

Hurdles towards WTO IP waiver remain

Major developed countries appear to be easing up on their opposition to a waiver of COVID-19-related intellectual property rights at the WTO, but whether a deal can be reached, and what shape it would take, remain uncertain. Moreover, developing countries should not be made to pay a price for a waiver decision by having to accept lopsided agreements on other issues on the WTO negotiating table.

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THIRD WORLD ECONOMICS

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Need to delink TRIPS waiver from other MC12 issues

While signs are emerging of a shift in stance among opponents of a COVID-19-related intellectual property waiver in the WTO, supporters of the waiver have been urged to be wary of attempts to water down the measure or link it to other items on the WTO’s negotiating agenda.

by D. Ravi Kanth

GENEVA: The opponents of a temporary TRIPS waiver, led by the European Union, have made overtures that they could settle for a pragmatic solution on the waiver, a move that is however yet to generate confidence among other WTO members about their real intentions, said people familiar with the development.

While small-group discussions are taking place on finding a common solution on how the TRIPS waiver proposal or what parts of it will be incorporated in a final agreement, there are still persisting doubts as to whether it would be a one-off deal or whether a payment will be sought on other issues such as WTO reforms or fisheries subsidies, said people familiar with the discussions.

The 64 co-sponsors of the TRIPS waiver proposal must remain on guard, even if they have to make compromises, against attempts to whittle down the waiver, said a capital-based official who asked not to be quoted.

This is in light of the developed countries’ track record when it comes to accepting a demand from a majority of developing countries under international pressure, as in the case of the 2003 decision on the implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health. The subsequent Article 31bis Protocol of Amendment enshrined in the TRIPS Agreement turned out to be so cumbersome and administratively burdensome for developing countries to implement that only two members tried to invoke that protocol.

It is against this backdrop that the current overtures must be taken with a pinch of salt, said a person, who asked not to be quoted.

The proposed waiver would suspend certain provisions in the WTO’s

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) relating to copyrights, industrial designs, patents and protection of undisclosed information for a period of three years in order to ramp up the global production of COVID-19 vaccines, therapeutics and diagnostics.

Change in position

For the past one year since the submission of the waiver proposal by South Africa and India in October 2020, the EU, Switzerland, the United Kingdom, Japan and Norway among others vehemently opposed the waiver. The opponents, driven by Big Pharma, adopted “diversionary” tactics by repeatedly raising the same questions during the discussions on the waiver at the WTO’s TRIPS Council.

However, due to the groundswell of support from former world leaders from more than 100 countries, parliamentarians and international civil society organizations, the opponents now seem somewhat compelled to clear the roadblock they had created at the behest of Big Pharma, said several people who asked not to be quoted.

The change was visible at the informal Trade Negotiations Committee meeting in the WTO on 30 September, at the informal trade ministerial meeting held in Paris in early October, and at the G20 trade ministerial meeting held in Sorrento, Italy, on 12 October (see following article). Even prior to these meetings, small-group consultations among WTO members suggested that some shifts in positions by the key opponents of the waiver had been noticeable with regard to both the scope and the product coverage of the waiver, said people familiar with

the development.

However, there is still no clarity as to where the landing zone on the waiver is going to be, due to continued differences over some aspects of the waiver.

Nevertheless, at the TRIPS Council meeting on 13 October, the EU suggested that there were “encouraging results”, without providing any details.

An EU official said there was considerable discussion on issues concerning scope and implementation of the waiver as well as details about the EU’s own proposal relating to the use of compulsory licensing.

The EU maintained that discussions were useful for understanding the positions of various delegations and for identifying “important points of convergence”.

The EU said the results were encouraging and the time had come to find agreement “on the basis of the points of convergence identified in our discussions.”

Brussels also echoed the G20 language by saying that the solution ought to be pragmatic, targeted and effective in responding to the current needs while keeping intact the necessary incentives for innovation.

The EU assured WTO members that it would work constructively in small-group and bilateral discussions, insisting that it was ready to consider any other proposal that may contribute to a common solution. It said that the intellectual property aspects were only a part of the multi-pronged approach.

The UK, which has also consistently opposed the waiver, said it was “encouraged by recent discussions on areas of convergence” in small-group sessions, and welcomed further conversations that would move the TRIPS Council towards evidence-based and pragmatic solutions.

Norway, another opponent of the waiver during the past 12 months, reiterated its support for the EU’s proposal. It said that Brussels’ proposal was a useful contribution that merited further discussion without prejudice to discussions on other proposals or to the timing or format of any decisions on trade and health.

Switzerland, a fierce waiver opponent, said the recent consultations were useful, while urging members not to ignore the vital role of intellectual property rights. It supported the EU proposal while raising doubts as to whether the waiver could be

an effective and expeditious measure to help the world fight the pandemic.

Other members of the so-called “Friends of the System” group such as Singapore, Japan, Brazil and Korea said they were ready to engage constructively and deepen the discussions on the EU proposal.

The US, which supported the waiver in May this year, spoke about the consensus-based nature of the WTO and the complexity of the issues involved with the WTO’s 12th Ministerial Conference (MC12) coming up in less than one-and-a-half months. It said that unless members were able to make some real compromises, “we worry that there may be the possibility of no outcome, which would be extremely regrettable.”

Colombia supported the US stance, saying that the extraordinary circumstances that the world was facing required extraordinary measures. It called for achieving a coordinated, holistic and pragmatic solution through a technical discussion which, in terms of intellectual property, might include a waiver for vaccines as well as advances in terms of TRIPS flexibilities.

Best solution

South Africa and India, which piloted the waiver proposal, emphasized that the waiver provides the best solution for combating the pandemic.

South Africa called for a comprehensive package on trade-related intellectual property aspects, suggesting that it could be agreed at MC12, to be held in Geneva on 30 November-3 December. It said the waiver remains an integral part of any successful outcome at MC12.

It also underscored the need to move beyond the binary approach between the waiver proposal and the proposal submitted by the EU.

It called for aligning the facilitated process under Ambassador David Walker from New Zealand with the TRIPS Council process in order to attain a comprehensive package that includes trade-related intellectual property aspects through the waiver.

Instead of treating the proposals as mutually exclusive, South Africa said, it had shown willingness to engage constructively with a view to finding a solution that would garner consensus. “We are willing to explore every forum to find consensus with the members,” the

South African delegate said, urging other members to “follow this approach and engage constructively with our proposed solutions.”

“Our objective is not to win a debate, but to reach a concrete outcome,” South Africa emphasized.

It also expressed some disappointment over the lack of progress in the small-group discussions in moving on to the text-based process to which all members had committed months ago. Without naming any country, it said that some members had in practice chosen to forgo this process and had favoured repeating the same questions, notwithstanding the fact that the vast majority of the questions posed had already been addressed many times.

India voiced sharp disappointment over the tactics adopted by a handful of members which invariably said that they were not convinced regarding the content and intent of the waiver proposal.

India said that the vast majority of WTO members supported a proposal that would provide manufacturers around the world the freedom to operate and scale up production of vaccines, leading to better accessibility and affordability.

The waiver, India said, was a necessary ingredient of a multi-pronged approach to combat the pandemic and a crucial element of the WTO’s response that should come out of MC12. “We must be seen as an organization willing to deliver on unprecedented issues during unprecedented times,” the Indian delegate added.

Other co-sponsors of the waiver proposal, including Pakistan, Bangladesh, Bolivia, Cuba, Venezuela, Nigeria, Egypt, Indonesia and Namibia, demanded that the waiver be passed if the WTO wished to provide a meaningful and credible response to the pandemic.

China said that it was also committed to actively participating in further consultations and joining efforts to find a balanced and effective solution based on the proposals currently on the table.

Australia said it supported the waiver not only as a way to send a message of global solidarity and that the WTO has the ability to respond to a major global crisis, but also to affirm the rights of all members to overcome any intellectual property barriers that emerge in responding to the pandemic.

Australia said all members agreed that intellectual property should not pose

a barrier to accessing COVID-19 health products, while expressing concern that some of the entrenched views regularly expressed in the TRIPS Council were putting at risk the ability to achieve consensus and find common ground on this issue by MC12.

New Zealand voiced its support for

a waiver of intellectual property to the COVID-19 vaccines to address the human catastrophe stemming from the pandemic. It also supported the continued discussion on TRIPS flexibilities as proposed by the EU but said that it should not be seen as a binary element to the waiver proposal.

In short, it is imperative on the part

of the proponents to delink the waiver, which is a response to the COVID-19 pandemic, from other issues that are being tossed up for MC12.

