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# Hunger on the rise as pandemic rages

Between 720 and 811 million people around the world suffered from hunger in 2020, according to a United Nations report. This marked a sharp increase from the previous year, with conflicts, climate variability and economic downturns – exacerbated by the COVID-19 pandemic – driving food insecurity and malnutrition.



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# Spike in world hunger under the shadow of COVID-19

Hunger afflicted some 10% of the global population in 2020, says a UN report, as the coronavirus pandemic worsened an already challenging food security situation.

*by Kanaga Raja*

GENEVA: World hunger has increased under the shadow of the COVID-19 pandemic, with between 720 and 811 million people in the world facing hunger in 2020, according to the United Nations.

In its *State of Food Security and Nutrition in the World 2021* report, the UN said that considering the middle of the projected range (768 million), around 118 million more people were facing hunger in 2020 than in 2019 – or as many as 161 million more people, when considering the upper bound of the range.

It said that conflict, climate variability and extremes, and economic slowdowns and downturns (now exacerbated by the COVID-19 pandemic) are major drivers of food insecurity and malnutrition that continue to increase in both frequency and intensity, and are occurring more frequently in combination.

The report was jointly published by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), the UN World Food Programme (WFP) and the World Health Organization (WHO).

"Well before the COVID-19 pandemic, we were already not on track to meet our commitments to end world hunger and malnutrition in all its forms by 2030. Now, the pandemic has made this significantly more challenging," said the report.

Globally, the world is not on track to achieve targets for any of the nutrition indicators by 2030, it said. The current rate of progress on child stunting, exclusive breastfeeding and low birth weight is insufficient, and progress on child overweight, child wasting, anaemia in women of reproductive age and adult obesity is stalled or the situation is worsening.

At a virtual media briefing on 12 July, Marco Sanchez, Deputy Director of the Agrifood Economics Division at FAO and a co-author of the report, said "we have been observing since 2017" that conflicts have become more frequent, intense and widespread. In 2018, he said, the talk was about climate extremes which were also having an impact on food insecurity and malnutrition, while in 2019 the focus was on economic slowdowns and downturns having an impact on the trends in food insecurity, and then in 2020, the COVID-19 pandemic came.

Basically, Sanchez said, what has been done this year is to try to understand these different drivers in combination and not in isolation. It is clear that they interact and are making our lives more complicated, he said.

### Stalked by hunger

The joint multi-agency report, in reference to the global prevalence of undernourishment (PoU) as highlighted in Indicator 2.1.1 of the Sustainable Development Goals (SDGs), said there is no doubt that the number of people in the world affected by hunger continued to increase in 2020 under the shadow of the COVID-19 pandemic.

After remaining virtually unchanged from 2014 to 2019, the PoU increased from 8.4% to around 9.9% between 2019 and 2020, heightening the challenge of achieving the Zero Hunger target by 2030. The estimate for 2020 ranges from 9.2% to 10.4%.

In terms of population, it is estimated that between 720 and 811 million people in the world faced hunger in 2020. Considering the middle of the projected range (768 million), 118 million more people were facing hunger in 2020 than in 2019, with estimates ranging from 70 to 161 million.

While the COVID-19 pandemic

surely was a contributing factor, changes observed from 2019 to 2020 cannot be attributed only to the pandemic given the many other factors at play, said the report.

Notwithstanding, the increase in hunger in 2020 is consistent with existing evidence of the economic hardships induced by the COVID-19 crisis that have likely aggravated inequalities in access to food, it added.

The World Bank estimates that the pandemic pushed an additional 119 million to 124 million people into extreme poverty in 2020. Surveys by the Bank and others reveal staggering proportions of both urban and rural households that reported a decrease in their income after the beginning of the COVID-19 crisis.

This is despite an unprecedented response by countries worldwide to implement social protection measures. However, the speed, coverage, generosity and duration of the social protection responses varied across regions and countries, as did their effectiveness in mitigating the impacts of the pandemic on poverty, said the report. With some exceptions, data suggest that coverage has been relatively shortlived. On average, responses lasted just over three months, and roughly 40% of programmes consisted of one-time payments.

According to the report, the numbers show enduring and troubling regional inequalities. About one in five people (21% of the population) was facing hunger in Africa in 2020 – more than double the proportion of any other region, representing an increase of 3 percentage points in one year. This is followed by Latin America and the Caribbean (9.1%) and Asia (9.0%), with increases of 2.0 and 1.1 percentage points, respectively, between 2019 and 2020.

Of the total number of undernourished people in 2020 (768 million), more than half (418 million) live in Asia and more than one-third (282 million) in Africa, while Latin America and the Caribbean accounts for about 8% (60 million), said the report. Compared with 2019, 46 million more people in Africa, almost 57 million more in Asia, and about 14 million more in Latin America and the Caribbean were affected by hunger in 2020.

In Asia, the PoU in 2020 ranges from below 2.5% in Eastern Asia to a high of 15.8% in Southern Asia, which also has the highest number of undernourished people – nearly 306 million. The prevalence of undernourishment in Western Asia (15.1%) is nearly on par with that of Southern Asia.

All sub-regions of Africa and Latin America and the Caribbean, and most sub-regions of Asia, show increases in the PoU from 2019 to 2020, likely reflecting the way the COVID-19 pandemic exacerbated pre-existing drivers of food insecurity and impacted food access by the end of 2020. The sharpest increase in undernourishment was in Western Africa, of 5.8 percentage points in just one year, corresponding to 24.6 million more people.

## Sharp rise in food insecurity

According to the report, SDG Target 2.1 challenges the world to go beyond just ending hunger. For optimal health and well-being, it is imperative to ensure access for all to safe, nutritious and sufficient food all year round. SDG Indicator 2.1.2 – the prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES) – has been specifically chosen to monitor progress towards ensuring access to adequate food for all.

Since FAO first started collecting FIES data in 2014, moderate or severe food insecurity at the global level has been slowly on the rise, from 22.6% in 2014 to 26.6% in 2019, said the report. Then in 2020, the year the COVID-19 pandemic spread across the globe, it rose nearly as much as in the previous five years combined, to 30.4%.

Thus, nearly one in three people in the world did not have access to adequate food in 2020 – an increase of 320 million people in just one year, from 2.05 to 2.37 billion, said the report.

It noted that nearly 40% of those people – 11.9% of the global population, or almost 928 million – faced food insecurity at severe levels, indicating they had run out of food and, at worst, gone a day without eating. The increase in the prevalence of severe food insecurity from 2019 to 2020 was also equal to the total increase from 2014 to 2019 - close to 148 million more people were severely food insecure in 2020.

The increases in moderate or severe food insecurity from 2019 to 2020 were sharpest in Latin America and the Caribbean (9 percentage points) and Africa (5.4 percentage points), compared with a 3.1-point increase in Asia.

