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UN rights expert urges action on inequality, illicit flows

In two separate reports to the UN Human Rights Council, the Council's Independent Expert on the effects of foreign debt and related financial obligations, Juan Pablo Bohoslavsky, has underlined the need to curb both economic inequality as well as illicit financial flows. According to the expert, inequality may contribute to financial crises, whereas tax-dodging financial flows lead to government revenue losses, impairing the realization of human rights in both cases.

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Inequality may contribute to financial crises, says UN expert

Economic inequality may contribute to the outbreak of financial crises, which will in turn heighten inequality and adversely affect human rights, a UN rights expert says.

by Kanaga Raja

GENEVA: There are strong indications that inequality may substantially contribute to and exacerbate the emergence and the course of financial crises, even if other factors, in particular financial deregulation, obviously also play a crucial role, according to a United Nations human rights expert.

This finding has been highlighted by Juan Pablo Bohoslavsky, the Independent Expert on the effects of foreign debt and other related international financial obligations of states on the full enjoyment of all human rights, particularly economic, social and cultural rights, in a thematic report for the UN Human Rights Council.

The Council is currently holding its thirty-first session here from 29 February to 24 March.

According to Bohoslavsky, there are manifold linkages between inequality, private and sovereign debt, and the occurrence of financial crises.

"Inequality erodes States' tax base, thereby impacting sovereign revenues. Inequality also appears to prompt increased levels of private credit, which in turn may adversely affect sovereign debt and stability of the financial markets," he said.

According to most studies, financial crises and the subsequent policy measures commonly implemented to alleviate their consequences, such as fiscal retrenchment and stabilization policies, enhance inequalities, with devastating social consequences.

"A debt crisis may have a massive depressive impact on output, which may in turn affect the level of inequality."

According to the report, most studies concur that financial crises result in an increase in income inequality. Fiscal consolidation following a sovereign debt overhang may also have strong distributional consequences, both directly and indirectly, for example, through an increase in the unemployment rate and social spending cuts.

The social effects of crises, hitting in particular the most vulnerable, are often catastrophic, with widespread poverty, the emergence of health issues and rising unemployment, to name only a few common problems.

"The finding that inequality may contribute to the occurrence of financial crises, which in turn exacerbate inequality and adversely affect human rights, has far reaching policy and legal implications. It underscores that human rights, social and economic aspects are inseparably intertwined, calling for a holistic approach to preventing and confronting financial crises."

The report suggests that financial crises may not be prevented without addressing the contributing human rights shortcomings, including those connected to inequality. Any reaction to financial crises that neglects the effects on human rights and inequality does not only run afoul of human rights duties and responsibilities but also risks creating the same problems again and again, preventing any economically sustainable future.

"Preventing and responding to financial crises and combating inequalities must thus go hand in hand. Hence, policymakers must ensure that they tackle dangerous destabilizing developments in the financial sphere while addressing inequality directly."

Inequality and human rights

According to the report, severe economic inequality frequently affects the enjoyment of particular civil, political or social, economic and cultural rights as well as the principle of non-discrimination enshrined in all international human rights treaties.

Human rights law imposes certain legal obligations on states to address economic inequalities affecting the enjoyment of human rights and bestows effectual guidance for reducing inequalities, including prioritization of policy responses in this field.

For several years, increased attention has been paid to the continued rise in income and wealth inequalities. In this context, top incomes dramatically increased from the 1980s, mostly in developed countries but also in emerging economies, such as India and China. In addition to wealth transmitted through inheritance, top wages have increased dramatically, outpacing increases in average wages many times and resulting in an unprecedented accumulation of wealth by a small but powerful elite.

Global inequality currently stands at extremely high levels and is further increasing. The UN Development Programme (UNDP) has reported that the richest 8% of the world's population earns half of the world's total income, leaving the other half for the remaining 92%. Over the past two decades, income inequality has increased by 9% in developed countries and 11% in developing countries.

In 2015, the richest 1% of people in the world owned more than 50% of global wealth, up from 44% in 2010. Furthermore, the 80 richest individuals currently own as much wealth as the bottom 50% of the entire global population.

The Independent Expert noted that international human rights law addresses inequality on many levels. First, there are economic and social rights that clearly recognize the duties of states to address and/or prevent inequality as a threat to human rights realization. These include fundamental worker's rights – in particular the right to form and join trade unions and the right to fair remuneration – and social rights – in particular the rights to education, health and social security.

Moreover, he said, the principles of non-discrimination and equality apply in the context of socioeconomic disadvantages. All international and regional human rights treaties include a broadly constructed principle of non-discrimination that covers formal discrimination on prohibited grounds in law or official policy documents as well as substantive discrimination, meaning discrimination in practice and in outcomes.

"The prohibition of discrimination extends not only to the grounds explicitly enumerated in article 2 (2) of the International Covenant on Economic, Social and Cultural Rights, such as race, colour, sex or religion, but also to grounds based exclusively on economic and social status."

Inequality implies a violation of the rights enshrined in the Covenant when a significant number of individuals within a society cannot enjoy minimum essential levels of each of the rights enumerated in the Covenant while other individuals within the society have more than sufficient resources available to guarantee a basic enjoyment of those rights.

The violation in such cases appears to be twofold: states may fail to meet their minimum core obligations, and to mobilize maximum available resources for the progressive realization of rights.

According to the views of the UN Committee on Social, Economic and Cultural Rights, when a significant number of individuals living in a state party are deprived of critical foodstuffs, essential primary healthcare, basic shelter and housing or the most indispensable forms of education, there is a prima facie case of failing to discharge its obligations under the Covenant.

States are furthermore obliged to use maximum available resources for the progressive realization of economic, social and cultural rights. Progressive realization implies that states have to ensure the enjoyment of minimum essential levels of rights on a non-discriminatory basis first and without retrogression.

The Independent Expert was of the view that states may also fail to use their maximum available resources if they neglect to undertake reasonable efforts to ensure domestic revenue generation and redistribution to address income inequality that violates human rights, such as if a state fails to address inequality through appropriate taxation or social policies.