It is equally important that a decision on the waiver is finalized well before the start of MC12, said people who asked not to be quoted. (SUNS9438)

Key WTO issues discussed at G20 trade meet

Trade ministers from the G20 major economies appear to have acknowledged that the WTO should address intellectual property issues in response to the coronavirus pandemic, even as continued differences in other negotiating areas raise fears of imbalanced deals being foisted on the trade body's developing members.

by D. Ravi Kanth

GENEVA: The sustained international campaign in support of a temporary intellectual property waiver to combat the COVID-19 pandemic appears to have forced the G20 trade ministers to include the issue of "trade-related aspects of intellectual property rights (TRIPS)" as a pivotal component of the WTO's response to the pandemic.

However, there is still no clarity on what is going to be the final language on the TRIPS component, as there are differences on issues such as scope and product coverage.

The WTO's response to the pandemic appears to be a concrete "deliverable" at the WTO's 12th Ministerial Conference (MC12), to be held in Geneva from 30 November.

The statement adopted by the G20 trade ministers at their meeting in Sorrento, Italy, on 12 October said: "Trade-related aspects of intellectual property rights, contributions to international efforts to expand production and delivery of vaccines, therapeutics and essential medical goods, diversifying manufacturing locations and fostering equitable distribution, trade facilitation measures, export restrictions,

encouraging regulatory compatibility, are among the areas where our constructive engagement in the WTO, notably in the TRIPS Council, the Council for Trade in Goods, the Council for Trade in Services, and other relevant bodies and processes, can enhance global public health efforts."

Although the statement highlighted the need for "diversifying manufacturing locations and fostering equitable distribution," it appeared to remain silent on the issue of technology transfer.

The TRIPS waiver proposal, co-sponsored by 64 developing countries, seeks to suspend certain provisions of the WTO's TRIPS Agreement for a period of three years to scale up global production of diagnostics, therapeutics and vaccines to combat COVID-19.

During the discussions at the G20 meeting, the United States suggested that the coverage of the waiver should be limited to only vaccines, while remaining silent on all other aspects, including on the transfer of technology and know-how, said people who took part in the meeting.

The European Union appears to have insisted on its proposal relating to the use of compulsory licensing, and

later grudgingly accepted a truncated version of the TRIPS waiver. The EU was apparently prepared to cover other products apart from vaccines, such as diagnostics and therapeutics.

South Africa, India and several other developing countries insisted on their proposal on the TRIPS waiver being the basis for arriving at a solution on the WTO's response to the pandemic.

At the insistence of the US and other developed countries, the G20 statement said that "we will work actively and constructively with all WTO members in the lead up to the 12th Ministerial Conference and beyond to enhance the capacity of the multilateral system to increase our pandemic preparedness and resilience by adopting a multifaceted response."

It also said that emergency trade-related measures designed to tackle the COVID-19 pandemic have to be "proportionate, transparent, and temporary" so that they do not become unnecessary barriers to trade or disruptions to global supply chains.

The G20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, Japan, India, Indonesia, Italy, Mexico, Russia, South Africa, Saudi Arabia, South Korea, Turkey, the United Kingdom, the United States and the European Union. Spain is a permanent guest of the G20.

Fisheries subsidies

Amidst sharp divergences on a range of other issues being discussed in the WTO, the G20 trade ministers apparently settled for a whittled-down statement that revealed ambiguous language on fisheries subsidies, WTO reforms and industrial subsidies.

On fisheries subsidies, there are

growing fears that a “take-it-or-leave-it” agreement could be foisted on WTO members because of unbridgeable differences.

The chair of the fisheries subsidies negotiations, Ambassador Santiago Wills from Colombia, who was supposed to commence line-by-line discussions from 11 October, has not done so due to differences on the three pillars of the negotiations, namely, IUU (illegal, unreported and unregulated) fishing; overcapacity and overfishing; and overfished stocks.

During the discussions at Sorrento, India warned that it will not accept any outcome on fisheries subsidies that preserves the status quo – as was the case with the Uruguay Round’s Agreement on Agriculture – and that would perpetuate asymmetries and allow the big subsidizers to continue with their industrial-scale fishing, said people familiar with the development.

While the EU and several other countries supported the chair’s revised draft text, the developing countries demanded that the outcome must be in accordance with the United Nations Sustainable Development Goal (SDG) 14.6.

SDG 14.6 has mandated WTO members to “prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU 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 final G20 statement said that “we support the ongoing WTO fisheries subsidies negotiations to reach a meaningful [a word often used by the US Trade Representative Katherine Tai] agreement by the 12th WTO Ministerial Conference with comprehensive and effective disciplines on harmful fisheries subsidies, in line with SDG 14.6, which would respond to the imperative of sustainability of our oceans, seas and marine resources.”

The statement, however, failed to acknowledge the continuing differences among members on a range of issues in all three pillars of the negotiations. Neither did it reflect the need for “appropriate

and effective special and differential treatment” provisions as highlighted in SDG 14.6.

WTO reforms

On the question of WTO reforms, the G20 trade ministers said they will work with WTO members “to undertake the necessary reform of the WTO”. They underscored “the need to implement this commitment in practice through an inclusive and transparent approach, including tackling the development issues.”

The trade ministers from India, South Africa, Indonesia and Argentina among others had inserted the words “inclusive” and “development issues” to safeguard their priorities, said people familiar with the discussions.

There are growing fears that a “take-it-or-leave-it” agreement on fisheries subsidies could be foisted on WTO members because of unbridgeable differences.

Also at the insistence of the developing countries, the ministerial statement reaffirmed “the foundational principles of the WTO” (which include the rules-based architecture of the Marrakesh Agreement Establishing the WTO).

It envisioned “reforms to improve all its [the WTO’s] functions”, which would include issues concerning the negotiating pillar, the dispute settlement pillar and the implementation pillar.

After the US derailed the two-stage dispute settlement system, the reform process ought to begin in the dispute settlement pillar first, said a negotiator who asked not to be quoted.

At the insistence of the US, the EU as well as other industrialized countries, language was inserted on

strengthening the WTO’s rule-making arm “by facilitating trade negotiations and fostering the update of the global trade rulebook.” In this regard, the G20 ministers also underscored “the importance of the ongoing negotiations in the WTO.”

Essentially, the notion of strengthening the WTO’s rule-making arm aims at covering the issues of negotiating agreements without basing them on the principle of consensus-based decision-making; differentiation among developing countries in availing of special and differential treatment; and the ongoing plurilateral Joint Statement Initiative (JSI) negotiations that currently do not appear to have legal status, according to people who preferred not to be quoted.

Apparently, when many members of the G20 sought to address the crisis in the dispute settlement system and the restoration of the WTO Appellate Body, the US stuck to its position that there has to be a “fundamental reform of the dispute settlement system,” said people who asked not to be quoted.

Hence, the language in the G20 ministerial statement on the quid pro quo between the reform of the dispute settlement system and the negotiating function of the WTO, as sought by the US, is reflected as: “We will work together at the WTO and with the wider WTO membership to advance the proper functioning of the WTO negotiating function and dispute settlement system, which require addressing longstanding issues.”

The statement also highlighted that “the correct implementation and monitoring of commitments are essential to maintaining the integrity of an effective multilateral rules-based system.”

The G20 ministers emphasized that a successful and productive 12th Ministerial Conference is essential to “advance WTO reform to revitalize the organization.”

Industrial subsidies

The G20 statement said that “reducing trade tensions, tackling distortions in trade and investment, addressing supply chain disruptions and fostering mutually beneficial trade relations will be critical as economies respond to and recover from the COVID-19 pandemic.”

Maintaining that “structural

problems in some sectors, such as excess capacities, can cause a negative impact,” the statement said that “many G20 members affirm the need to strengthen international rules on industrial subsidies and welcome ongoing international efforts to improve trade rules affecting agriculture.”

Significantly, the language in the statement on “government support and level playing field” reflects the concerns of the industrialized countries against China.

Surprisingly, China’s call for including language on trade remedies was not included in the statement.

While the industrialized countries in the G20 wanted to address the issue of industrial subsidies, the developing-country members such as Brazil,

Argentina, South Africa, India and China sought to address the high levels of trade-distorting farm subsidies provided by the EU, the US and Japan among others.

The statement said that “many of us highlighted agricultural subsidies and agricultural market access.”

The statement also drew attention to “services and investments”, including the JSI on domestic regulation of services “as well as fulfilment of the GATS [WTO’s General Agreement on Trade in Services] objectives, to develop the service sector, facilitate trade in services and reduce its costs.”

It said that the “G20 participants in the Joint Statement Initiatives on E-Commerce, Investment Facilitation for Development and Services Domestic Regulation encourage and support the

active participation of all WTO members in the initiatives and look forward to meaningful progress in the lead up to the 12th WTO Ministerial Conference.”

However, the statement also pointed to “concerns” expressed by some G20 members on “rule-making” through the JSI route.