However, Africa still has the highest prevalence of food insecurity at both levels of severity, said the report. Nearly 60% of the population of Africa were affected by moderate or severe food insecurity in 2020, and 26% faced severe food insecurity.

In Latin America and the Caribbean, 41% of the population were moderately or severely food insecure in 2020, and 14% were severely food insecure.

The food insecurity situation was comparatively better in Asia, where 26% of the population were affected by moderate or severe food insecurity in 2020, and 10% were facing severe food insecurity. Nevertheless, because of the size of its population, Asia still accounts for half the moderately or severely food insecure people in the world.

Even in Northern America and Europe, where the lowest rates of food insecurity are found, the prevalence of food insecurity increased for the first time in 2020 since the beginning of FIES data collection in 2014. In 2020, 8.8% of the population of Northern America and Europe were moderately or severely food insecure, and 1.4% were severely food insecure, compared with 7.7% and 1.0% in 2019, respectively.

The rates were slightly higher in Oceania: 12% of the population were affected by moderate or severe food insecurity in 2020, including 2.6% who were facing severe levels of food insecurity.

The report said that from a total of 2.37 billion suffering from food insecurity, half (1.2 billion) are in Asia; one-third (799 million) are in Africa; and 11% (267 million) are in Latin America and the Caribbean.

At the sub-regional level, in Africa, moderate or severe food insecurity increased significantly in the Western sub-region, from 54.2% in 2019 to 68.3% in 2020, surpassing the level observed in Eastern Africa (65.3%) where the increase was smaller. Severe food insecurity in those two sub-regions mirrored the same trends, increasing sharply in Western Africa from 19.6% to 28.8% during 2019-20, but much less so in Eastern Africa, from 26% to 28.7%.

Moderate increases were seen in Southern Africa, where the prevalence of moderate or severe food insecurity rose from 44.3% to 49.7%, and severe food insecurity increased from 19.2%

to 22.7%. Much smaller increases of around 1 percentage point were observed in Northern Africa, where 30.2% of the population were affected by moderate or severe food insecurity in 2020, about one-third of whom were facing severe food insecurity (9.5% of the population).

In Asia, the largest increases occurred in the Southern sub-region, where moderate or severe food insecurity jumped from 37.6% in 2019 to 43.8% in 2020. There was already a notable increase in this sub-region since 2017 when the prevalence was 29.4%. Severe food insecurity also rose in Southern Asia in one year, from 18.3% to nearly 19.9%.

There was a small increase in moderate or severe food insecurity in Western Asia, which has the second highest prevalence of food insecurity in the region – 28.3% in 2020. A small increase in severe food insecurity was also observed, from 8.8% in 2019 to 8.9% in 2020.

Relatively large increases in food insecurity were observed from 2019 to 2020 in Central Asia, from 13.2% to 18% for moderate or severe, and from 2.3% to 4.7% for severe only. Despite the increase, the sub-region is second only to Eastern Asia in having the lowest food insecurity rates in the region, followed by South-eastern Asia.

Marked increases in food insecurity were observed in most sub-regions of Latin America and the Caribbean. In Central and South America, less than 40% of the population faced moderate or severe food insecurity, and levels of severe food insecurity were 11% and 13%, respectively. However, both sub-regions registered 9-point increases in moderate or severe food insecurity, and 4-point increases in severe food insecurity, in 2020.

In the Caribbean sub-region, for which estimates are being reported this year for the first time, the prevalence of moderate or severe food insecurity was 71.3% in 2020 – nearly three-quarters of the population. Of those, more than half faced severe food insecurity – 39% of the population.

The lowest levels of food insecurity in Northern America and Europe – and in the world – are found in Northern and Western Europe, where about 4% of the population were affected by moderate or severe food insecurity, said the report. In fact, moderate or severe food insecurity declined slightly in these sub-regions in 2020.

In Northern America and Southern Europe, however, moderate or severe food insecurity rose slightly from 2019 to 2020, reaching 7.8% and 9.2%, respectively. A notable rise in moderate or severe food insecurity was observed in Eastern Europe in the same period, from 10.4% to 14.8%.

Severe food insecurity has remained low in all sub-regions of Northern America and Europe, with increases from 2019 to 2020 in all but Northern America. The largest increases occurred in Eastern Europe (from 1.3% to 2.2%) and Southern Europe (from 1.6% to 2.3%).

The report summarized that the estimates based on the FIES point to a worse food security situation in 2020 compared with 2019 in most parts of the world. There is little doubt that the COVID-19 pandemic contributed to this deterioration of people's access to food, it said.

The report also found that as a result of the high cost of healthy diets, coupled with persistent high levels of income inequality, it is estimated that around 3 billion people were unable to afford a healthy diet in 2019. Most of these people live in Asia (1.85 billion) and Africa (1.0 billion), although a healthy diet is also out of reach for millions living in Latin America and the Caribbean (113.0 million) and Northern America and Europe (17.3 million).

## Malnutrition remains a challenge

According to the report, globally, malnutrition in all its forms remains a challenge. Although it is not yet possible to fully account for the impact of the COVID-19 pandemic due to data limitations, in 2020, it is estimated that 22.0% (149.2 million) of children under five years of age were affected by stunting, 6.7% (45.4 million) were suffering from wasting and 5.7% (38.9 million) were affected by overweight.

In 2020, nearly three-quarters of the world's stunted children lived in just two regions: Central and Southern Asia (37%) and sub-Saharan Africa (37%).

Eastern Asia and South-eastern Asia have made the greatest progress over the past two decades, with stunting prevalence declining by nearly half, from 26.1% in 2000 to 13.4% in 2020.

Progress on stunting has been slower in Africa, declining from 41.5% in 2000 to 30.7% in 2020 (only a 26% decline in relative terms).

In 2020, 45.4 million children under five years (6.7%) were wasted. Nearly one-quarter lived in sub-Saharan Africa and more than half lived in Southern Asia, the sub-region with the highest prevalence of wasting – above 14%.

The report said that this form of malnutrition is the most impacted by the COVID-19 pandemic in the short term, as it is an acute condition with potential to manifest quickly in the face of shocks. The pandemic has likely shifted the global prevalence even further from the global targets.

In 2020, 5.7% (38.9 million) of children under five years were overweight. There has been little change at the global level in two decades – 5.7% in 2020 compared with 5.4% in 2000 – and trends in some regions and in many settings are on the rise, said the report.

While the prevalence of child overweight in Africa is similar to the global prevalence (5.3% in 2020), sub-regional levels show differences, reaching 13.0% and 12.1% in Northern Africa and Southern Africa, respectively.

There have been notable increases in child overweight between 2000 and 2020, especially in two regions, Eastern and South-eastern Asia, and Australia and New Zealand, where levels have increased from 5.2% to 7.7% and from 7.7% to 16.9%, respectively.