Human rights law requires a certain degree of redistribution of resources and support based on available capacities within and among nations. This encompasses an organization of the local and global economies that prevents and eradicates extreme poverty.

Violations of this principle are pervasive: with 795 million people worldwide being undernourished, at least one out of nine persons on Earth is currently excluded from enjoying essential minimum levels of the right to food. The United Nations Human Settlements Programme has estimated that close to one billion people currently do not have adequate housing but instead often live in informal settlements in developing countries.

"Inequalities within and among nations are an important contributing factor to these unsettling outcomes. Inequality is both a cause and a symptom of massive violations of economic, social and cultural rights."

Interaction between inequality and debt crises

According to the Independent Expert, inequality may affect sovereign debt both directly and indirectly. The direct impact proceeds from the "corrosive" influence of inequality on the tax base, as well as from its enhancing effect on demand for redistribution through debt default.

As for the indirect impact, it is mainly private debt that acts as an interface between inequality and sovereign debt. Increasing inequality may lead to private over-borrowing and over-lending. The resulting excessive private leverage can accumulate over many years, destabilize the financial system and even become so volatile for the economy that the debt can trigger a banking crisis, leading to both output losses and massive bailout costs for governments. In addition, both the direct and the indirect channels may simultaneously prompt a currency crisis if external debt is involved.

Inequality may exert a considerable direct influence on the structure and the level of government revenues and spending. Increased levels of inequality also mean that the income tax base of the state concerned is rather small, at least if income taxation is not progressive. This diminishes sovereign revenues and consequently makes the state more dependent on borrowing. Thus, inequality contributes in many cases to sovereign debt, which may eventually result in sovereign default and financial crises.

The report pointed to a growing body of evidence for this mechanism. Empirical studies point to a clear nexus between inequality, income tax base and sovereign debt. One study, using data from 50 countries in 2007, 2009 and 2011, found a negative correlation between income inequality and the tax base and a positive correlation with sovereign debt.

An analysis of a panel of 17 countries of the Organization for Economic Cooperation and Development (OECD) covering the period 1974-2005 found a positive correlation between the top 1% income share – a widely used indicator of income inequality – and fiscal deficit.

The erosion of the income tax base following an increase in inequality is also likely to affect the structure of tax revenue. "The alternative to experiencing a fiscal deficit would be to increase other types of taxes, such as import or export duties and indirect or corporate taxes. This would, however, lead to higher revenue volatility, consequently increasing the risk of sovereign debt crisis."

Increased inequality is also found to contribute to the degeneration of sovereign debt into sovereign debt crises, the report said, noting that a number of studies show that high inequality increases the probability of default significantly.

In one research paper, it was emphasized that sudden, rapid rises in inequality, in particular, can considerably increase the sovereign default risk. The authors specify that such "inequality shocks" generate a far higher probability of default than collapses of domestic production of the same scale. Several authors have also established that progressive income taxes, which decrease income inequality, can decrease the default risk.

According to the Independent Expert, inequality can also indirectly contribute to increased sovereign debt and consequently to sovereign debt crises.

There are at least two avenues to such outcomes: (a) high levels of inequality contribute significantly to the generation and increase of private debt, with strong inter-relationships between excessive private debt, sovereign debt and financial crises; and (b) inequality adversely affects social and political stability, thereby hampering growth and eventually affecting both government revenue and spending.

A boom in private debt is usually considered a more accurate predictor of financial instability than the level or development of sovereign debt. However, depending on the circumstances, sovereign debt may be a major factor for triggering or worsening financial crisis.

For example, excessive sovereign debt in some countries has been a prominent contributor to the recent global financial crisis. Public and private debts are linked in many ways, often reinforcing the other's negative effects, which may be described as a diabolical loop between both. Even when financial crises are not necessarily driven by public debt, such debt has an impact on the aftermath of crises, leading to more prolonged periods of economic depression.

The consequences of a financial crisis on public finances are immense. Nationalization of private debts along with bailout and recapitalizing costs for the banking system have contributed to an explosion of sovereign debt. Even more important factors to the aggregation of sovereign debt are generally the fall in production, the consecutive contraction in the tax base and counter-cyclical policies set to fight the downturn resulting in higher government spending.

"If the country instead uses consolidation policies to reduce its debt, this often turns out counterproductive because of a negative impact of reduced government spending on economic growth and employment, as the International Monetary Fund (IMF) has recently acknowledged," said the report.

There are several channels through which inequality affects private debt and financial crises, the report added. Household debt and top income share – a standard indicator of inequality – are strongly correlated: in many countries, household debt and top income share have grown simultaneously and at similar pace over many years.

Recent research has focused on credit demand and supply channels for explaining the nexus between private debt and inequality. According to the credit-demand line of reasoning, private debt increases as households try to maintain certain absolute or relative levels of consumption while facing growing inequality. In other words, people borrow more extensively to maintain their absolute or relative standard of living. Data collected for the US confirm this interpretation: a study from 2006 revealed that, over the previous 25 years, income inequalities in the country had increased without being followed by an increase in consumption inequalities.

"Another theory connects inequality, credit demand and monetary policy. It holds that highly unequal income distribution leads to over-reliance on investment and luxury consumption. This may not be sufficient for a sustainable level of economic output, prompting low interest rates which itself allows private debt to increase beyond sustainable levels."

In turn, the rise in the incomes of the richest will also increase their savings, leading to a huge accumulation of private wealth. This rising supply of capital requires more investment opportunities and consequently boosts the credit supply, even for riskier borrowers. Moreover, a possible consequence of this accumulation of private wealth is creditor-led lobbying to favour policies that may lead banks to issue risky loans and eventually to a massive distribution of subprime loans to low-income individuals.

According to the report, it is not surprising that an examination of 18 OECD countries over the period 1970-2007 revealed a positive link between income inequality and credit growth. Moreover, over the period 1980-2010, a large majority of banking crises were preceded by persistently high levels of income inequality.