In conclusion, it seems that the developing countries have a huge battle to wage to ensure that they are not pushed under the bus, as attempts are underway to force a take-it-or-leave-it agreement on them at MC12. Solidarity among developing countries can play an important role in achieving the desired objectives of the Doha Development Agenda, for which the developing countries have fought for so long. (SUNS9437)

South unlikely to secure credible outcomes on agriculture at MC12

Prospects for attaining concrete outcomes on agricultural trade reform at the WTO’s coming ministerial meet are dim, given the major developed countries’ apparent desire to shield their farm subsidies from reduction.

by D. Ravi Kanth

GENEVA: As the United States and the European Union appear to oppose any outcomes on an agricultural package at the upcoming 12th Ministerial Conference (MC12) of the WTO, the developing countries may suffer yet another blow in their attempts to secure any credible decisions in areas of their core interests, said people familiar with the development.

The mandated outcomes on a permanent solution on public stockholding programmes for food security (PSH); a special safeguard mechanism (SSM); cotton; and the elimination of trade-distorting domestic subsidies, which are all of crucial importance to the developing countries, now hang in the balance at MC12, which is scheduled to begin in Geneva on 30 November.

For the third successive WTO Ministerial Conference – from MC10 in Nairobi (2015), followed by MC11 in Buenos Aires (2017), and now at the much-delayed MC12 in Geneva – agreements on the PSH permanent solution, SSM and cotton are unlikely to be concluded because of opposition from the US, the EU and the Cairns Group of farm exporting countries led by Australia.

At a WTO General Council meeting on 7 October, WTO Director-General Ngozi Okonjo-Iweala said there was a recognition, at the recent meeting of trade ministers from several WTO member states in Paris, that agriculture “is probably the most difficult, where we are furthest away”, adding that “there is a lot of work to be done to come together with something that would be acceptable

at MC12.”

Okonjo-Iweala went on: “I would say that the spirit emerged to have a basic package and a strong work programme, following that with specifics and not just mentioning the word ‘work programme’, but to put some teeth in it, and timelines.”

Hence, the Director-General seemingly wants WTO members to settle on a post-MC12 work programme, thereby dashing hopes for any outcome on agriculture at MC12 itself.

Continuing her comments on agriculture at the General Council meeting, she pointed to “the need to be cognizant of the impact of the pandemic on low-income and low-middle-income countries, and the need to take into account this issue when we think about food security and what it means. This is a real issue that these countries have to deal with.”

However, she did not mention the \$700 billion in farm subsidies that are provided by the developed countries, which she had mentioned at the Paris ministerial meeting earlier.

Subsidy splurge

Part of the problem is the staggering levels of trade-distorting farm subsidies provided by the US and the EU, which want to continue them without any

reform of agriculture.

This is an attempt to conceal their Aggregate Measurement of Support (AMS) – comprising the most trade-distorting agricultural domestic subsidies – which seems to have gone above their scheduled commitments, say farm trade negotiators.

For example, the US has notified to the WTO AMS figures to the tune of more than \$18 billion in the marketing year 2019-20, resulting from the huge subsidies provided by the Trump administration on account of the US-China trade war as well as the COVID-19 pandemic. While the figures suggest that Washington's overall trade-distorting domestic support is below its *de minimis* level of \$19 billion, questions are being raised as to whether the US is not adopting some clever accounting practices to conceal a breach that may have already taken place, said people who asked not to be quoted.

In a 33-page document notified to the WTO's Committee on Agriculture on 30 September, the US said that its calculation of domestic support during the marketing year from 1 October 2019 to 30 September 2020 amounted to \$18,247,479 million.

The "big ticket" domestic subsidy programmes involved beef, cattle and calves (\$4.6 billion), corn (\$4.63 billion), cotton (\$1.2 billion), dairy (\$2.39 billion), soybeans (\$1.89 billion) and sugar (\$1.83 billion). In addition, product-specific support for sugar came up to \$1.512 billion.

The non-product-specific support during the same period was \$13.223 billion, of which price-loss coverage programmes secured \$1.9 billion and the market facilitation programme secured close to \$9 billion. Apparently, the market facilitation programme secured a lump sum for years.

The US also notified that its "Green Box" subsidies, which are exempt from any reduction commitments under the WTO agriculture trade rules, amounted to \$139 billion, of which domestic food aid (food stamps) came to over \$120 billion.

Early this year, the US had notified a revision in the 2017-18 marketing year in which it had said that "all standing and ad hoc disaster and emergency relief programs are notified on a fiscal-year basis that aligns with marketing year of the notification (in the fiscal year 2018, standing ad hoc disaster and

emergency assistance programs included the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP), the Livestock Indemnity Program (LIP), the livestock forage disaster program (LFP), the Tree Assistance Program (TAP), the Wildfires and Hurricanes Indemnity Program (WHIPS), and the Market Facilitation Program (MFP)".

As a result, outlays for WHIPS and for standing disaster relief programmes for livestock (ELAP, LIP, LFP and TAP) are now notified on a fiscal-year basis that aligns with the notification marketing year.

Last year, Canada and China had raised sharp questions about the US notification, alleging that the US had not provided a transparent account of its subsidy programmes, said a person familiar with the development.

“During the Trump administration, there has been an unprecedented increase in the level of domestic support provided to US agricultural producers.”

For example, Canada quoted a US Congressional Research Service (CRS) report released in October 2020 over the Market Facilitation Program of 2018 and 2019 as well as the two coronavirus food assistance programmes from 2020, against the US' annual WTO domestic support obligations.

The CRS report, according to Canada, "concluded that the United States is likely to be in compliance with WTO spending limits but could exceed the annual US spending limit of \$19.1 billion in both 2019 and 2020."

The former US agriculture trade negotiator Joseph W. Glauber, together with co-author Vincent Smith, said in a January 2021 policy paper that "during the Trump administration, there has been an unprecedented increase in the level of domestic support provided to US agricultural producers."

They said that "direct farm supports,

including price and income support programs, federal crop insurance, and supplemental assistance to compensate losses due to the trade war with China and the pandemic, have accounted for more than one-third of net farm income."

Consequently, "those payments have threatened to push the United States over its World Trade Organization (WTO) domestic support obligations and increased its vulnerabilities to potential dispute settlement challenges in the WTO," Glauber and Smith said.

In short, these staggering levels highlighted in the US subsidy programmes may have a bearing on how amenable the US would be to undertaking serious domestic reforms in the ongoing agriculture negotiations for MC12.

For the last couple of months, many developing countries have consistently demanded the elimination of the "Amber Box" subsidies provided by the US (\$19 billion) and the EU (over \$70 billion), trade negotiators said.

Studies show that direct payments as a percentage of agriculture value of production (VOP) in some developed countries are higher than 15%, namely, in Norway (28.18%), Switzerland (18.65%) and the EU (15.06%). These countries are thus giving direct payments to farmers in excess of 5% of their VOP, while the *de minimis* limits prescribed for trade-distorting AMS under Article 6.4 of the WTO Agreement on Agriculture are 5% of VOP for developed and 10% of VOP for developing countries.

With regard to Green Box subsidies, contrary to their definition, there is a huge volume of theoretical and empirical literature that shows that these subsidies do in fact distort trade.

The Commonwealth Secretariat estimated that in the period 1995-2007, Green Box subsidies increased agricultural productivity by approximately 60% in the EU and 51% in the US, boosting their trade competitiveness.

A capping of Green Box subsidies at 2001 levels can lead to a major restructuring of agricultural exports in favour of developing countries, with the cost of food declining for net-food-importing countries, it said.

(See https://www.twn.my/title2/briefing_papers/twn/Green%20Box%20TWNBP%20Jul%202021%20Ranja.pdf and <https://www.thecommonwealth-library.org/index.php/comsec/catalog/view/214/211/1532>) (SUNS9436)

UNCTAD15 closes after adopting a covenant and political declaration

The recent 15th session of the UN Conference on Trade and Development issued a call for a strengthened multilateralism to “shape a new path to a more resilient, inclusive and sustainable world”.

by Kanaga Raja

GENEVA: The 15th quadrennial session of the United Nations Conference on Trade and Development (UNCTAD15) concluded on 7 October after adopting its political declaration, known as the “Spirit of Speightstown”, as well as the “Bridgetown Covenant”.

The conference was held in a virtual format from 3-7 October in Bridgetown, Barbados, under the theme “From inequality and vulnerability to prosperity for all”.

It was the first time that an UNCTAD conference took place in a small island developing state, and around 5,300 participants connected from more than 140 countries.

The opening ceremony had been held in Bridgetown on 4 October and featured welcome addresses by UN Secretary-General Antonio Guterres, Prime Minister of Barbados Mia Amor Mottley, UNCTAD Secretary-General Rebeca Grynspan and President Uhuru Kenyatta of Kenya (the host of UNCTAD14, held in Nairobi in 2016).