## Bold actions required

The report said that hundreds of millions of people were already suffering from hunger and malnutrition before the onset of the COVID-19 pandemic. In the long term, without large-scale coordinated action, the combined effects of COVID-19 infection, as well as corresponding mitigation measures and the emerging global recession, could disrupt the functioning of food systems with disastrous consequences for health and nutrition, it added.

"New projections confirm that hunger will not be eradicated by 2030 unless bold actions are taken to accelerate progress, especially actions to address inequality in access to food. The COVID-19 pandemic has worsened the discouraging trends that already existed prior to the crisis."

Projections that consider the potential impact of the COVID-19 pandemic suggest that, following a peak of more than 760 million people in 2020, global

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hunger will decline slowly to fewer than 660 million in 2030. Nevertheless, said the report, this represents 30 million more people than projected for 2030 had the pandemic not occurred, revealing lasting effects of the pandemic on global food security.

While a substantial reduction in hunger is projected for Asia by 2030 (from 418 million in 2020 to 300 million people), a significant increase is forecasted for Africa (from more than 280 to 300 million people), placing it by 2030 on par with Asia as the region with the highest number of undernourished people.

Globally, progress is being made for some forms of malnutrition, but the world is not on track to achieve targets for any of the nutrition indicators by 2030, said the report. The current rate of progress on child stunting, exclusive breastfeeding and low birth weight is insufficient, and progress on child overweight, child wasting, anaemia in women of reproductive age and adult obesity is stalled or the situation is worsening.

The report recommended six possible pathways through which food systems could be transformed to address the major drivers of food insecurity and malnutrition and ensure access to affordable healthy diets for all, sustainably and inclusively. These include: (1) integrating humanitarian, development and peacebuilding policies in conflict-affected areas; (2) scaling up climate resilience across food systems; (3) strengthening the resilience of the most vulnerable to economic adversity; (4) intervening along the food supply chains to lower the cost of nutritious foods; (5) tackling poverty and structural inequalities, ensuring interventions are pro-poor and inclusive; and (6) strengthening food environments and changing consumer behaviour to promote dietary patterns with positive impacts on human health and the environment. *(SUNS9387)*

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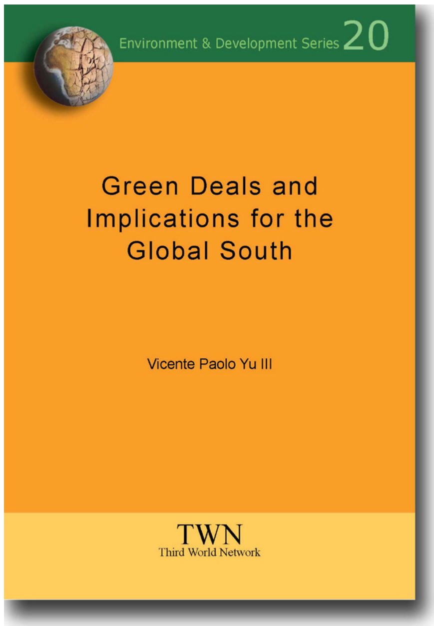
# Green Deals and Implications for the Global South

## TWN Environment & Development Series No. 20

***By Vicente Paolo Yu III***




A number of initiatives for a "green economy", "Green Deal" or "Green New Deal" have been advanced at national, regional and international levels with the stated aim of putting more environmentally friendly economic arrangements in place. Such plans would see policies being crafted to, among others, respond to climate change and other global environmental crises.

Depending on how these response measures are designed and implemented, they may have positive or unintended and adverse economic and social consequences for developing countries' economies, most often for the poorest and most vulnerable sectors of those economies.

In going "green", therefore, there is a need to consider equity as well as economic and environmental considerations. Within such a framework, developed countries should support, not impede, developing countries' efforts to make their economies more environmentally sustainable and climate-resilient, including through provision of financial and technological assistance.

*Vicente Paolo Yu III is a Senior Legal Adviser of the Third World Network, Visiting Research Fellow at the United Nations Research Institute for Social Development (UNRISD), and Associate Fellow at the Geneva Center for Security Policy.*

Available at https://twn.my/title/end/pdf/end20.pdf

# Progress in TRIPS waiver talks despite new hurdles created by EU

**Apparent intransigence on the part of the EU notwithstanding, WTO member states are working to thrash out their differences over a proposed waiver of intellectual property rights on COVID-19 medical products.**

*by D. Ravi Kanth*

GENEVA: Amidst the groundswell of international support for the proposed TRIPS waiver at the World Trade Organization, the proponents of the waiver on 6 July expressed confidence and optimism on the progress being made in the ongoing small-group consultations in paving the way for an outcome on the waiver, said people familiar with the development.

However, the European Union seems to have gone back on its assurances of constructive engagement in the consultations and appears to be creating new hurdles in an act of bad faith, said people who asked not to be quoted.

At an informal meeting of the WTO's TRIPS Council on 6 July, the key interlocutors who are engaged in the small-group consultations, except the EU, delivered upbeat assessments about the overall progress in the discussions so far.

The waiver proposal seeks to suspend the implementation of certain provisions in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) relating to copyrights, industrial designs, patents and trade secrets for a period of at least three years in order to ramp up production of COVID-19 vaccines, therapeutics and diagnostics across countries.

WTO members have increasingly acknowledged that the small-group consultations have proved to be interactive while allowing them to engage in detailed exchanges on the substantive issues underlying the waiver proposal.

## Constructive engagement

In his introductory remarks at the 6 July TRIPS Council meeting, the Council chair, Ambassador Dagfinn Sorli from Norway, suggested that discussions on the duration of the waiver clarified the intended operation of the waiver as well as the termination clause in the text of the waiver proposal. The discussions also clarified the annual review of the waiver as suggested in the proposal.

According to the chair, members engaged constructively on the issue of implementation as well.

He said there has not been enough time to complete the discussion on these two topics, suggesting that members may need to revisit them in upcoming meetings.

*Notwithstanding some divergences, the chair expressed confidence that the substantial exchanges over the past few days would contribute to a clearer understanding of each other's positions, assisting members in collectively identifying elements of convergence.*

Notwithstanding some divergences, the chair expressed confidence that the substantial exchanges over the past few days would contribute to a clearer understanding of each other's positions, assisting members in collectively identifying elements of convergence.

He also proposed to take up the topic raised by some countries regarding regulatory data, especially around the sharing of trade secrets. Apparently, some members mentioned their concerns about the disclosure of protected data from a long-term point of view. Suggestions were also made about limiting the impact of the disclosure of data during the waiver period, said people who asked not to be quoted.

At the TRIPS Council meeting, South Africa, the originator of the waiver proposal along with India, clarified several issues concerning the proposed minimum three-year duration of the waiver.

The South African delegate said that under the proposal, the waiver would not automatically terminate after three years, but only after a review by the WTO General Council on whether the exceptional circumstances that existed when the waiver was initiated continue to exist at that particular point in time.