Concerning the US specifically, one study that investigated the period 1980-2003 found a "strong positive effect of income inequality in household debt relative to disposable income as well as the components of the household debt (mortgage debt, revolving debt, e.g. credit cards, and non-revolving debts, e.g. car loans)".

According to Bohoslavsky, inequality may also reduce social and political stability. This creates disincentives for investment, disruptions in business activity, disunity, threats to property and policy uncertainty and may even raise the probability of coups and mass violence. The result is a lower level of growth, which consequently provokes higher levels of debt, he said, noting that the link between inequality, political instability and investment has been confirmed by an empirical study made on 70 countries over the period 1960-85.

Recent cross-country evidence supports the notion that inequality reduces economic growth. Based on vast data for both OECD and emerging countries, an IMF study from 2014 provides a solid case that lower inequality is robustly correlated with faster and more durable growth.

A further IMF study supports these conclusions using a sample of 159 advanced, emerging and developing economies. The authors conclude that the income distribution itself matters for growth. Specifically, if the income share of the top 20% increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down. In contrast, an increase in the income share of the bottom 20% is associated with higher GDP growth.

Impact of financial and debt crises

The report said that financial crises generally have enormous distributional consequences, originating in several factors. To start with, financial crises may massively hamper economic growth, principally because of a decline in investment in production as a result of credit contraction. Banking crises usually lead to a significant output drop.

On average, the real per capita GDP drop amounts to over 9%, with a recovery time of two years. An analysis of financial crises, taking into account both banking and currency crises, has revealed that the average output loss is

20% of GDP, with a recovery time of three to four years.

However, isolated currency crises as such may have mixed effects: they usually increase the price of imported goods and may lead to a contraction of available credit, considerably encumbering growth. At the same time, currency crises may also benefit the exporting sector of a country.

According to the rights expert, the consequences of sovereign debt crises on economic growth are difficult to isolate, as they are generally preceded by or coincide with banking crises. "However, there is a strong negative correlation between extreme levels of sovereign debt or sovereign default on the one hand and growth on the other. One study, for example, has found that debt crises lead to significant and long-lasting output losses, reducing output by about 10% after eight years."

In addition to this slowdown in economic activity, there are several other channels through which financial crises affect income and wealth distribution. Currency crises exert their influence by leading to relative price changes, fiscal retrenchment and changes in assets. The report said devaluation leads to the fall in earnings of those employed in the non-tradable sector, while it increases the demand for exports and therefore may benefit employment and earnings in this sector. The poor may also be affected by the price increase of imported goods, especially food prices. In the aftermath of banking crises, the associated unemployment rate rises on average by about 7 percentage points, with a duration of over four years.

In total, currency crises have a magnifying impact on both the spread of poverty and inequality. Based on the Gini coefficient, one particular study found inequality to increase by 0.63% relative to the pre-crisis year.

Moreover, the association between crises and income distribution/poverty was stronger when crises were followed by average income losses. This fall of income accounted for 15-30% of the variations in the poverty and inequality indicators.

Another study concluded that on the average inequality rises by 16.2% in the two-year period immediately following a currency crisis as opposed to 3.2% in years without crises. The Great Recession, best described as a systemic banking crisis, which has been followed by a debt crisis, especially in the European Union, has led to massive inequality jumps. Using the ratio 90 to 10 as a proxy of inequality, US income inequalities rose by 11% between 2007 and 2011.

The report said other factors have a significant influence on the size of the effects of financial crises. For example, it appears that crises raise inequalities more in the most deregulated labour markets, and financial crises have had worse effects on Latin American workers than on Asians, and stronger adverse impacts on Asians than on the organized workers of Northern economies. This finding suggests that there is a crucial interaction between labour market institutions and the specific effects of financial crises.

In most countries, said the report, financial crisis is followed by fiscal consolidation, which may also have a strong distributional impact. Several studies on OECD countries and other emerging and advanced economies have demonstrated that fiscal consolidation is usually associated with a rise in inequalities, a fall in the labour share and a rise in long-term unemployment. One study came to the conclusion that 15-20% of the increase in inequality following a fiscal consolidation is explained by the rise in unemployment.

Social spending cuts are another substantial contributor to rising inequalities. A 1% decrease in social spending is associated with a rise of 0.2-0.7% in inequality. "Crises usually have strong effects on social spending, with lowest income countries being more likely to cut social spending during crises. The Great Recession, for example, has led to broad and deep cuts in social security spending."

As for debt crises, it is challenging to disentangle the specific effects of default from those of the stabilization policies, such as those that tend to follow IMF interventions in developing countries. What seems clear is that IMF programmes are associated with a worsening of income distribution and a reduction in the incomes of the poorest citizens when external imbalances were high prior to the programme. These programmes may only decrease income inequality when external imbalances are less severe.

According to the report, dynamics of inequalities in Latin America in the 1980s offer good insights into the potential distributive impact of debt crises. A study on this region during that decade provided strong evidence confirming that income inequality "mirrors the economic cycle, rising during recessions". The costs of the crises have not been borne equally and most adjustment programmes resulted in "overkill" leading to increases in poverty and inequality beyond what was necessary (and legal).

The Independent Expert said that financial crises and the austerity measures adopted in response also have a robust negative social impact that, in turn, perpetuates or exacerbates inequality.

"Overall, adjustment plans without consistent debt reliefs have proven to be detrimental to human development and human rights, at least in the short term. Alternatively, substantial debt relief has allowed targeted countries to scale up 'poverty-reducing' expenditures," he said. *(SUNS8194)* ❐

Curb illicit flows to progress on human rights – UN expert

In another report presented to the Human Rights Council, the Independent Expert Bohoslavsky highlighted how tax dodging via illicit financial flows is depriving governments of resources required to fulfil human rights.

by Kanaga Raja

GENEVA: Curbing tax-related illicit financial flows has the potential to make the largest fiscal impact and would enlarge domestic resources available for the realization of human rights, including social, economic and cultural rights, a UN human rights expert has said.