Grynspan commended the organization’s 195 member states for their multilateral spirit and leadership in reaching agreement and offering hope to developing countries struggling to recover from the COVID-19 pandemic that is intersecting with other structural challenges.

“Today, we witness an unprecedented moment for the UN’s work in using trade to achieve the Sustainable Development Goals. The actions agreed at UNCTAD15 will enable us all to move in a new direction towards greater equality, sustainability and economic resilience,” she said.

Coming together

At the closing press conference, Mottley said “this has been an example of what happens when we come together.

The last time I was in this room, I spoke of the importance of give-and-take. And that is fundamentally what is involved in being able to find progress across the global community.”

“If we do not come together ... to determine those things that unite us while being committed to ... addressing those things that divide us, we’re not going to see meaningful progress, and that is fundamentally what the spirit of multilateralism is about,” she added.

“We have seen over the course of the last year what happens when unilateral action predominates. That has led to the debacle with [COVID-19] vaccines, with very few countries being sufficiently vaccinated and the majority of the world still waiting ...”

The Prime Minister said “it is going to be no different with the climate crisis. Unless we come together to solve the world’s problems, we are not going to be able to protect our people locally.”

“We have over the years been forced to take positions that have been foisted on us largely without our capacity to have input and to be able to respond ... If we do not come to the table and be active partners, we will continue to be victims of the circumstances that we find ourselves in,” said Mottley. “And we have come as a nation to say that we can no longer be innocent bystanders.”

She also highlighted the issue of increasing debt, saying that in the case of Barbados, “had we not completed our domestic and international debt restructuring, I simply do not know where we would be. But the rest of the developing world continues to be confronted by choking debt and rules that don’t make sense, particularly as they have to find a way to service their people.”

Mottley alluded to the “race” to be able to “save our people from what potentially are some of the worst

challenges that humanity has ever had to face. We hope that we have done our simple bit in advancing progress.”

Speaking at the same press conference but from Geneva, Grynspan said that UNCTAD15 had been a historic conference for several reasons.

She pointed to the gaps that the world is showing during the COVID-19 pandemic, saying they are not new but have deepened with the pandemic. Highlighting the inequalities rampant in the world, she said that “if we weaken multilateralism, we won’t be able to find the collective will and action we need to face the problems of today, global problems that have to be addressed globally.” “This is an important moment in the history of humanity and we need to rise to the challenge,” she stressed.

The second reason why UNCTAD15 was historic, said Grynspan, was that it was the first time the UNCTAD conference took place in a hybrid format (in-person and virtual) and also the first time it took place in a small island developing state (SIDS).

Barbados had brought to the table for discussion the vulnerabilities and fragilities facing the SIDS, and “we have to take that call seriously because it is true what they have been telling us,” said Grynspan. “They have been telling us that it is not because of bad behaviour that they are in the situation they are in. It is not because they decided to take debt above their means,” she said. They are indebted also because of the things that others have done, climate change, natural disasters, and the investment in resilience which they have to undertake and which has taken resources away from other needs such as education, health and social protection.

“So, we need to hear the voice of the countries in the world that are having to devote a lot of their resources to things that are coming from the outside – to rising seas or from the pandemic,” said Grynspan.

“So, it’s not bad behaviour. They don’t have to be punished. They have to be helped.”

According to Grynspan, the conference had been historic also because it was the first time that the President of the UNCTAD conference, the Chair of UNCTAD’s Trade and Development Board and the UNCTAD Secretary-General were all women.

She also said the conference had been

historic because “we were so successful.” “I think we have met with the will and effort of all the members of UNCTAD to come together to agree on a text – the Bridgetown Covenant – that will guide our work in the future – to strengthen multilateralism, to revitalize UNCTAD and to build this international consensus to close the gaps that are dividing us.”

The Spirit of Speightstown

Apart from the Bridgetown Covenant (see following article), UNCTAD15 also adopted a political declaration, known as the Spirit of Speightstown, prepared under the responsibility of the government of Barbados.

The following is the full text of the declaration:

1. We, the member States of the United Nations Conference on Trade and Development (UNCTAD) meeting virtually in Barbados, from 3 to 7 October 2021, for the fifteenth session of the Conference (UNCTAD XV), declare that we are at an inflection point in the history of our planet, catalysed by unprecedented crises, stemming from the coronavirus disease (COVID-19) pandemic that still rages, particularly in developing countries, along with the looming perils of the climate crisis.
2. We underline the importance of the major events at UNCTAD XV including the World Leaders Summit, the Civil Society Forum, the Global Commodities Forum, the Gender and Development Forum, the Youth Forum and the Creative Economy and Digitalization Forum. These events provided us with much food for thought and greatly enriched our deliberations, contributing significantly to the outcomes of the Conference.

The COVID-19 pandemic

3. The pandemic threatens to halt and even reverse the progress made in pursuit of the goals of the 2030 Agenda for Sustainable Development. Millions of people have died. More than 100 million across the world have fallen into extreme poverty, and millions more are undernourished. All this is due, inter alia, to the loss of income and employment and the fiscal inability of cash-strapped

Governments to bridge the yawning gap.

4. The impact on women and children has been especially severe. We now face the stunning prospect of nullifying the hard-won gains of recent decades in gender equality and the empowerment of women and girls.
5. The pandemic triggered one of the most significant international economic contractions in almost a century. Supply chains have been disrupted, world trade diminished, businesses shuttered, air travel almost ground to a halt and world tourism devastated. The economic fallout has been global, yet uneven, with developing countries being hardest hit.
6. The end of the pandemic may seem to be in sight with the rollout of several vaccines. The developing world, however, still lags far behind in access to this critical aspect of public health. This can have a significant impact on the scale, scope and duration of the present crisis and its consequences. It is also a reflection of uneven access to the resources and fiscal space for countries to act, the uneven recovery they experience and, consequently, the uneven development prospects they face.
7. As we eventually recover from the pandemic, it also is necessary to be mindful of other health challenges, including those related to communicable and non-communicable diseases. One such global challenge is antimicrobial resistance and the concomitant superbugs which can potentially kill millions of people and negatively impact socioeconomic development and the realization of the 2030 Agenda for Sustainable Development.

Climate change

8. The pandemic could not have come at a worse time. A challenge for all has become an existential threat for the most vulnerable. The climate crisis endangers the security and lives of millions of people across the world, making an effective implementation of the Paris Agreement more urgent than ever. We now witness severe and widespread increases in global food insecurity, affecting vulnerable

households in almost every country, with the effects expected to continue well into 2022. Prolonged periods of drought, heat waves and global warming have led to dangerous levels of water scarcity. Intense weather events, such as floods, hurricanes and wildfires, which are increasing in frequency due to the climate crisis, threatening international trade and critical supply chains and wreaking havoc on societies and economies. This highlights the importance of prioritizing appropriate investment in disaster risk reduction, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, so as to avoid repeatedly diverting funds from building sustainable economies.

Crisis of the global common good

9. As a consequence of the combined effects of the pandemic and climate change, we confront today a crisis of the global common good. This impinges on every aspect of human life: health, education, housing, safe and nutritious food, clean water and decent work, not to mention the resilience of our institutions. It jeopardizes the right and hope of every human being to enjoy a life of dignity in security and freedom.
10. The global common good challenges us to work across boundaries of faith, culture and nationality to arrive at a shared moral vision for our interconnected world; a vision grounded in universal respect for human rights, and particularly the eradication of structural racism, structural discrimination against women and all elements of unconscious bias.

A revitalized covenant for development

11. Nevertheless, the global crisis we are living through offers us an opportunity to redouble our efforts to move from existing inequality and vulnerability to prosperity for all. The speed at which the pandemic has spread reminds us how now, more than ever, our common humanity binds us together. While national Governments do their best to respond to these challenges, in