South Africa cited various international indicators, especially the guidelines and benchmarks set by the World Health Organization about the prevalence of pandemic conditions in one or many countries. According to South Africa, the prevailing pandemic situation does not call for a one-size-fits-all approach due to new viral variants that are surfacing in countries.

The South African delegate said there is no clarity yet as to what proportion of any given population would need to be vaccinated to achieve herd immunity, how long vaccines will be effective, and when and how booster doses will be needed in developed countries with high vaccination rates.

As regards implementation, South Africa said that given the diversity of legal systems in WTO member countries, the national implementation of the waiver would depend on a country's political and constitutional arrangements. It said that once the waiver is approved, emergency and disaster management legislation could be relied upon to implement it into national laws.

South Africa expressed confidence and optimism following the latest round of discussions on the waiver, saying that consultations were focused on a solution-finding mode. Despite members still not being of one mind in respect of the initial positions, they are finding each other on many issues, South Africa said.

Pakistan, another major proponent of

the waiver, lamented that some members which are opposed to the waiver keep raising the same issues all over again. Notwithstanding the substantial answers provided to the questions raised by the opponents, the continued circulation of the same questions is not helpful for meaningful and constructive engagement, said Pakistan. Its delegate said it appears that the can is being kicked around in a circular mode.

Pakistan urged members to meaningfully address the text-based elements of the waiver proposal and provide constructive ideas for changes in the text. It called on the EU to suggest a text-based proposal on technology transfer that goes beyond clarifying already available provisions in the TRIPS Agreement.

Pakistan said the co-sponsors of the waiver proposal are happy to engage with other members and consider all proposals on their own merits and conclude them on their own procedural and legal means.

Apparently, the EU and other developed countries have suggested that the draft declaration proposed by Brussels should be treated on an equal footing as the waiver request.

India said that the small-group meetings were useful in taking the discussions forward. It thanked members for their inputs which have contributed to improving the waiver and to arriving at a landing zone.

The Indian delegate reported on the outreach efforts being undertaken by the proponents of the waiver, which have been engaging bilaterally with several members to explain in detail the reason and rationale behind the proposal with an aim to respond to all the concerns raised. However, added the delegate, there seems to be little enthusiasm among some members to engage bilaterally to discuss the text.

China reiterated its support for the waiver proposal and the text-based negotiations. It thanked the co-sponsors of the proposal for their responses and clarification on concerns raised regarding the duration and implementation of the waiver.

China said that it will continue to actively engage in all forms of discussions with all members, aiming to reach a balanced solution as soon as possible. It said that through collective efforts, members will be able to find a satisfactory solution to tackle the pandemic from the perspective of intellectual property rights.

The US sought clarity on the duration of the waiver, namely, how the waiver proposal complies with the requirements set forth in Article 9.4 of the WTO's foundational Marrakesh Agreement given the absence of a concrete termination date.

Article 9.4 of the Marrakesh Agreement states that "a decision by the [WTO] Ministerial Conference granting a waiver shall state the exceptional circumstances justifying the decision, the terms and conditions governing the application of the waiver, and the date on which the waiver shall terminate."

South Africa clarified by referring to the waiver decision of 30 August 2003 (the decision that led to the Article 31bis mechanism), which also did not fix a definitive termination date. That decision stated that the waiver "shall terminate for each Member on the date on which an amendment to the TRIPS Agreement replacing its provisions takes effect for that Member", and in some WTO member states, the 30 August 2003 waiver continues to be applicable as the TRIPS Agreement amendment adding Article 31bis has yet to enter into force in these countries.

The US delegate said that discussions to date have shown that there is a willingness to keep an open mind and consider all possible solutions in light of their potential effectiveness.

# LDCs obtain 13-year TRIPS transition period but nothing on post-graduation

The least-developed countries (LDCs) have secured an extension of the TRIPS transition period for 13 years, exempting them from implementing most of the TRIPS Agreement until 1 July 2034.

The previous extension ended on 1 July 2021.

However, the LDCs have failed to secure the continuation of the transition period after graduating from LDC to developing-country status.

Under Article 66.1 of the TRIPS Agreement, the LDCs are, due to their vulnerabilities and specific economic conditions, exempted from implementing the obligations for protection and enforcement of intellectual property rights for an initial and extendable period of 10 years. This transition period was subsequently extended twice: from 2005 to 2013, and from 2013 to 1 July 2021.

The latest decision of the TRIPS Council, adopted on 29 June 2021, says: "Least developed country Members shall not be required to apply the provisions of the Agreement, other than Articles 3, 4 and 5, until 1 July 2034, or until such a date on which they cease to be a least developed country Member, whichever date is earlier."

On 1 October 2020, Chad, on behalf of the LDC Group in the WTO, had sought an extension of the transition period for as long as a country remains an LDC, and an additional period of 12 years as a country graduates from its LDC status, in order to ensure smooth transition.

According to sources, the LDCs came under intense pressure from some major developed countries as well as from the WTO Director-General's office to drop their demand for a post-graduation extension.

This is despite LDCs facing the worst social and economic crisis in 30 years as a result of the COVID-19 pandemic. The 2021 Financing for Sustainable Development Report (FSDR) of the UN Inter-agency Task Force on Financing for Development has found that "COVID-19 could lead to a lost decade for development – one most pronounced in the Least Developed Countries". *(D. Ravi Kanth/ SUNS9376)*

### Dim view of waiver

The EU stuck to its rather dismal assessment of the waiver, suggesting that there is great concern among a number of delegations with regard to the waiver proposal.

So far, the proposal has been supported by almost two-thirds of the WTO members, more than 400 international civil society organizations, lawmakers, Nobel laureates and former government leaders.

In the face of dwindling support for the EU's own proposal, it claimed its draft declaration is an urgent trade policy response to the pandemic, saying it offers the only quick and feasible option to improve the international response to the pandemic. The EU held that its proposal will achieve the common goal of providing global equitable access to vaccines and other medical products.

However, other members have pointed out during previous TRIPS Council meetings that the EU's proposed declaration contains the same provisions already existing in Article 31 and 31bis of the TRIPS Agreement and could even undermine the TRIPS flexibilities.

The EU said that the discussions on the waiver are not getting closer in terms of reaching a concrete outcome. It said that if members want to go fast, they need to be pragmatic and really identify the issues where they can agree on and agree on the issues where they have fundamental divergences.

*So far, the waiver proposal has been supported by almost two-thirds of the WTO members, more than 400 international civil society organizations, lawmakers, Nobel laureates and former government leaders.*

Not for the first time, the EU asked how the waiver will help in enhancing access to COVID-19 vaccines, medicines and diagnostics.

It spoke about leveraging an existing point of convergence, namely, the need to rapidly and effectively enhance technology transfer as the most important element in increasing production in the short term. It criticized the waiver proposal on grounds that it creates legal uncertainty on the transfer of technology among vaccine developers and manufacturers.