In his final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development, Juan Pablo Bohoslavsky, the Independent Expert on the effects of foreign debt and other related international financial obligations of states, said that combating tax abuse, and illicit financial flows more broadly, is essential to making better progress in realizing international human rights obligations.

"The inclusion of a specific target to reduce illicit financial flows under the Sustainable Development Goals makes clear that curbing such flows is also essential for creating an enabling environment for sustainable development," he added.

The study by the Independent Expert was presented at the Human Rights Council at its thirty-first session taking place from 29 February to 24 March.

Tax-evading funds

In his study, the rights expert welcomed the adoption of the outcome document of the third International Conference on Financing for Development, the Addis Ababa Action Agenda, and the Agenda 2030 for Sustainable Development. "It is the first time that two key international documents recognize explicitly the detrimental effects of illicit financial flows on sustainable development," he said.

"While the Millennium Development Goals had remained silent on the issue, States have now pledged to significantly reduce by 2030 illicit financial flows and strengthen the recovery and return of stolen assets (target 16.4) in the Agenda 2030. This can be considered a remarkable progress."

According to the study, it has been estimated that the majority of all illicit financial flows are related to cross-border tax-related transactions.

Jurisdictions with high levels of financial secrecy can attract all kinds of illicit funds. Combined with low tax rates, they become ideal locations for tax-evading funds. Many important secrecy jurisdictions are home to a large private banking industry that facilitates tax evasion by high-net-worth individuals in a systematic manner. Through the use of shell companies and other corporate vehicles, accounts can be rendered anonymous and funds can reside untaxed or minimally taxed with no means of identifying to whom they belong.

The Independent Expert noted that many of the world's most important secrecy jurisdictions are developed countries, which have historically been overlooked in their role in facilitating tax evasion.

One report estimates that $7.6 trillion (8% of global financial household wealth) was held in tax havens at the end of 2013, with an estimated 80% of it unrecorded. Another estimates the value of global private wealth held offshore in 2013 to be $8.9 trillion, while yet another estimates that, at the end of 2010, unrecorded private wealth invested offshore was as much as $21 trillion to $32 trillion (10-15% of global financial wealth). A more recent estimate is even higher: $24 trillion to $36 trillion as of 2015.

There is also consensus that the amount of private wealth held offshore is growing. It has been estimated that global offshore wealth increased by 28% from end-2008 to end-2013, and that unrecorded offshore private wealth grew at an average rate of 16% a year from 2004 to 2014. This trend is especially strong in developing countries.

Bohoslavsky said developed and developing countries suffer as a result, but developing countries are particularly hard hit. It has been estimated that the relative amount of wealth from developing countries held abroad is much greater than for developed countries, ranging from 20-30% in many African and Latin American countries. Another study provides similar figures: 26% for Latin America and 33% for the Middle East and Africa.

The United Nations Conference on Trade and Development (UNCTAD) has calculated that the tax gap for developing countries is $66 billion to $84 billion per year – about two-thirds of total official development assistance (ODA).

"These revenues become lost from the erosion of the tax base, thus preventing Governments, particularly in developing countries, from establishing progressive tax systems," said the rights expert.

Another crucial fact to note is the greatly unequal ownership of offshore wealth. It has been estimated that 85-90% of wealth belongs to fewer than 10 million people – just 0.014% of the world's population – and at least a third of it belongs to the world's top 100,000 families, each with a net worth of at least $30 million.

The rights expert said a common commercial tax-evading practice is trade misinvoicing. This involves falsifying trade documents such as customs forms. By under-invoicing exports and over-invoicing imports, tax evaders can move assets out of countries and into secret bank accounts and shell companies in tax havens.

According to Global Financial Integrity, trade misinvoicing is the most common way of illicitly moving funds out of developing countries. The organization has estimated that trade misinvoicing accounted for more than 80% of all illicit outflows between 2004 and 2013 – an average $655 billion per year – and that it roughly doubled in magnitude over this time period.

An analysis by the organization shows that in seven out of the past 10 years, the global volume of illicit financial outflows from developing countries – of which trade misinvoicing constitutes the vast majority – was greater than the combined value of all ODA and foreign direct investment (FDI) flowing into poor nations.

Importantly, these estimates are thought to be conservative since they account for only one type of trade misinvoicing, known as "re-invoicing," which occurs when goods are exported under one invoice, the invoice is then sent to another jurisdiction, such as a tax haven, where the price is altered, and finally, the revised invoice is sent to the importing country for clearing and payment. They do not account for misinvoicing on trade of services and intangibles – approximately 20% of world trade – nor do they capture "same invoice faking," where misinvoicing occurs within the same invoice as agreed between exporters and importers.

A study by Global Financial Integrity has found that tax revenue losses to developing countries due to re-invoicing alone amounted to $98-106 billion per year between 2002 and 2006.

"While tax evasion, which breaks national tax laws, is openly illegal, a number of corporate tax avoidance schemes use very complex methods to make it very difficult for tax authorities to provide sufficient proof that they are in contravention of national laws and regulations," said the study.

The overall effect of those practices is to reduce the corporate tax base of many countries in a way not intended by domestic policy.

In addition, tax avoidance by transnational corporations harms society by avoiding a "fair share" of the tax burden.

Profit-shifting

The rights expert said that a common method of corporate tax avoidance is "profit-shifting", where transnational corporations take advantage of tax rate differentials across jurisdictions and shift taxable income and assets away from source countries, where economic activity takes place, and into associated companies in tax havens, sometimes with no real staff or business activities.

UNCTAD has estimated tax revenue losses to developing countries of $100 billion annually, which represents about one-third of corporate income taxes that would be due in the absence of profit-shifting.

Total development resource leakages, including lost earnings from missed reinvestment opportunities in addition to tax revenue losses, are an estimated $250-300 billion per year.