- an interdependent world we require institutions that pursue policies that will benefit our common humanity.
12. Full global recovery will not be possible without enhanced international cooperation and until the pandemic subsides in each and every country. Business as usual will also not enable the world economy to bounce back, avert further environmental degradation or ensure all people can live in dignity, let alone keep development on track. This crisis unearthed and accentuated existing vulnerabilities and weaknesses that need to be addressed.
 13. To accomplish this, we will need a revitalized covenant for development. If we have the courage and imagination to seize it, we now have the opportunity to envision and shape a new path to a more resilient, inclusive and sustainable world.
 14. We, the member States of UNCTAD, therefore urge that the following priorities be addressed with the utmost urgency:
 - (a) *Revitalized multilateralism.* In this period of flux and peril, our first task is to shape a revitalized multilateral framework. It is clear that defeating and recovering from the pandemic, along with tackling the challenges of climate change, require concerted international action. We already know the goals: they are set out in our blueprint for peace and prosperity, the 2030 Agenda for Sustainable Development adopted by all Member States of the United Nations in 2015. What we need now is political will, the provision of means of implementation and a strengthened coordinated approach to achieving them that addresses the vulnerabilities and weaknesses hindering the transformations required for a world of shared prosperity. We must revitalize those of our international organizations that were created decades ago in different circumstances to ensure that they are fit for present purposes. In the recent past, some have questioned and indeed attacked the value of international cooperation, resorting to unilateralism. Now is the ideal opportunity to reassert the relevance of international cooperation and its absolute necessity for the survival of humanity. It is equally important to harness the full potential of regional and inter-regional economic integration as an important driver of cooperation and sustainable development.
 - (b) *Inequality within and between countries.* The process of globalization, fuelled by an expansion of free trade and the digital revolution, has brought innumerable benefits to all countries, yet not all have been able to benefit, resulting in growing inequalities. The present global economy requires rules, instruments and institutions to ensure the widest and most equitable distribution of the benefits of an efficient and dynamic global economy. We must give special attention and support to those who are most vulnerable: women and girls, youth, persons with disabilities, older persons, indigenous peoples, migrants, refugees, internally displaced persons, the homeless and other marginalized groups.
 - (c) *Vulnerabilities of developing countries, including small island developing States.* We reaffirm our commitment to UNCTAD providing support to developing countries, particularly the least developed countries, small island developing States, landlocked developing countries and other structurally weak, vulnerable and small economies, African countries, countries in conflict and post-conflict situations, middle-income countries, as well as economies in transition. UNCTAD should also continue its programme of assistance to the Palestinian people. Vulnerability is a major obstacle to inclusive and sustainable development in all developing countries. We must continue to develop and implement solutions to bolster the resilience of all vulnerable nations, from enhancing productive capacities and diversifying economies to providing fiscal space to build a better future. But of all the threats that we face, there is one that particularly threatens the way we live and humanity's existence itself: the climate crisis. For many developing countries, especially small island developing States, climate change is not just an inconvenient obstacle, it is a crisis that hinders their ability to build sustainable economies and societies. It is a threat to their very existence. The recent case of the people of Haiti is a classic and tragic example: an earthquake killing thousands of people and displacing over 100,000, followed almost immediately by a tropical storm. Indeed, the vulnerabilities of developing countries, especially small island developing States, to the climate crisis are permanent, subject as they are to sea-level rise, more frequent and intense weather events such as hurricanes, extreme variations in levels of precipitation and warmer temperatures leading to harmful changes in marine and terrestrial biodiversity. Small island developing States cannot frame development as they would wish, as they spend most of their time responding to crises not of their own making. Efforts to preserve the planet take place not only on land, but also in the sea. We all need healthy oceans to save the planet. So sustainable management of the world's oceans, seas and marine resources is essential to protect the livelihoods of the millions of people concerned, from those working in fisheries to those in maritime and tourism services.
 - (d) *Financing sustainable development.* The current pandemic has exposed the multi-dimensional nature of the vulnerability of developing countries to external shocks, from financial, economic and climate crises to natural disasters and pandemics. It is therefore important to take into account the inherent vulnerability of developing countries, including the least developed countries and small island developing States, to recover from external shocks and build resilience. The role of investment, especially in climate adaptation, cannot be overestimated. Nevertheless, one of the most alarming obstacles to achieving sustainable development for developing countries is the high debt burden they carry, which constrains the ability to provide or improve the economic and social infrastructure necessary to achieve growth and prosperity. This is particularly relevant for countries whose assets are frequently devastated by natural disasters, particularly small island developing States, which now find themselves having some of the highest debt-to-gross domestic

product ratios of all nations. In such circumstances, access to concessional and low-cost finance can become increasingly difficult, and even when available, challenging to secure and utilize due to limited fiscal space. This can reinforce the vicious spiral of debt.

- (e) *Decision-making and participation in international institutions.* We strongly support enhanced representation and voice for developing countries in decision-making in international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions.
- (f) *Tax cooperation.* There must be open and equitable cooperation in tax matters, including the fight against tax evasion and capital flight as a result of corruption, embezzlement and fraud. We recognize the importance of establishing fair and equitable international tax standards for all and call for the full participation of developing countries in the existing intergovernmental forums for international tax cooperation and, most importantly, that the rules be applied equally.
- (g) *The digital divide.* The digital transformation of our world affects the way people produce, work, interact and live. It holds great promise for achieving sustainable and inclusive development and shared prosperity for all. At the same time, it presents challenges, such as labour market disruption, rights infringements and the spread of disinformation. The principles of accountability must matter in the digital space. The digital divide between nations and within nations has widened. The digital divide presently reinforces social and economic inequality. There is, for example, the challenge of the affordability and accessibility of service and devices, particularly for children relying on online schooling. Skill deficits are also a feature of the digital divide that must be addressed. In the digital era we live in, leaving no one behind means leaving no one offline. The use and sharing of best practices in digital technologies can contribute to reducing gaps and inequalities in developing countries. Intensified international cooperation is required

to put in place the conditions needed to transform the digital divide into digital opportunities. Investment in digital literacy and infrastructure is therefore essential if the digital divide is to be bridged.

Realizing prosperity for all

15. We call on all peoples and their Governments to join in the struggle against the insecurity afflicting our world. The present situation, though dire, provides us with the opportunity of forging a revitalized covenant for development to address well-known vulnerabilities and inequalities. There can be positive lessons to be learned and outcomes to celebrate from the efforts to defeat and recover from the pandemic. Similarly, responding in a united and vigorous manner to the challenges posed by global climate change can generate the kinds of

growth opportunities which can lead to betterment everywhere. It is crucial that those opportunities should be shared equitably. We have what it takes to bring us closer together through a revitalized covenant that can lead to a better tomorrow.

16. This future will be anchored on transformation, such as the transformations identified in the Bridgetown Covenant. We look forward to UNCTAD continuing to play an important catalytic role in empowering these transformations and in fostering the required intergovernmental action that will generate the required momentum. As we look towards the sixtieth anniversary of UNCTAD, we look towards a revitalized Conference and institution that will help us all heed the call emanating from Barbados to realize prosperity for all. (SUNS9436)

UNCTAD15 lays out transformation roadmap

The Bridgetown Covenant adopted by UNCTAD15 outlines the major economic transformations required to bring about shared prosperity, and the role UNCTAD can play to effect these changes.

by Kanaga Raja

GENEVA: The 15th quadrennial session of the United Nations Conference on Trade and Development (UNCTAD15) adopted the Bridgetown Covenant that amongst others underscores the need to reinvigorate and revitalize UNCTAD's intergovernmental mechanism.

The Covenant also draws up a roadmap for transforming economies through diversification; fostering a more sustainable and resilient economy; improving the way development is financed; and revitalizing multilateralism.

According to the Covenant, the international community came together in Geneva nearly six decades ago in the firm conviction that trade could make a

difference to the world and do more to connect nations and peoples and enhance their economic opportunities. In a spirit of solidarity and cooperation, the world came together to ensure that progress achieved became prosperity shared. The phrase "prosperity for all" captured the ideals and objectives of the first session of the United Nations Conference on Trade and Development, and its realization became the *raison d'être* of UNCTAD and, subsequently, its creed.

Serious challenges to multilateralism are being exacerbated. Strengthened multilateralism and coordinated international action are crucial for effectively addressing these challenges and improving prosperity for all.

Inequality, within and between countries, exacerbated by vulnerability, has become one of the most challenging issues facing policymakers at the national and international levels.

“Now, the Conference meets again, for the fifteenth time, in the most unprecedented of circumstances. In addition to climate change threats, we are experiencing a coronavirus disease (COVID-19) pandemic which has generated a global health and economic crisis, exacerbating fiscal as well as other challenges faced by developing countries. In this scenario, and faced with declining resources, it is paramount that member State engagement with UNCTAD be strengthened.”

UNCTAD should contribute to the implementation of and follow-up to the outcomes of relevant global conferences, including the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and, as appropriate, the Paris Agreement under the United Nations Framework Convention on Climate Change, among other relevant international agreements and outcomes, said the Covenant.

While enhancing its work in support of addressing the trade and development challenges of all developing countries across all regions, UNCTAD should:

- (a) Strengthen its special focus on the trade and development needs of the least developed countries across all areas of its mandate, in accordance with the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action) and any relevant successor agreement reached at the Fifth United Nations Conference on the Least Developed Countries;
- (b) Continue to support Africa in addressing its special concerns and needs, including as articulated in the New Partnership for Africa's Development, and in the implementation of the African Continental Free Trade Area;
- (c) Further address the special trade, investment and development needs of landlocked developing countries, including through continuation of its support for effective implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 (Vienna Programme of Action);

- (d) Continue its work in assisting small island developing States to address persistent trade, investment and development challenges that they encounter, including through the implementation of the SIDS Accelerated Modalities of Action (SAMOA) Pathway;
- (e) Continue to give focus to the special needs and problems of structurally weak and vulnerable small economies in order to foster sustained economic growth and sustainable and inclusive development;
- (f) Continue to support the development efforts of middle-income countries, according to their needs, in facing specific challenges of sustainable economic development and poverty eradication.