The EU, which is a strong advocate of voluntary manufacturing licences, has maintained that there is nothing wrong with the ongoing collaborations and licensing agreements for ramping up production, despite criticisms about the opacity and restrictiveness of such arrangements.

At a time when the world needs between 10-11 billion doses of vaccines, the EU seems determined to accentuate the inequalities in access to affordable vaccines, said people who asked not to be quoted.

The United Kingdom noted the useful exchange of views during the small-group consultations but said that several questions are still to be answered, such as how the different methods of national implementation would be conducive to legal certainty. *(SUNS9383)*

# WTO DG tasks DDGs to deliver on controversial, non-mandated issues

The WTO chief appears to be bringing onto the organization's agenda several items not endorsed by the membership, by assigning her deputies to look further into these contentious topics.

*by D. Ravi Kanth*

GENEVA: The developing and least-developed countries seem concerned over the inclusion of non-mandated issues such as "labour issues", "industrial subsidies", "level playing field issues" and the controversial Joint Statement Initiatives in a list of "deliverables" prepared by the WTO Director-General Ngozi Okonjo-Iweala for her new deputy directors-general to deliver in the run-up to the WTO's 12th Ministerial Conference (MC12) to be held in November, said people familiar with the development.

Other issues among the deliverables include "trade and health" and "special and differential treatment."

That these issues are being proposed by the United States as well as the European Union and other developed countries is well known, said people who asked not to be quoted.

Furthermore, the list of deliverables does not include the inclusive and developmental reforms of the WTO as proposed by a large majority of developing countries.

Without mentioning the word "JSIs" (Joint Statement Initiatives), the DG has nevertheless included all the issues that are part of the JSI basket such as digital trade, investment facilitation, disciplines for micro, small and medium enterprises (MSMEs), domestic regulation in services, and trade and gender.

These deliverables, which are tilted heavily in favour of the US and other industrialized and some developing countries, have never been agreed to, either at the General Council – which is the highest forum for taking decisions in the WTO when the Ministerial Conference is not in session – or at the last Ministerial Conference, which was held in Buenos Aires in 2017, said a former trade envoy who asked not to be quoted.

The list of deliverables for the DDGs, seen by this writer, was unveiled on 30 June. (The DG subsequently issued a clarification on 1 July saying that some of the deliverables are not intended for MC12.)

**DDG deliverables**

The four new DDGs are Angela Ellard from the US, Anabel Gonzalez from Costa Rica, Jean-Marie Paugam from France, and Zhang Xiangchen from China. They assumed office on 25 June.

Ellard has been tasked with delivering on "fisheries subsidies," "trade and health" (in collaboration with Gonzalez), "labour issues" and "Dispute Settlement Body."

Incidentally, Ellard had worked with the US Trade Representative Katherine Tai when they both worked as trade counsels at the US House Ways and Means Committee.

The controversial deliverable on "labour issues", which is one of the top trade priorities for the Biden-Harris administration in Washington, has been rejected twice in past Ministerial Conferences.

The labour issue figured prominently at the WTO's first Ministerial Conference, held in Singapore in 1996. At that meeting, a large majority of developing countries rejected the issue outright, following which it was abandoned.

It resurfaced at the WTO's third ministerial meeting, which took place in Seattle in 1999, during President Bill Clinton's administration. The developing countries fiercely opposed both the trade and labour and trade and environment issues, which are called "social clauses", at Seattle. The meeting collapsed due among others to these two controversial issues, said people familiar with the development.

The labour issue is now being introduced by the US in the ongoing fisheries subsidies negotiations in the form of tackling forced labour in global fishing-related activities – a move that has been seen as primarily targeting China.

Assigning the deliverables of labour issues and fisheries subsidies to Ellard from the US has thus raised eyebrows among trade envoys, said people who asked not to be quoted.

The DDG from the US is also being asked to deliver on "trade and health", an issue which is being promoted by the DG based on her "third way" approach to addressing the COVID-19 pandemic.

The non-inclusion in the list of deliverables of the TRIPS waiver proposed by the developing countries is significant, said people who asked not to be quoted.

Incidentally, a day before the finalization of the "trade and health" deliverable, the Ottawa Group of countries led by Canada and a few other countries issued a revised draft text on "COVID-19 and Beyond: Trade and Health" that includes issues such as export restrictions, customs and services, technical regulations, tariff liberalization and cooperation with other international organizations, intended to be delivered at MC12.

The DG has asked Gonzalez to deliver on "domestic support", "industrial subsidies", "level playing field issues", "digital & e-commerce", "services domestic regulation" and "investment facilitation".

*The controversial deliverable on "labour issues" has been rejected twice in past Ministerial Conferences.*

Gonzalez served as a director of the Agriculture Division in the WTO secretariat from 2006-09, resigning during DG Pascal Lamy's term at the WTO, said a person who asked not to be quoted.

She is now being charged with delivering on such non-mandated issues as "industrial subsidies" and "level playing field issues" that include state-owned enterprises and market-oriented issues.

That these issues have been proposed by the US, the European Union and Japan, said to be aimed at targeting China and other developing countries, is a serious cause for concern, said a former trade envoy who asked not to be quoted.

For the DG to side with these issues is a clear demonstration of her "one-sided and imbalanced" approach that could undermine prospects for any agreement, said a trade envoy who asked not to be quoted.

Although the DG can bring issues that are proposed by one or two members for discussion as part of the WTO mandate, she cannot put forward non-mandated negotiating issues as "deliverables", the envoy said.

After having been told in a recent Trade Negotiations Committee (TNC) meeting that her decision to include the Joint Statement Initiatives violated the TNC chair's mandate, Okonjo-Iweala had admitted her "mistake". But now, she has brought in the same JSI issues as "deliverables", the envoy said.

To DDG Paugam, who was the French trade envoy until recently, the DG handed the deliverables of agriculture, domestic support (in collaboration with Gonzalez) and Dispute Settlement Body (in collaboration with Ellard).

The DG has, however, not included mandated issues such as a permanent solution for public stockholding programmes for food security and a special safeguard mechanism as deliverables in the agriculture dossier.

As regards the allocation of deliverables for Zhang, who was the Chinese trade envoy until recently, the DG has entrusted him with the issues of "inclusion of MSMEs", "women in trade", and "special and differential treatment."

At a time when the WTO appears to be suffering from a lack of trust, the DG's decision to jump over the chairpersons of the WTO negotiating bodies and members of the organization to deliver on the non-mandated issues is bound to erode trust in her ability to work as an honest broker, said a former trade envoy who asked not to be quoted.

Further, handing down such a list of deliverables to the DDGs appears to be diametrically opposed to the rules set out in the Marrakesh Agreement which established the WTO, said a person who asked not to be quoted.

Under Article VI of the Marrakesh Agreement, the DG is required to "appoint the members of the staff of the Secretariat and determine their duties and conditions of service in accordance with regulations adopted by the Ministerial Conference."