A recent study by the International Monetary Fund (IMF) estimates long-run annual revenue losses to developing countries of $200 billion per year (1.7% of gross domestic product) and to countries of the Organization for Economic Cooperation and Development (OECD) of $500 billion per year (0.6% of GDP).

Looking specifically at the United States, one report estimates losses due to profit-shifting by US firms to be $100 billion per year, while another calculates a decline in the effective tax rate on US firms from 30% to 20% over the past 15 years, two-thirds of which is attributable to profit-shifting.

Rights impacts of tax abuse

The Independent Expert stressed that tax abuse deprives governments of resources required to progressively realize human rights, including economic, social and cultural rights, such as health, education, social protection, water and sanitation, as well as civil and political rights, including access to justice, free and fair elections, freedom of expression and personal security. "Tax abuse can also undermine the rule of law, for example, when large-scale tax evasion is allowed to occur with impunity."

Tax abuse by corporations and high-net-worth individuals forces governments to raise revenue from other sources, including through regressive taxes, the burden of which falls hardest on the poor. This has important human rights implications because regressive tax structures limit the redistributive impact of social programmes since they effectively end up being funded by the very people they are supposed to benefit. The need to make up revenue shortfalls through regressive taxes thus further undermines the realization of economic and social rights for the most vulnerable, said the study.

In addition, tax abuse perpetuates and exacerbates extreme economic inequality, benefiting the rich at the expense of the poor.

Global inequality currently stands at extremely high levels. The United Nations Development Programme (UNDP) reports that the richest 8% of the world's population earn half of its total income, leaving the other half for the remaining 92%.

Oxfam has shown that, in 2014, the richest 1% of people in the world owned 48% of global wealth – up from 44% in 2010 – leaving 52% of global wealth to the remaining 99% of the world's population. Oxfam predicts that, by 2016, half of global wealth will be concentrated among the top 80 individuals.

Over the past two decades, income inequality has increased by 9% in developed countries and 11% in developing countries.

"Extreme economic inequality threatens to undermine human rights. For example, income inequality prevents millions of individuals from enjoying social and economic rights on a non-discriminatory basis, such as access to adequate housing, food, health care and sanitation," said the Independent Expert. "This is particularly true if such inequality is not addressed by policies ensuring access to these rights, for example, through social welfare and protection."

Curbing tax abuse and illicit financial flows is essential not only for realizing human rights but also for achieving sustainable development. Making progress on target 16.4 of the Sustainable Development Goals on reducing illicit financial flows will make an important contribution not only to achieving various other goals included in the Agenda 2030 for Sustainable Development, but also to the enjoyment of human rights.

Global Financial Integrity estimates that 31 developing countries had illicit financial outflows greater than their public spending on health during the period 2008-12, and in 35 developing nations, illicit financial outflows exceeded public spending on education during the same period.

In 12 countries, illicit outflows were estimated to surpass total tax revenues. Finally, for 20 developing nations, illicit outflows outnumbered the combined financial inflow in the form of ODA and FDI during that period.

"Such figures suggest that achieving the Sustainable Development Goals will be an immense uphill battle in the face of illicit financial flows," the rights expert underlined.

"By reducing government revenue, tax abuse critically undermines the ability of many countries, especially the world's poorest countries, to fulfil economic, social and cultural rights."

According to a UNDP report, in 2009 the least developed countries received approximately 24.1% of total ODA, yet at the same time it has been estimated that as a group they lost 60 cents off every dollar of ODA to illicit financial flows. For some of these countries, illicit outflows were several times greater than the amount of ODA received. The report also found that illicit outflows averaged 4.8% of the GDP of least developed countries, a large proportion of already vulnerable economies.

A recent study by Global Financial Integrity also confirms that illicit financial flows have an outsize impact on the worst-off developing countries, including least developed countries and heavily indebted poor countries. The organization found that, of 82 developing countries studied, 20% have illicit outflows greater than their ODA and FDI combined; for close to 25% of countries, the ratio of illicit outflows to GDP is 10% or greater; and for 40% of countries, the ratio of illicit outflows to total trade value was 10% or greater.

The role of financial institutions

The Independent Expert said that when it comes to tax evasion, financial institutions, including some of the world's largest and best-known banks, are also key actors.

For the period 1998-2014, one author identified 845 cases in which individual financial institutions received specific declared penalties and assessments for a host of infractions, the most widespread of which was helping wealthy clients and corporations engage in tax fraud.

Moreover, it was found that a small handful of banks were responsible for a majority of those infractions: looking at the top 14 kinds of infractions, the top 22 banks were penalized a combined 655 times and the top 10 offenders account for more than half of these.

The study calculated that the banks had paid a combined $11 billion in fines for facilitating tax evasion. However, those penalties, and those for other financial crimes, were only a modest share of their total assets.

Moreover, of the cases reviewed, in only one – a tax evasion case – did a major bank ever plead guilty to a corporate felony. Even so, the bank in question did not have its licence revoked; indeed, the plea deal was arranged so that this would not happen.

"There is furthermore a sense of impunity in relation to the conduct of senior bankers with respect to the financial crimes of their institutions."

The rights expert emphasized that financial institutions that facilitate tax evasion and transnational corporations that employ aggressive tax planning strategies must recognize that their actions may have negative human rights impacts.

"They can demonstrate respect for human rights through appropriate policies and due diligence procedures, through country-by-country reporting, including publishing information about the taxes they pay to each country in which they operate."

Accountability

In the view of the Independent Expert, implementing the Sustainable Development Goals target on illicit financial flows will be a challenge.

First, it is only one of 169 targets included in the Agenda 2030 for Sustainable Development.

Second, there are many actors with different and sometimes conflicting interests who need to work together in order to make progress on this particular target. The more actors there are, the greater the risk of diffusion of responsibility for implementation, if it is not clearly spelled out who should do what and when.

"This raises the question of accountability for implementing the Sustainable Development Goals and monitoring their implementation. So far, it is largely left to States to honour their commitments." But commitments are not likely to be honoured if one cannot point at responsibility for specific action and if there is no public pressure to take action, said the Independent Expert, pointing to the need for a rigorous and independent monitoring mechanism.