The Bridgetown Covenant noted that 2020 marked the start of the decade of action 2020-30 to achieve the 2030 Agenda for Sustainable Development. However, the COVID-19 pandemic has exacerbated existing challenges and created new vulnerabilities, especially for developing countries, and threatens to reverse the hard-fought progress on the three dimensions of sustainable development – economic, social and environmental.

“It is important to ensure a concerted global response, bearing in mind that the 2030 Agenda should serve as the blueprint to rebuild and to mitigate the impacts of the COVID-19 pandemic. Focused and sustained efforts to implement the 2030 Agenda for all, with a focus on the poorest and most vulnerable, are necessary for a strengthened and accelerated decade of action for building more sustainable, peaceful, just, equitable, prosperous, inclusive and resilient societies and economies.”

The pandemic underscored the uneven resilience and capacities of countries to deal with crises. In response to the pandemic, many developing countries lacked the ability to use fiscal and monetary measures, among others, to respond to the crisis. It is imperative that international cooperation advance to combat and recover from the pandemic, providing assistance to countries and regions most in need.

It is important to ensure timely, global and equitable access to safe, effective and affordable COVID-19 tools (vaccines, therapeutics, diagnostics and personal protective equipment), recognizing

extensive COVID-19 immunization as a global public good to help overcome the pandemic worldwide and recover the momentum for sustainable development.

Sharing of information and technology for the detection, prevention, treatment and control of the pandemic is necessary, as well as initiatives in this regard, such as the Access to COVID-19 Tools (ACT) Accelerator, Friends of the COVID-19 Vaccine Global Access (COVAX) Facility, the COVID-19 Technology Access Pool (C-TAP) and relevant pledging appeals, said the Covenant.

“The speed at which the pandemic has spread has also been a reminder that this is an age of unprecedented interdependence and interconnectedness. Therefore, full global recovery will not be possible without global cooperation and until the pandemic subsides in all countries.”

The Bridgetown Covenant said there is an urgent need to advance, with determination, bold and concerted actions to address the social and economic impacts of the pandemic, while striving to get back on track to achieve the Sustainable Development Goals. This will require designing recovery strategies that will accelerate progress towards the full implementation of the 2030 Agenda for Sustainable Development and the achievement of the long-term goals of the Paris Agreement, as well as helping to reduce the risk of future shocks.

Major global challenges

According to the Covenant, attempts to put the global economy back on track and accelerate the pace towards the timely accomplishment of the Sustainable Development Goals are taking place in the context of major global challenges that have become more acute since UNCTAD14. These challenges include growing inequality and vulnerabilities, including high debt levels; accelerating climate change and continuing environmental degradation; and the widening digital divide. Accomplishing the 2030 Agenda and putting development back on track will require that all institutions and stakeholders in development play their mandated parts in the global effort to realize prosperity for all.

In addressing these three challenges, UNCTAD should give account to a number of essential underlying issues

for sustainable, inclusive and equitable growth and development, most notably: respect for human rights, including the right to development, gender equality, women's and youth's empowerment, and an overall commitment to just, non-discriminative and democratic societies based on the rule of law; good governance and enabling environment at all levels; continue its efforts to enhance its efficiency, effectiveness, transparency and accountability, including through effective results-based management and ensuring a member State-driven process through the intergovernmental machinery, and ensure effective employment of resources.

The Covenant said high levels of inequality represent an obstacle to sustainable development and a major brake on sustainable economic growth and poverty reduction. The economic recovery requires evolving policies at all levels to tackle these issues. For decades, the wealth gap has been widening between and within countries. Even before the pandemic, nearly 700 million people remained in extreme poverty, with the indignity and vulnerability this implies. Billions of people have no access to modern technologies, including some that are now considered essential, such as access to the Internet. The impressive expansion of global trade, investment and technology registered over the past decades has unfortunately not resulted in benefits for all.

"These inequalities have contributed to the fuelling of discontent with globalization which, among other factors, threatens multilateralism, hindering the collective ability to achieve the 2030 Agenda and leave no one behind. The achievements made over the years in poverty reduction, a key goal and indispensable requirement for sustainable development, may be compromised in the face of the COVID-19 pandemic, and the development gap between and within countries is at risk of widening. Delivering on the 2030 Agenda requires doubling down on our efforts, including by boosting resources, private and public, and domestic and international."

According to the Bridgetown Covenant, effectively addressing the issue of debt vulnerability can help mobilize financial resources for development. As highlighted in multilateral forums, the accumulation of debt in developing countries has reached record high levels. This implies serious constraints on

opportunities for inclusive and sustainable economic growth. Balancing the need to reduce debt vulnerability with the need to stimulate development, especially in a post-pandemic world, will be a key issue in ensuring inclusive and sustainable development. It is important to broaden and strengthen the participation of developing countries in the institutions of global governance.

"Addressing vulnerability can promote inclusive and sustainable development. Inherent vulnerabilities limit the ability to respond effectively to external shocks, such as natural disasters, climate change and pandemics. Policies and strategies are needed to improve the resilience of the vulnerable and thereby support the achievement of the Sustainable Development Goals. To buttress economic and environmental resilience, the causes and effects of vulnerability need to be effectively addressed," said the Covenant.

A recovery which brings the world back to the development paradigm that existed before the pandemic will be insufficient.

Certain past and present production and consumption patterns that have proven to be unsustainable compromise prosperity. Decoupling economic growth from environmental degradation is crucial to ensure sustainable progress, as well as to reduce vulnerability. In this sense, concrete and coordinated actions, in line with the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC), are required, as well as a meaningful outcome at the 26th Conference of the Parties to the UNFCCC this year.

Digitalization has truly been transformative, significantly altering many aspects of modern life and being at the centre of a formidable economic transformation with vast opportunities, and changing what is consumed,

produced and traded. But this also comes with challenges, such as the digital divide. Support is needed to ensure that the benefits of this transformation are shared by all in order to close economic and social gaps across the world. A proper utilization of digital technologies, backed by adequate infrastructure, can contribute to reducing gaps and inequalities in developing countries. True equality also requires consideration of the broader concept of digital inclusion, said the Covenant.

Transformations for a more resilient, inclusive world

According to the Bridgetown Covenant, a recovery which brings the world back to the development paradigm that existed before the pandemic will be insufficient. Business-as-usual will not enable the world economy to recover from the pandemic and chart a path to ensure that all people can live in dignity, let alone keep development on track. Indeed, progress towards many Sustainable Development Goals was off-track even before the pandemic struck. The crisis unearthed and accentuated existing vulnerabilities and weaknesses that need to be addressed.

The Covenant said four major transformations are needed to move to a more resilient, digital and inclusive world of shared prosperity: transforming economies through diversification; fostering a more sustainable and more resilient economy; improving the way development is financed; and revitalizing multilateralism.

It noted that since UNCTAD14, the global economy has faced a series of persistent and emerging challenges to ensuring stable economic growth as well as to achieving inclusive and sustainable development. These challenges include, among others, commodity dependence, increasing debt, growing energy demands, weak information and communications technology infrastructure, slow economic growth and the challenges of climate change, as well as challenges in transport and trade logistics due to geographical barriers.

Building resilience to these challenges is critical to achieving inclusive sustainable development. The advances resulting from the needed economic transformations are necessary to reduce vulnerability to economic shocks and inequality across

and within countries and require an enabling environment at all levels. From graduating from the least-developed-country category to escaping the middle-income trap, structural transformation matters. Particular attention should be paid to the most vulnerable countries, such as the least developed countries, landlocked developing countries and small island developing States.

“Despite the impressive expansion of trade and the emergence of global value chains, most developing countries remain commodity dependent, and those in manufacturing or services remain tied to lower value added activities. Almost two thirds of developing and transition economies are commodity dependent, the majority of which are least developed countries, which are particularly vulnerable to volatile international commodity markets.”

Non-reciprocal preferential market access conditions for the least developed countries, including those under the Generalized System of Preferences, are of key importance. Therefore, it is essential to ensure timely implementation of duty-free, quota-free market access on a lasting basis for all least developed countries to facilitate market access.

The loss of access to a range of international support measures, including some significant trade-related special and differential treatment and exemptions, after graduating from the least-developed-country category calls for mitigating and support measures to ensure a smooth transition. In this regard, it is important to continue supporting these countries, commensurate with their needs and capacity constraints, to ensure their smooth transition after graduation, said the Covenant.

