaxed these policies during COVID-19, but some have made it clear that market-based pricing will return once the health crisis is over.

In Colombia, Empresas Públicas de Medellín introduced emergency measures to make water affordable for the poor during COVID-19, but these are temporary reprieves from market-oriented policies. In Uruguay, reforms introduced during the pandemic have intensified the trend towards the commercialization of the national water utility.

Reclaiming public water

Is this disaster capitalism at work, with private business and their state backers pushing aggressively to normalize neoliberal relations and expand profitability in the wake of a crisis? There are certainly signs of it, but it is not a foregone conclusion. Progressive governments, unions, NGOs and community organizations continue to fight against privatization while at the same time advocating for more progressive forms of public water services.

Our book provides a critical but optimistic overview of these "pro-public" forces, illustrating how public water operators have responded effectively to COVID-19 in the short term while working towards improved democratic engagement and accountability in the long run.

Examples include free water services for marginalized communities, moratoria on cutoffs, emergency services for vulnerable groups, remote technical support for households, finding ways for low-income communities to participate in decision-making, public education campaigns to assure residents their water and sanitation systems are secure, and childcare for frontline workers.

To make this happen, hundreds of thousands of public water employees around the world have worked long hours to keep their systems running, with little in the way of public recognition. Many also engaged in peer-to-peer learning and knowledge sharing, deepening their sense of public purpose and expanding their networks of solidarity.

Hopefully, these examples of positive performance by public water operators will curtail pressures for privatization. They may even contribute to an acceleration of demands for remunicipalization, as cholera outbreaks did during the initial waves of making water services public in the 19th century.

Despite the challenges they continue to face, many public water operators around the world have demonstrated not just the significance of public ownership in times of crisis but the value of public services that are transparent, democratic and oriented towards equity and sustainability. It is essential that we use this opportunity to reclaim and remake public water in the post-pandemic period.

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COVID-19 vaccines are a victory for public research, not "greed" and "capitalism"

It is publicly funded research and subsidies, not private capital, that have driven the development of COVID-19 vaccines, points out *David Whyte*.

Boris Johnson, the UK prime minister, reportedly attributed the success of the COVID-19 vaccines to "capitalism" and "greed". But he is wrong – the idea that private ingenuity and naked competition produced the vaccines is a complete fantasy.

Before COVID-19, the vaccine market was notoriously sluggish, taking between five and 15 years to develop a viable candidate. It is for this reason the current effort looks so remarkable.

For pharmaceutical companies, the incentives are poor. In April 2018, long before coronavirus emerged, a report by Goldman Sachs analysts proposed that providing a "one shot" cure for diseases could never be a "sustainable business model".

That's because, as Johnson rightly implies, pharmaceutical companies follow the money. In 2019, the global vaccines market size was $47 billion. Meanwhile sales of just four treatment drugs matched this volume of sales (Humira, used to treat rheumatoid arthritis; Keytruda, the cancer treatment; Revlimid, used to treat multiple myeloma; and Imbruvica, also a cancer drug).

Earlier coronavirus diseases, SARS and MERS, had no vaccine. Both had candidates initially tested on animals that did not make it to human trials. The Ebola vaccine was finally approved in 2019, 16 years after it was first patented and a full six years after the start of the epidemic in West Africa.

There can be little doubt that racial capitalism and global economics have shaped our response to this virus. Previous viruses did not threaten the economy of the developed countries to the same extent. The costs of Ebola to West African countries are estimated at more than $50 billion. The cost of SARS was significant for the Asian economy, amounting to between 0.5% and 2.0% of GDP. The economic fallout of MERS was largely limited to the South Korean economy.

Most advanced economies stand to lose at least 4.5% of GDP as a result of this pandemic. So we needed COVID-19 vaccines to save these economies. Does that count as a success for greed and capitalism?

A victory for public funds

The reason the COVID-19 vaccines arrived at such warp speed is that the risk model changed overnight and the normal risks associated with vaccine development were almost completely removed from investors. Before this pandemic, capitalism was not very good at delivering vaccines for infectious diseases.

Research and development, combined with direct subsidies, were mobilized on an enormous scale for this pandemic. Governments used public funds to place huge advance orders for vaccines that removed all market risk from future sales.

It is those two things that prompted an unprecedented single-purpose investment in the sector. This investment will, of course, be followed by unprecedented profits.

The development of the COVID-19 vaccines is, therefore, part of a vast system of public subsidy that can deceive people into thinking that it is private capital that is saving us from the virus, thanks to its capacity for "innovation".

Yet there is another subsidy to those companies that remains hidden – universities.

Universities provide trained scientists and a foundation of knowledge that emerges over hundreds of years. It is in universities that the rules for clinical research are developed, and it is university researchers who publish results in academic journals which provide that knowledge foundation.

Universities make the largest social contribution to verifying and disseminating scientific breakthroughs. It is knowledge that we hold in common. In economic terms, this knowledge production counts as an "externality" in the business model: an invisible subsidy that never shows up on a corporate balance sheet, because corporations never have to pay for it.

The infrastructure that produced the COVID-19 vaccines was nurtured in publicly funded universities, in public institutes and in heavily subsidized private labs. A process that looks like it is driven by private ingenuity and naked competition in reality is driven by the scientific knowledge that is part of the "commons" and for this reason should be owned by everyone on the planet.

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