In this context, it will also be essential to track progress on reducing illicit financial flows through appropriate indicators.

To maintain accountability, it will be necessary to track and measure not only illicit financial flows themselves in terms of volume, but also policy efforts to reduce them, in both countries of origin and countries of destination.

"Finally, it will be necessary to have robust and independent mechanisms to ensure that the commitments made in Addis Ababa and in New York are closely watched, not only by States and bodies of the United Nations, but also by academic experts and civil society," Bohoslavsky said. *(SUNS8199)* ❒

Women produce food but are the last to eat it

Making up 70% of the world's hungry and disproportionately affected by malnutrition and food insecurity, women face a host of economic, legal and social barriers that prevent them from fully realizing their right to food, finds a recent rights report.

by Kanaga Raja

GENEVA: While women produce and provide food, they still account for 70% of the world's hungry and are disproportionately affected by malnutrition and food insecurity, according to the latest report by the UN Special Rapporteur on the right to food.

The report by Hilal Elver was presented to the UN Human Rights Council, which is currently holding its thirty-first session from 29 February to 24 March.

In her report, Elver said that notwithstanding the legal framework designed to protect them, women experience poverty and hunger at disproportionate levels.

"Institutionalized gender discrimination and violence still impose barriers that prevent women from enjoying their economic, social and cultural rights and specifically the right to adequate food and nutrition, and the status of women and girls has not substantially improved, despite recurrent calls for the inclusion of a gender perspective to development programmes and to social policies."

According to the Special Rapporteur, women account for 70% of the world's hungry and are disproportionately affected by malnutrition and food insecurity. This ratio is overwhelming in some developing and least-developed countries; for example, more than a third of women in several South Asian countries are underweight.

"Poor nutrition, lack of healthcare, social protection, limited economic opportunities and general neglect has excluded more women from global society than the number of men killed in 20th century wars, combined," said Elver.

On the other hand, she noted, female farmers are responsible for cultivating, ploughing and harvesting more than 50% of the world's food. In sub-Saharan Africa and the Caribbean, women produce up to 80% of basic foodstuffs and in Asia women constitute 50-90% of the labour force dedicated to rice production.

"Although women produce and provide food they are often the last ones to access food for themselves," said the report.

Gender gaps are observed in access to all productive resources, such as land, seeds, fertilizers, pest control measures and mechanical tools, credit and extension services. According to the Food and Agriculture Organization of the United Nations (FAO), "inequalities between men and women in their access to productive resources, services and opportunities are one of the causes of under-performance in the agriculture sector, and contribute to deficiencies in food and nutrition security, economic growth and overall development."

"Improving this situation for women," said the Special Rapporteur, "would lead to important advantages for society as a whole. It is estimated that closing the gender gap in agricultural yields would increase agricultural output in developing countries by between 2.5 and 4%. This in turn could reduce the number of undernourished people in the world in the order of 12-17%, or as much as 150 million people."

According to the rights expert, girls and women suffer from discrimination in relation to their right to food at all stages in life.

In many countries, females receive less food than their male partners, due to a lower social status. In extreme cases, a preference for male children may lead to female infanticide, including by deprivation of food.

"Structural violence is an under-examined barrier to women's right to adequate food and nutrition. Gender-based violence, which is a primary form of discrimination, impedes women from engaging in their own right to adequate food and nutrition, and efforts to overcome hunger and malnutrition."

Furthermore, girls and adolescent women induced by tradition or forced into child marriage and adolescent pregnancy suffer the consequences of a high work burden and deprivation of their child rights, including their right to adequate nutrition and education. Adolescent pregnancy is a typical outcome of child marriage and complications during pregnancy and childbirth are the second largest cause of death for 15-19-year-old girls globally.

According to the Special Rapporteur, the reasons behind the failure of women's access to adequate food can arguably be linked to two structural disconnects which exist at the crossroads between women's rights and the right to food.

The first disconnect refers to the failure in international law to fully endow women with their right to food, while the second disconnect concerns the structural separation of nutrition from the human right to adequate food, which has focused on increasing food production and not on broad and equal food access.

Women additionally face numerous legal barriers in domestic law which prevent them from fully realizing their right to food, including property rights, land rights and intellectual property rights. These legal barriers also prevent women from maintaining livelihoods that provide sustainable incomes necessary to purchase food, thus challenging women's right to food and ability to achieve food security. "Rather than enabling women to secure stable livelihoods, both formal and customary laws are often barriers to women's economic independence."

The report said that legal barriers also prevent men and women from equally benefiting from paid employment through the sanctioning of systems of overt discrimination against women in the workplace. As of 2014, 77 out of 140 countries with reported data still had legal restrictions on the type of paid employment activities available to women. Even when equal employment opportunities are available, equal pay is not: only 59 countries from the same sample of countries legally require equal pay for work of equal value.

Land ownership

The report said that one of the most substantial factors enabling women to thrive as food producers – either for income support or subsistence – is women's ability to own and access land.

"Unfortunately, the exclusion of women from land ownership is a global phenomenon."

The share of landholdings owned by women in Africa ranges from 5% to 30%. In a recent study on the situation of women and their right to land in Central America, researchers found that in all countries, laws exist that recognize the equality of rights between men and women. Despite this, a profound gap remains between formal equality and equality in practice. This gap results in women owning less land, which tends to be of worse quality and with less judicial security. Central American women only have access to between 12% and 23% of land.

The Philippines also demonstrates discriminatory land distribution. While the country legally allows women to own land, the "invisibility" of women within the food production system has created structural barriers that prevent them from accessing productive resources.

The Special Rapporteur pointed to a correlation between land ownership and access to productive resources including credit, inputs, varieties of seeds and inorganic fertilizers, farming equipment and extension services. In this context, she noted that less than 3% of women who work in the agriculture and fisheries sectors in the Philippines benefit from support services such as credit, seeds, training and access to technology, therefore making it almost impossible to secure a sustainable income and livelihood.