The economic progress achieved in the last decades has been remarkable, yet the paradigm has been unsustainable. The past and ongoing overexploitation of resources and expansion of unsustainable economic activities are resulting in the degradation of habitats, the progressive loss of biodiversity, through accelerated extinction of plant and animal varieties and species, and the potential destruction of entire ecosystems. The progress achieved has been at a high cost, including a trail of greenhouse gas emissions causing the Earth's climate to change at a frightening pace, compromising the progress achieved in the field of development and the opportunities for future generations

to live in an environmentally safe and sustainable world.

This situation presents a significant challenge regarding how to ensure an increase in prosperity without unsustainable production and consumption patterns. To ensure that prosperity for all is achieved and is sustainable, greater emphasis must be placed on decoupling economic growth from environmental degradation, in line with relevant conventions and international agreements.

This transformation, according to the Covenant, requires strong political will, as well as coordination and actions, involving the full participation of all relevant actors at all levels. To support such transformation, effective and sustainable approaches to trade, investment and technology policies and measures need to be developed and implemented, in line with relevant international rules.

Financing development, from domestic and external public and private sources, is intricately linked to poverty eradication, an essential ingredient of inclusion and an overarching goal of the 2030 Agenda for Sustainable Development. Recovering more sustainably and resiliently from the current crisis depends on the world's ability to effectively mobilize and deploy the needed financial resources and achieve progress on the Sustainable Development Goals. The pandemic has placed a great strain on Governments' finances and their abilities to finance their countries' development. Under the circumstances, and taking note of the high-level events on Financing for Development in the Era of COVID-19 and Beyond, advancing policy options on financing for development and accelerating the implementation of the Addis Ababa Action Agenda are therefore urgent, said the Covenant.

The financing gap to achieve the Sustainable Development Goals and support long-term economic transformation can only be bridged through an effective mobilization and utilization of the different sources of finance. Official development assistance (ODA) is key and indispensable for achieving the Sustainable Development Goals. It is important that ODA providers reaffirm their respective ODA commitments, including the commitment by many developed countries to achieve the target of 0.7% of ODA/gross national income (GNI) and 0.15-0.20% of ODA/

GNI to the least developed countries, as outlined in the Addis Ababa Action Agenda.

South-South and triangular cooperation are important elements of international cooperation for development, as a complement, not a substitute, to North-South cooperation. It is important to strengthen such cooperation as a means of bringing relevant experience and expertise to bear in development cooperation and to enhance its development effectiveness.

The world is interdependent and interconnected. Globalization has resulted in rapid change creating both challenges and opportunities. Tackling the common challenges facing humanity and harnessing opportunities requires collective action. Inclusive and development-oriented multilateral cooperation that considers local particularities is of central importance. In this regard, the constructive and cooperative approach to multilateralism based on the Charter of the United Nations and international law that benefits all and leaves no one behind, and avoiding actions that undermine that spirit, remains paramount.

According to the Bridgetown Covenant, a strong multilateral trading system is more important now than ever as the world builds back from the economic impact of the COVID-19 pandemic. Trade is an important engine for inclusive economic growth, sustainable development and poverty reduction. An effective, rules-based multilateral trading system is fundamental to providing the stable and predictable rules that allow developing countries to integrate into the global economy and thereby allow cross-border trade to transform economies, unlock growth and reduce poverty. UNCTAD15 reaffirms its commitment to an open, transparent, inclusive, non-discriminatory, rules-based, multilateral trading system under the World Trade Organization. Trade liberalization, including through accession to the World Trade Organization, and combating protectionism can play a significant role in integrating developing countries and countries with economies in transition positively into the multilateral trading system as embodied by the World Trade Organization, especially when accompanied by balanced, appropriate supporting and sustainable policies at all levels, including in the context of national policy objectives.

“The World Trade Organization is encouraged to maintain development at its centre, and continue to facilitate the removal of trade barriers, enhance the participation of all developing countries in international trade, including with provisions for special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements, with a view to ensure a level playing field for all. Accessing countries, particularly the least developed countries, also need technical assistance prior to, during and in the follow-up to the accession process.”

It is vital that the world work to strengthen multilateralism and the rules-based, multilateral trading system, with an emphasis on ensuring that the system works effectively for developing countries and is a driver for inclusive and sustainable development, said the Covenant.

UNCTAD in a world in transformation

According to the Bridgetown Covenant, UNCTAD plays an important role as the focal point of the United Nations for the integrated treatment of trade and development and interrelated issues in the areas of finance, investment, technology and sustainable development. In the implementation of and follow-up to the progress towards the Sustainable Development Goals and relevant outcomes of other major UN conferences, UNCTAD should continue to contribute by monitoring global, regional and national trends and policies that could affect, or foster, the ability of countries to build a fairer, more equitable, resilient, inclusive, just and sustainable world – a world of shared prosperity.

In doing so, in accordance with its mandate and within available resources, the UNCTAD focus should be guided by its comparative advantage, differentiation and complementarity of its work with respect to other organizations, and through intergovernmental consensus, so as to put the organization's strengths to the best use to address the needs and priorities of developing countries for sustainable development and strengthen their role in the global economy.

The Covenant said as the world changes and responds to a new reality, and as the international community strives to effect the necessary transformations, so

too must UNCTAD become a more agile organization that can adapt to the spirit of the times and better respond to the needs and orientations of member States. This includes building on the experiences and lessons learnt during the COVID-19 pandemic. The role of UNCTAD as an important intergovernmental forum for consensus-building on trade and development therefore needs to be meaningfully reinvented.

According to the Covenant, UNCTAD shall continue its analytical work through monitoring of global, regional and national trends and policies that cover all areas of its mandate. The importance of the research and analysis pillar of UNCTAD is underscored, in particular regarding policy recommendations to inform policymakers, and the other two pillars of work. It should continue being development-oriented, independent and grounded in solid evidence. UNCTAD should continue its work to support developing countries, through capacity-building and technical assistance. In consultations with the membership, a comprehensive and coherent technical cooperation strategy should be prepared by the secretariat, which will define the UNCTAD focus for future technical cooperation within its mandate.

“UNCTAD technical cooperation should continue to assist developing countries and be adapted to the new opportunities and challenges in the fields of trade and development and interrelated issues. It should support countries in addressing the challenges exacerbated or revealed as a result of the COVID-19 pandemic and build resilience to future economic shocks, by building productive capacities, and support sustainable development.”

The Covenant said that as the highest body of UNCTAD between conferences, the Trade and Development Board should strengthen its decision-making and policy function and its governance function. In doing so, the regular sessions of the Board should:

(a) Ensure a robust consideration of the annual report prepared by the secretariat. The annual report should focus on the results achieved, assessed against the guidance provided by the quadrennial outcome and proposed programme plan and performance information, and with a clear set of indicators. It should also provide information on the implementation of intergovernmental

decisions of UNCTAD, in particular those from the Trade and Development Board and the Working Party on the Programme Plan and Programme Performance. It should also include recommendations for potential adjustments and focus for future work, as well as on management and institutional matters, for the Board's consideration;

(b) Provide for an exchange on development issues of shared interest, spanning across the different areas of UNCTAD work. Individual UNCTAD reports will serve as the basis for the exchanges and consensus-building efforts across the agreed discussion topics;

(c) Conduct policy dialogue and support intergovernmental consensus-building on substantive and strategic policy issues.

According to the Bridgetown Covenant, in its programme of work, UNCTAD should support the least developed countries, landlocked developing countries, small island developing States, African countries, other structurally weak, vulnerable and small economies and countries in conflict and post-conflict situations, while also taking account of the challenges of middle-income countries and countries with economies in transition.

UNCTAD should contribute to the coordinated international dialogue on COVID-19 response and recovery measures to counter the negative impact of the pandemic on the global economy and trade.

“The Trade and Development Board will strive to ensure that the next quadrennial conference will also take stock of the work and accomplishments of UNCTAD over the preceding six decades, including through appropriate activities and initiatives, with a view to further ensuring that it will help deliver prosperity for all.”

The Covenant said UNCTAD, as the focal point within the UN system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, should continue its work through the three pillars, building on the Nairobi Maafikiano and based on the preceding policy analysis of the Bridgetown Covenant.

The full text of the Bridgetown Covenant can be accessed at https://unctad.org/system/files/official-document/td-l-435_en.pdf. (SUNS9439)

Global tax deal seen as “dangerous capitulation” to corporate dodgers

What has been trumpeted as a landmark international taxation accord has been criticized by tax justice campaigners as lacking in fairness and ambition.

by Jake Johnson

A global tax deal reached on 8 October by 136 countries was widely hailed as a “historic” step towards a more just and equitable economic order.

But global humanitarian groups and policy experts warned that a closer look at the agreement reveals it to be a “shameful and dangerous capitulation” to corporate tax dodgers and the countries that enable them.