The Agreement further states: "The responsibilities of the Director-General and of the staff of the Secretariat shall be exclusively international in character. In the discharge of their duties, the Director-General and the staff of the Secretariat shall not seek or accept instructions from any government or any other authority external to the WTO. They shall refrain from any action which might adversely reflect on their position as international officials. The Members of the WTO shall respect the international character of the responsibilities of the Director-General and of the staff of the Secretariat and shall not seek to influence them in the discharge of their duties." *(SUNS9380)*

# African Group calls for robust deal on public stockholding at MC12

**African countries in the WTO want the organization's upcoming Ministerial Conference to give the greenlight for developing countries to maintain public food stocks to safeguard food security.**

*by D. Ravi Kanth*

GENEVA: The African Group on 12 July called for a robust agreement on a permanent solution for public stockholding (PSH) programmes for food security in developing countries at the WTO's 12th Ministerial Conference (MC12), which will be held in Geneva in end-November.

At a time when the much-delayed mandated permanent solution for PSH programmes does not even figure in the WTO Director-General's list of "deliverables", the African Group appears to have reminded the DG, Ngozi Okonjo-Iweala, that ensuring food security based on an exemption from the WTO's "asymmetrical" subsidy disciplines is critical for the credibility of the WTO, said people who asked not to be quoted.

The DG has tasked one of her four deputies, Jean-Marie Paugam, with delivering on "agriculture," "domestic support," "Dispute Settlement Body", "trade and environmental sustainability", and "plastics" for MC12. However, she has not included any deliverable on the permanent solution for PSH programmes, which was blocked by the United States at MC11 in 2017.

Significantly, the African Group's call for an expansive permanent solution for PSH programmes appears to be a litmus test for the Cairns Group of farm exporting countries led by Australia. The Cairns Group recently issued a joint statement with the African Group on agriculture for MC12. Up until now, however, the Cairns Group has consistently opposed the permanent solution for PSH programmes, said a trade envoy who preferred not to be quoted.

## Imbalances

In a submission to the WTO issued on 12 July and seen by this writer, the African Group highlighted perceived imbalances in the WTO's Agreement on Agriculture (AoA) concerning the conditions attached to public stockholding programmes for food security, and the dynamics of the negotiations on the PSH issue.

The Group pointed to the seemingly flawed calculation of public stockholding programmes under the so-called "Green Box" of the AoA based on external reference prices in 1986-88, which fails to take into account the changes that have taken place in the global economy since then. It argued that "calculating current subsidies based on 1986-88 prices overestimates the subsidy" while the method of calculation fails to take inflation into account.

According to the African Group, the "peace clause" on PSH agreed at the WTO's 9th Ministerial Conference in Bali, Indonesia, in 2013 contains several deficiencies. "First, its scope is restricted to existing programmes as of the date of the Bali Ministerial Decision in December 2013; second, it is restricted to traditional staple food crops; third, it has very onerous transparency and notification requirements, which are extremely difficult for developing countries and least-developed countries (LDCs) to meet and are far above the requirements for the use of the Green Box; fourth, it has sweeping anti-circumvention and safeguard conditions, which makes it impossible to use – while safeguards may be useful, they should not make the instrument itself unusable."

Therefore, "an improved and a permanent solution that covers all programmes and all products, which is effective and at the same time balanced, is absolutely necessary," the African Group said.

The Group cited a 2020 UN Food and Agriculture Organization (FAO) policy brief on the coronavirus pandemic, which stated that "government procurement and public distribution can be important expedients to preserve food system functioning and avoid food price inflation."

The FAO brief also called for "social protection" for smallholder farmers and their families, whose numbers include more than two billion of the world's poorest and most vulnerable people and food workers in all sectors. It cautioned about the growing number of chronically food-insecure people to the tune of 820 million due to the pandemic.

In the face of the worsening conditions in the farm sectors in developing and least-developed countries due to the pandemic and the rising levels of absolute poverty, several developing countries – Egypt, India, Indonesia, Pakistan and Zambia – used PSH programmes to boost "food stocks and minimum income for their farmers during the COVID-19 pandemic."

Developing countries need to be able to "subsidize farmers and domestic production through price support in order to support consumers," the African Group argued.

"It is important to note that many countries will be unable to [achieve] food security and livelihood security if constrained by AoA rules," it said.

The Group underlined the "need for a permanent outcome on public food stockholding programmes that is responsive to the needs of developing countries to pursue their objectives of food security in an effective manner and providing for anti-circumvention and safeguard mechanisms that are not burdensome on the one hand, while ensuring that the mechanism could be used as a tool for food security objectives, on the other."

The Group thus proposed a Ministerial Conference decision to amend the AoA towards this end.

In conclusion, the battle lines are being drawn on a permanent solution for PSH programmes in developing and least-developed countries. Failure to agree on a permanent solution will further erode the credibility of the WTO and be seen as a refusal on its part to serve the interests of the developing and least-developed countries, said people who asked not to be quoted. *(SUNS9386)*

# Number of migrant workers rises to 169 million, says ILO

*Kanaga Raja* presents the latest figures and trends concerning migrant workers worldwide from a new report by the UN labour body.

GENEVA: The number of international migrant workers totalled 169 million globally in 2019, an increase of 5 million or 3.0% since 2017, the International Labour Organization (ILO) has said.

In its latest global estimates of international migrant workers, the ILO said that while globally migrant workers constitute 4.9% of the labour force of destination countries, this figure is highest at 41.4% in the Arab States.

The labour force participation rate of migrants at 69.0% is higher than the labour force participation of non-migrants at 60.4%, it added.

"The [COVID-19] pandemic has exposed the precariousness of their situation. Migrant workers are often first to be laid-off, they experience difficulties in accessing treatment and they are often excluded from national COVID-19 policy responses," said Manuela Tomei, Director of the ILO Department on Conditions of Work and Equality.

The ILO report cites the United Nations Department of Economic and Social Affairs (UNDESA) as estimating the stock of international migrants worldwide at 272 million, of whom 245 million are of working age (aged 15 and over) in 2019.

The stock of international migrant workers in the same year totals 169 million, up by 5 million (3.0%) from the 2017 estimate and by 19 million (12.7%) as compared with the 2013 estimate.

In 2019, international migrants constituted 4.3% of the working age population while migrant workers constituted 4.9% of the labour force of destination countries, said the ILO.

Despite the global rise in the number of migrant workers over time, their share among migrants of working age is decreasing, it noted. Migrant workers constituted 72.7% of migrants of working age in 2013 but 70.0% in 2017, while their share in 2019 is estimated at 69.0%. The ILO attributed the decreasing share of migrant workers to the continuous rise in the number of migrants of working age and a decline in their labour force participation.