"Women's property ownership is a significant indicator of poverty, and a key factor in securing increased participation in household decision-making." Granting women the autonomy to make everyday choices has been proven to improve reproductive health, family nutrition and child welfare. Land ownership also helps strengthen women's roles in community affairs and women's bargaining power.

The report further noted that while inheritance is often the main avenue for women's land acquisition, women are still less likely to inherit land than men. Inheritance is often determined through marriage practices.

Through patrilinearism, which is the most common societal system, sons, rather than daughters, inherit land from their fathers. For married women, the death of a husband does not guarantee her ownership rights of the decedent's property.

In Uganda, for example, a co-ownership clause was added to the Land Act of 1998 which technically vested the land title in both the husband and wife; however, upon the death of the husband, any children of the marriage are legally allowed to take land from the mother. Similarly, among the Hmong and Khmu, the largest ethnic groups in Laos, women are primarily considered as guardians of their children's inheritance rather than heirs in their own right and additionally single women are prohibited from living independently.

Between 1990 and 2010, many Latin American and sub-Saharan African countries engaged in land reform to establish formal laws that recognize and protect women's rights to land.

According to UN Women's 2015 *Progress of the World's Women* report, "by 2014, 128 countries had laws that guarantee married women's equality when it comes to property, and in 112 countries daughters had equal inheritance rights to sons".

"These are positive developments but unfortunately, formal laws have not sufficiently secured property rights of women, largely due to the prevalence of customary laws," Elver said.

In many African countries, the existence of "dual legal systems" reflecting both customary laws and common law tends to complicate land ownership. In Asia, many countries retain personal or religious laws that prevail over formal laws in practice, which effectively prevents women from owning land. Additionally, in many cases, formal laws and state institutions have limited reach beyond urban centres.

According to the report, state action can also be a source of discriminatory land distribution. A state may engage in land redistribution through various measures, including land reform, large-scale appropriation and privatization programmes. At times, land distribution intended to benefit marginalized groups only benefits male heads of household.

"Recent land reform programmes have tried to address this inequity by specifically allocating land to women, or acknowledging joint property rights. However, many countries still come up short, even when gender equality is explicitly articulated as a policy objective in such programmes."

The IPR regime and seed saving

The Special Rapporteur said that historically, efforts to increase the global food supply did not apply the intellectual property rights (IPR) regime to agricultural innovation. In most communities, farming practices such as seed exchanges were communal activities, unrestricted by law. Furthermore, most agricultural research and development (R&D) was funded by the public sector.

Today, however, industrialized agriculture has mostly replaced traditional communal farming and has been inspired by a competitive market for agricultural innovations to increase production.

Over the past few decades, funding for agricultural R&D has shifted to private companies. The 10 largest agricultural biotechnology companies invest roughly €1.69 billion a year on new product development, amounting to about 7.5% of these companies' total sales revenue. To ensure that these companies recoup development costs for agricultural technologies and continue to invest in R&D, an IPR-agricultural framework has emerged.

"Unfortunately, the IPR regime disproportionately excludes women, particularly in the context of agriculture," said the Special Rapporteur. For example, it tends to reward "high technology" but ignores the contributions that the female labour force makes to agricultural production.

Meanwhile, the privatization of agricultural resources leads to increased monetization. Women are less likely than men to have discretionary income, and are therefore less able to afford expensive seeds that were once managed communally.

"Furthermore, the IPR regime does not readily acknowledge the value of women's traditional knowledge, which may cover a broad range of agricultural practices, technologies and techniques. In addition, women are faced with the threat of bio-piracy: the practice of co-opting and patenting traditional knowledge, without awarding appropriate compensation."

According to the rights expert, the greatest implication of the IPR regime on women and their right to food relates to seed saving, a practice that is both predominantly controlled by women and a critical component of small-scale, subsistence agriculture.

Studies show that up to 90% of planting materials used in smallholder agriculture are seeds and germplasm that are produced, selected and saved by women. "Seeds and seed banks are important for addressing the crisis of agricultural biodiversity, for ensuring sustainable livelihood solutions for food security, and for empowering women with a sustainable livelihood."

Globally, women have bred more than 7,000 species of crops. In India alone, seed saving has enabled women to breed 200,000 varieties of rice. Biodiversity offers the genetic variation necessary to protect against diseases, pests and weather events that threaten to wipe out food supplies.

Meanwhile, global agribusiness and biotechnology corporations have transformed the global commercial seed market into a multi-billion-dollar industry and four companies alone account for 50% of this market. With such lucrative monopolies at stake, these international corporations have actively exercised the IPR regime to secure exclusive access to, and thus royalties from, patented seeds.

"As a result of IPR laws, seeds that would have once been saved and shared are now the intellectual property of corporations," said the Special Rapporteur.

Recent litigation demonstrates that corporations are willing to appeal to the law to protect their property. Since 1997, Monsanto reports that it has filed 147 lawsuits against those farmers who failed to "honour this agreement," i.e., Monsanto's intellectual property rights.

The fact that 73% of the world's seed supply is owned and patented by these corporations and therefore non-renewable, presents women with a major dilemma. They are accustomed to seed saving and sharing, and would have to chose between discontinuing the traditional practice of saving and exchanging seeds and risking punishment for an intellectual property crime.

Economic barriers

According to the report, non-corporate agricultural producers, and particularly women, have suffered from evolution in agricultural policy and economic trends over the past several decades.

"The devastating structural adjustment policies imposed throughout much of the developing world in the past decades, largely as a precondition of receiving development assistance or joining the global trade regime, have resulted in an overall loss in agricultural productivity, decreased yields, and increasingly precarious rural livelihoods."

The Special Rapporteur noted that agricultural trade liberalization is generally premised on export-promotion policies that benefit men and large-scale farmers. Liberalization has also opened smaller markets to subsidized imports, thus displacing the farmed products of local women and encouraging the production of export crops over subsistence agriculture.