“It is a mockery of fairness that robs pandemic-ravaged developing countries of badly needed revenue for hospitals and teachers and better jobs,” Susana Ruiz, tax policy lead at Oxfam International, said in a scathing statement. “Calling this deal ‘historic’ is hypocritical and does not hold up to even the most minor scrutiny.”

Announced just days after the massive “Pandora Papers” leak prompted renewed scrutiny of tax havens worldwide (see following article), the two-pillar deal proposes a 15% global minimum corporate tax rate, a measure designed to prevent businesses from shirking their obligations by moving profits to low-tax countries.

Experts have repeatedly warned in recent months that a 15% rate would be far too low to meaningfully crack down on corporate tax dodging, which costs governments hundreds of billions of dollars a year in revenue.

The other pillar of the deal – which is the culmination of years of negotiations – aims to ensure that multinational tech giants such as Amazon, Google and Facebook pay taxes where their products and services are sold, not just where they’ve established a physical presence.

To take effect, the tax agreement must be approved by the legislatures of the 136 signatories – a tall task around the world, including in the United States, where Congress is narrowly divided. Supporters of the deal set 2023 as the target year for the tax changes to take effect.

“While the agreement would likely survive the failure of a small economy to

pass new laws,” *The Wall Street Journal* noted, “it would be greatly weakened if a large economy – such as the US – were to fail.”

US Treasury Secretary Janet Yellen, who helped jumpstart stalled negotiations over the global tax framework, said in a statement that the new agreement represents “a once-in-a-generation accomplishment for economic diplomacy.”

Tax justice campaigners, however, argued that the deal’s numerous loopholes and last-minute concessions granted to win the support of holdout countries – such as low-tax Ireland – threaten to render the framework toothless.

“At the last minute, a colossal 10-year grace period was slapped onto the global corporate tax of 15%,” Ruiz noted, referring to a provision secured by Hungary.

As *The New York Times* reported: “Hungary has long offered a 9% corporate tax rate to lure investment. It wrested an exemption that would let multinationals reduce profits subject to the minimum tax

for a transition period of 10 years, rather than the five years originally proposed.”

To appease Ireland, a prominent tax haven, negotiators also agreed to drop the “at least” from the proposed minimum corporate tax rate of “at least 15%.”

“This deal is an unacceptable injustice,” said Ruiz. “It needs a complete overhaul.”

The Organization for Economic Cooperation and Development (OECD) and the Group of 20, she added, “must bring fairness and ambition back to the table and deliver a tax plan that won’t leave the rest of the world to pick up their crumbs and scraps.”

Alex Cobham, chief executive of the Tax Justice Network, echoed Ruiz’s assessment, arguing that “the negotiations have failed to deliver for the people of the world who continue to face the pandemic with public health systems that are badly underfunded.”

“It’s no wonder that Ireland and other havens have embraced the deal, especially after obtaining various concessions,” said Cobham. “As it stands, it will neither curb profit shifting effectively, nor provide substantial revenues to more than a handful of OECD member countries. Everyone else has been left out – especially lower-income countries which lose the greatest share of their current tax revenues to corporate tax abuse.”

Jake Johnson is a staff writer with [Common Dreams](#), from which this article is reproduced under a Creative Commons licence (CC BY-NC-ND 3.0).

US denounced as “biggest peddler of financial secrecy” after Pandora Papers leak

The Pandora Papers have not only exposed the offshore financial shenanigans of the rich and famous but also drawn attention to the institutions and countries that facilitate such actions – including “the biggest offender”, the United States.

by Jake Johnson

The leak of an enormous trove of tax haven files in October offered a further

glimpse into the secretive world of offshore finance – a system facilitated

by the US and other rich nations – and prompted calls for immediate changes to global rules that let the powerful hide their wealth, skirt their obligations and starve governments of crucial revenue.

“This is where our missing hospitals are,” Susana Ruiz, the tax policy lead at Oxfam International, said in a statement. “This is where the pay-packets sit of all the extra teachers and firefighters and public servants we need. Whenever a politician or business leader claims there is ‘no money’ to pay for climate damage and innovation, for more and better jobs, for a fair post-Covid recovery, for more overseas aid, they know where to look.”

“Tax havens cost governments around the world \$427 billion each year,” Ruiz added. “That is the equivalent of a nurse’s yearly salary every second of every hour, every day. Ordinary taxpayers have to pick up the pieces. Developing countries are being hardest hit, proportionately. Corporations and the wealthiest individuals that use tax havens are out-competing those who don’t. Tax havens also help crime and corruption to flourish.”

Like the 2016 Panama Papers, the International Consortium of Investigative Journalists’ (ICIJ) Pandora Papers shine additional light on the functioning of a “shadow economy” that world leaders, celebrities and billionaire business moguls – including some accused of egregious crimes – are exploiting to shield trillions of dollars in assets from transparency and taxation.

The 11.9 million files obtained, analyzed and leaked by the ICIJ reveal the closely guarded financial manoeuvres of more than 330 politicians and top public officials from nearly 100 countries and territories, including dozens of current national leaders.

“The secret documents expose offshore dealings of the King of Jordan, the presidents of Ukraine, Kenya, and Ecuador, the prime minister of the Czech Republic, and former British Prime Minister Tony Blair,” the ICIJ notes in a summary of its sprawling cache of documents. “The files also detail financial activities of Russian President Vladimir Putin’s ‘unofficial minister of propaganda’ and more than 130 billionaires from Russia, the United States, Turkey, and other nations.”

The trove also links prominent athletes, models and artistes to offshore

assets, including India’s famous cricketer Sachin Tendulkar, pop music star Shakira and supermodel Claudia Schiffer.

But Alex Cobham, chief executive of the Tax Justice Network, cautioned that a narrow focus on the individuals who have made use of an international tax system rigged in their favour diverts attention from the institutions and countries that have done the rigging.

“These personal actions are shameful and will no doubt come under great scrutiny in the coming days, but it’s important that we don’t lose sight of one crucial fact: few of the individuals had any role in turning the global tax system into an ATM for the superrich,” Cobham wrote in a blog post on 3 October. “That honour goes to the professional enablers – banks, law firms and accountants – and the countries that facilitate them.”

Cobham observed that the Pandora Papers – the product of a nearly two-year investigation by more than 600 journalists in 117 countries and territories – confirm that the United States is “the world’s biggest peddler of financial secrecy.”

“The biggest blockers to transparency are the US ... and the UK, the leader of the world’s biggest tax haven network,” Cobham wrote. “We need full transparency so we can hold tax abusers accountable, especially when our politicians are among them. US President Biden must match his own rhetoric on shutting down global illicit finance, and start with the biggest offender – his own country.”

As the ICIJ notes, the new files show in some detail “how the United States, in particular, has become an increasingly attractive destination for hidden wealth, although the US and its Western allies condemn smaller countries for allowing the flow of money and assets tied to corruption and crime.”

“The Pandora Papers include documents from 206 US trusts in 15 states and Washington, D.C., and 22 US trustee companies,” the ICIJ points out. “The documents provide details about the movement of hundreds of millions of dollars from offshore havens in the Caribbean and Europe into South Dakota, a sparsely populated American state that has become a major destination for foreign money.”

“We in the US should be embarrassed that we’ve become a magnet for kleptocratic funds,” said Chuck Collins, director of the Program on Inequality

and the Common Good at the Institute for Policy Studies.

Conspicuously absent from the Pandora Papers is any mention of the wealthiest people in the US, including Bill Gates, Elon Musk, Warren Buffett and Jeff Bezos – the richest man in the world. But as *The Washington Post* explains, that could be because “the uber-rich in the United States tend to pay such low tax rates that they have less incentive to seek offshore havens.”

In response to the Pandora Papers revelations, Oxfam called on world governments to crack down on tax havens by taking a number of steps, including:

- Ending tax secrecy on individuals, offshores and multinational corporations. Set up a public register on the real owners of bank accounts, trusts, shell companies and assets. Require multinational corporations to publicly report their accounts where they do business, country-by-country.
- Increasing the use of automatic exchange, allowing revenue authorities access to information they need to track the money.
- Ending corporate profit shifting to tax havens via new rules, and by setting a global minimum tax under the Organisation for Economic Cooperation and Development (OECD)’s BEPS (base erosion and profit shifting) deal, ideally of around 25%.
- Agreeing a global blacklist of tax havens and taking countermeasures, including sanctions, to limit their use.
- Setting a new global agenda on taxing wealth and capital fairly; addressing tax competition between countries on high-net-worth individuals, either on income or wealth, against agreed standards.

“Governments’ promises to end tax havens are still a long way from being realized,” said Ruiz. “We cannot allow tax havens to continue to stretch global inequality to breaking point while the world experiences the largest increase in extreme poverty in decades.”

Jake Johnson is a staff writer with [Common Dreams](#), from which this article is reproduced under a Creative Commons licence (CC BY-NC-ND 3.0).