The changes observed in the labour force participation of international migrants are likely to be generated by forces that have also been affecting non-migrant populations, it said. It projects that the general decline in participation rates observed since 1990 will continue until at least 2030. Likely drivers include demographic trends (e.g., aging populations in most high-income countries), changes in production technology, and labour market and immigration policies. In the case of international migrants, added factors may include labour market discrimination and barriers to obtaining employment, insufficient language skills, and limited access to recognition of their skills and qualifications in destination countries.

"Migrant workers are often first to be laid-off, they experience difficulties in accessing treatment and they are often excluded from national COVID-19 policy responses."

According to the ILO, the decreasing labour force participation of migrants may have important implications for both origin and destination countries. For the former, it may translate into lower remittances. Available evidence suggests that remittances received by developing countries can be important in meeting currency shortages, increasing domestic investment and alleviating household poverty. For the destination countries, it will mean loss of potential gains in the form of higher macroeconomic output, economic growth, and contribution to social security systems. Further, in the case of high-income destination countries, these developments may become a more acute challenge due to the demographic changes, as many non-migrants are transitioning out of the labour force.

### Demographic breakdown

The ILO said the majority of international migrant workers are men. The 2019 estimates indicate that there are 99 million men migrant workers and 70 million women migrant workers. Accordingly, men constituted 58.5% of international migrant workers and women 41.5%.

The number of women migrant workers has actually increased over time from 66.6 million in 2013 to 68.1 million in 2017 and finally to 70 million in 2019. However, the increase has been faster in the case of men, with the result that globally men continue to be over-represented among international migrants and migrant workers.

The lower representation of women among international migrant workers is likely due to two reasons: (1) women are under-represented among international migrants of working age; and (2) women migrants have lower labour force participation than men migrants.

In 2019, there were 128 million men migrants compared with 117 million women migrants of working age. Furthermore, in 2019, the labour force participation rate of men migrants at 77.5% was substantially higher than the corresponding rate estimated for women at 59.8%, a pattern observed in previous years as well. The higher likelihood for women to migrate as accompanying family members for reasons other than to work may, in part, explain these observations, said the ILO.

According to the ILO, prime-age adults (aged 25-64) constitute the overwhelming majority of international migrant workers. The size of this group was estimated at 146.2 million in 2019, youth workers (aged 15-24) at 16.8 million, and older workers (aged 65 and over) at 6 million. The share of prime-age adults among migrant workers was estimated at 86.5% in 2019.

In 2019, youth constituted 12.9%, prime-age adults 74.7% and older workers 12.4% of the working age migrant population.

The share of youth among international migrant workers showed an increase over time, from 8.3% in 2017 to 10.0% in 2019. In contrast, the share of older migrant workers declined from 5.2% to 3.6% over the same period, leaving the share of prime-age adults constant.

These developments suggest an increasing migration tendency among youth workers and a decreasing one (or perhaps a return migration tendency) among older workers, said the ILO. High youth unemployment rates in many developing countries and the phenomenon of "youth bulge" in some of them may help explain the increasing number and share of youth migrant workers, it added.

The ILO said that from the perspective of destination countries, the compositional shift towards younger workers is likely to be positive – increasing the likelihood of a higher participation rate and lower dependency ratio among migrant populations. However, for origin countries, the effect would be reversed, and would be particularly challenging if youth workers move permanently to foreign countries, which could result in a shrinking labour force, brain drain and resulting impacts on economic growth and development prospects.

The ILO reported that most international migrant workers are engaged in services, with the 2019 estimates indicating that 66.2% are in services, 26.7% in industry and 7.1% in agriculture.

In 2019, 79.9% of women migrant workers were in services, 14.2% were in industry and 5.9% in agriculture. Compared with women, the distribution of men migrant workers between industry and services was relatively more balanced, with 35.6% of men employed in industry in 2019 and 56.4% in services, while the remaining men migrant workers (7.9%) were in agriculture.

"A higher representation of women migrant workers in services may, in part, be explained by a growing labour demand in the care economy, including in health and domestic work," said the ILO. On the other hand, it added, men migrant workers are relatively more present in industry, including construction, a sub-sector dominated by migrant workers in many countries, as well as in manufacturing.

## Migrant workers by country income groups

The ILO also provided estimates in terms of country income groups. Countries are divided into four income groups following the World Bank's classification: low-income, lower-middle-income, upper-middle-income and high-income.

In 2019, the number of workers worldwide totalled 3.5 billion, said the ILO. The distribution of workers according to country income groups in 2019 was as follows: 7.5% were in low-income countries, 31.9% in lower-middle-income countries, 42.6% in upper-middle-income countries and 18.0% in high-income countries.

Of the estimated 169 million international migrant workers, 67.4% (113.9 million) were in high-income countries in 2019, said the ILO. Another 33 million (or 19.5%) were in upper-middle-income countries, so that a total of 86.9% of international migrant workers were concentrated in upper-middle-income and high-income countries. The rest were in lower-middle-income (9.5%) and low-income countries (3.6%).

"More job opportunities and higher standards of living are likely factors that attract migrants to high-income countries," said the ILO. High-income countries are home to 18.0% of workers but 67.4% of international migrant workers globally. All other income groups have considerably lower proportion of international migrant workers compared with their proportion of workers.

According to the ILO, in all country income groups, the labour force participation rate of international migrants is higher than for non-migrants, the gap being particularly large in high-income countries, estimated at 11.5 percentage points.

Due to the large number of migrants in high-income countries and their relatively high labour force participation rate as compared with non-migrants, migrant workers constitute 18.2% of the labour force in high-income countries. In upper-middle-income countries, migrant workers' share in the labour force is relatively smaller at 2.2%. In lower-middle-income and low-income countries, migrant workers make up 1.4% and 2.3% of the labour force, respectively.

In 2019, 88.6% of women international migrant workers were either in high-income or in upper-middle-income countries, with the corresponding figure for men being 85.7%. The ILO noted that a larger proportion of women workers (66.7%) than men workers (56.7%) are found in high-income and upper-middle-income countries.

Highlighting some regional trends, the ILO said that of the 169 million international migrant workers, 63.8 million or 37.7% are in Europe and Central Asia, while another 43.3 million (25.6%) are in the Americas. Hence, collectively, Europe and Central Asia and the Americas host 63.3% of all migrant workers.

The Arab States, and Asia and the Pacific each host about 24 million migrant workers, which, in total, correspond to 28.5% of all migrant workers. Africa has the smallest number of migrant workers – 13.7 million, representing only 8.1% of all migrant workers.

As regards the origin of international migrants, the ILO said that the Asia and Pacific region ranks first (being the region of origin for one-third of international migrants), followed by Europe and Central Asia, the Americas, Africa and the Arab States.

In total, 60.8% of men migrant workers and 60.3% of women migrant workers are found in Northern America, Northern, Southern and Western Europe and in the Arab States. While men migrant workers are evenly distributed within these three sub-regions, women migrant workers are heavily concentrated in Northern America (24.9%) and Northern, Southern and Western Europe (29.4%). Only 6.0% of women migrant workers were in the Arab States in 2019, which can be explained by the relatively more limited job opportunities available for them in this region outside of the care economy (including domestic work), said the ILO. *(SUNS9380)*

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# *Myths, lobbies block international tax cooperation*

Corporate tax cuts to draw foreign investment do not benefit developing countries, contend *Anis Chowdhury* and *Jomo Kwame Sundaram*; what is needed instead is a fairer international tax system.

Too many have swallowed the myth that lowering corporate income tax (CIT) is necessary to attract foreign direct investment (FDI) for growth. Although contradicted by their own research, this lie has long been promoted by influential international economic institutions.

The early 1980s' economics "counter-revolution" impacted the "Washington Consensus" of the US federal government and the two Washington-based Bretton Woods institutions (BWIs) – the International Monetary Fund (IMF) and the World Bank. Thus, the rise of "supply-side" economics in the US – advocating lower direct taxes on income and wealth – influenced the world.

Without evidence, IMF researchers justified its policy advice thus: "The complete abolition of CIT would be the most direct application of the theoretical result that small open economies should not tax capital income." Noting that capital is highly mobile and can more easily evade taxes than labour, IMF economists even recommended that "small countries should not levy source-based taxes on capital income".

Meanwhile, the World Bank's highly influential but dubious Doing Business Report has recommended tax incentives without evidence.

To get BWI approval, developing-country governments have undertaken tax reforms, reducing progressive direct taxation. Instead, they have favoured more regressive indirect taxes, such as the value-added tax (VAT), sometimes dubbed the goods and services tax.

IMF tax policy recommendations to sub-Saharan African (SSA) countries during 1998-2008 reduced corporate and personal income tax rates while promoting VAT. And following World Bank advice, Tanzania – Africa's third largest gold producer – ended up subsidizing, not taxing, foreign mining companies!

## Evidence contradicts advice

World Bank research and surveys have long found that tax incentives do not really attract FDI inflows. A Bank report found no strong evidence that tax incentives attracted non-resource "greenfield" or additional new FDI.

It also found that "tax incentives impose significant costs on the countries using them", including fiscal losses, rent-seeking, tax evasion, administrative costs, economic distortions and "retaliation against new or more generous incentives" by competitors.

An earlier Bank brief noted "tax incentives are not the most influential factor for multinationals in selecting investment locations. More important are factors such as basic infrastructure, political stability, and the cost and availability of labor". It also argued that tax incentives do not compensate well for "negative factors in a country's investment climate". Meanwhile, the "race to the bottom ... may end up in a bidding war, favoring multinational firms at the expense of the state and the welfare of its citizens".

Researchers have unearthed no strong evidence that tax incentives are beneficial. While some incentives may attract FDI, they crowd out other investments; hence, overall investment and growth do not improve.

An IMF report noted, "Tax incentives generally rank low in investment climate surveys in low-income countries, ... investment would have been undertaken even without them. And their fiscal cost can be high, reducing opportunities for much-needed public spending ... or requiring higher taxes on other activities."

Even Organisation for Economic Cooperation and Development (OECD) research confirmed BWI findings that tax incentives hardly attracted FDI. *The Economist* also found a weak relationship between tax rates and business investment as well as growth rates. A UK government report cast more doubt: "effectively attracting FDI needs public spending, so narrowing the tax base works with tax incentives for low-income countries could be contra-productive".

## Race to bottom hurts all

IMF findings confirm that "beggar-thy-neighbour" tax competition worsened avoidable revenue losses. Such ill-advised efforts to attract investment inevitably accelerated CIT rates' "race to the bottom".

BWI advice to governments has undoubtedly lowered CIT rates. But despite the lower rates, transnational corporations (TNCs) still minimize paying tax, e.g., by shifting profits to tax havens and exploiting loopholes.

CIT rate averages for high-income countries (HICs) have dropped 20 percentage points since 1980, falling from 38% in 1990 to 23% in 2018. Meanwhile, they fell from 40% to 25% in middle-income countries, and from over 45% to 30% in low-income countries (LICs).

Cutthroat competition has especially hurt developing countries, which rely much more on CIT than developed economies. IMF research found a one-point average CIT rate cut in other countries reduces a developing country's CIT revenue by two-thirds of a point.

Such tax cuts induce other concessions, further eroding the base for corporate taxation. Thus, tax revenue is doubly lost by both rate and base cuts. IMF staff estimated revenue loss at 1.3% of GDP in developing countries, due to base erosion and rate reductions – much worse than in developed countries.

The UK government estimated global revenue loss due to TNC tax minimization at $500-650 billion annually.

Such adverse effects were two to three times higher in LICs than in HICs. SSA countries lost the most revenue relative to GDP, followed by Latin America and the Caribbean, and South Asia.

A third of global revenue loss – $167-200 billion – is from low- and middle-income countries (LMICs), costing them 1.0-1.5% of national income. With better tax administrations and larger formal sectors, HICs can replace such losses more easily than LMICs with generally weaker tax systems and larger informal sectors.

**Tax breakthrough**

The IMF and others now agree that an international minimum CIT rate can stop this race to the bottom and TNC profit shifting. The Group of Seven largest rich countries (G7) recently agreed to a minimum 15% rate, rejecting US Treasury Secretary Janet Yellen's proposed 21%.

Even *The Economist* agrees the G7 proposal favours rich countries. Earlier, the Independent Commission for the Reform of International Corporate Taxation (ICRICT) had recommended a 25% minimum and fairer revenue distribution to developing countries.

Finance ministers from Indonesia, Mexico, South Africa and Germany joined Yellen in welcoming the recent G7 agreement for a minimum global CIT rate, while expressing confidence that "the rate can ultimately be pushed higher than 15 percent".

An influential piece has claimed "A Global Minimum Corporate Tax Is a Bad Idea", again citing the myth that low taxes will attract FDI. Invoking new Cold War fears, it claimed China and Russia would also gain an unfair advantage in luring "even more" FDI.

Trump-appointed World Bank President David Malpass opposes the agreement, claiming it would undermine poor countries' ability to attract investment despite Bank research showing otherwise. Pro-Trump governments in Hungary and Poland also object to the G7 deal. Developing countries cannot allow such tax-cutters to speak for them.

Developing-country members of the G20 major economies grouping must insist on a higher minimum and fairer revenue distribution at the group's forthcoming finance ministers' meeting.

If the G7 refuses to start with anything more than 15%, an agreed rate increase schedule of an additional one percentage point annually would get to 25% in a decade.

International tax rules are currently set by rich countries through the OECD. Developing countries participate at a disadvantage. Instead of allowing it to control the process, they must urgently insist on an inclusive, balanced and fair multilateral process for international tax cooperation. *(IPS)*

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