"Women are struggling to maintain household incomes due to increased competition with imported agricultural goods, reduced prices, and declining commodity prices in international markets."

The trade liberalization policies heavily favour large corporate agribusinesses and a large-scale model of agricultural production, at the expense of the most vulnerable and marginalized small-scale agricultural producers. Women tend to engage in agricultural production on a scale that is not compatible with a large, corporate model of farming, holding smaller plots than men, which are, on average, 20-30% less productive than plots managed by men.

Agro-biotechnology is also a large part of the corporate model of agriculture, and it poses specific challenges for women. Women generally lack necessary training in technology and experience "time poverty" that prevents them from accessing relevant education. As a result, women are less likely to understand the negative impacts of technological developments and the effective and safe use of technology.

The report also found that globally, 20-30% of the 450 million wage agricultural workers are women, as are 30% of those employed in the fishing sector, and this number is increasing. Yet, women face difficulty in engaging in market behaviour when cultural norms make it socially unacceptable for women to interact with men.

"Disadvantages for women in both agricultural and non-agricultural sectors undermine their right to food," the report said.

Women's income possibilities are more constrained than men's; women's participation in the labour force is lower than men's on a global scale – 70% of working-age men are in the labour force compared to only 40% of working-age women – and the labour force participation rates have stagnated around the world in the past two decades.

Women earn an average of 24% less than men, resulting in between a 31% and 75% lifetime reduction in income, and they are also less likely to receive a pension.

A recent study in Nicaragua showed that if mothers contributed considerably to household income, the likelihood of moderate and severe food insecurity decreased by 34%, and if mothers were the main decision-makers over household income, this decrease amounted to 60%.

Climate change

The report further noted that climate change is one of the foremost contemporary threats to food security. The agriculture sector is under substantial stress from climate-change-induced increases in temperature, variability in rainfall and extreme weather events that trigger crop failures, pests and disease outbreaks, as well as the degradation of land and water resources.

"It is widely acknowledged that climate change impacts are not gender-neutral. As already marginalized individuals in virtually every society, women face discrimination and are subject to human rights abuses at a disproportionate rate, further accelerated by climate change."

The successful implementation of climate change policies and projects requires an understanding of the gender-based roles and relationships vis-a-vis natural resources, as well as the gender-differentiated impacts of climate change, said Elver.

She cited research showing that in societies where men and women should be impacted indiscriminately in disasters, women and girls, as a result of gender-based inequalities, are up to 14 times more likely to die in the event of a disaster.

In rural areas, women and girls spend the majority of their time engaged in subsistence farming and in the collection of water and fuel. As a result of flooding, droughts, fires and mudslides, these tasks become more difficult. Water shortages and depletion of forests

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South opposes extraneous linkages on SSM and PSH

Differences over how to address the issues of the special safeguard mechanism and public food stocks came to the fore at the first meeting of the WTO's agriculture negotiating body since the Nairobi Ministerial Conference. The following two articles report on what transpired at the 8 March session.

by D. Ravi Kanth

GENEVA: Many developing and least-developed countries on 8 March sharply opposed concerted attempts by the United States, Australia, Mexico and Uruguay, among others, at the World Trade Organization to draw extraneous linkages for negotiating the special safeguard mechanism (SSM) and the permanent solution for public stockholding programmes for food security, several negotiators told the *South-North Development Monitor (SUNS)*.

Close on the heels of the WTO's controversial tenth ministerial meeting in Nairobi in December, several developed countries and their allies have already begun shifting the goalposts for finalizing the much-delayed SSM and the permanent solution for public stockholding (PSH) programmes by linking the two issues with other areas.

At the 8 March informal meeting of the Special Session of the WTO Agriculture Committee, the US linked the SSM with overall agriculture negotiations. Australia called for new approaches to discuss the SSM and PSH, implying that the existing architecture of special-and-differential-treatment flexibilities and less-than-full-reciprocity commitments between developed and developing countries under the Doha Development Agenda (DDA) will not apply.

Mexico and Uruguay suggested that the SSM has to be linked with all other issues in market access while PSH must be negotiated along with trade-distorting domestic subsidies.

However, a large majority of developing countries such as Indonesia on behalf of the G-33 farm coalition, Benin on behalf of the least-developed countries, Rwanda for the Africa, Caribbean and Pacific (ACP) group, the Philippines, India, China, Cuba, Bolivia, Nigeria and Uganda flatly opposed the linkages, maintaining that the SSM and PSH are standalone issues, participants present at the meeting told *SUNS*.

The developing countries insisted that the SSM is a standalone issue while PSH is outside the DDA and has little to do with the domestic support pillar.

The WTO's Hong Kong Ministerial Declaration of 2005 says, "Developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined."

Further, according to the declaration, "Special Products and the Special Safeguard Mechanism shall be an integral part of the modalities and the outcome of negotiations in agriculture."

The permanent solution on PSH was conceived outside the domestic support negotiations.

The Nairobi Ministerial Declaration, which remains a source of grave controversy because of the manner in which it was negotiated, set off a negotiating battle at the very first meeting of the agriculture body on 8 March.

While the decisions on agriculture are tilted in favour of the developed countries, particularly the US, the developing countries are now forced to wage a major battle to preserve what they had negotiated on the SSM since 2005 and on PSH since 2011, said an Asian agriculture negotiator. *(SUNS8198)* ❒

SSM, public stockholding priority issues, say South

by Kanaga Raja

GENEVA: A number of developing countries, at an informal meeting of the Special Session of the WTO Agriculture Committee on 8 March, stressed that the special safeguard mechanism (SSM) and public stockholding (PSH) for food security purposes are standalone issues and a priority for them in the work going forward post-Nairobi.

In their interventions at the meeting, the developing countries underlined that a permanent solution to the public stockholding issue must be found by the next (11th) WTO Ministerial Conference (MC11), scheduled to be held in 2017.

According to trade officials, the G-33 developing-country grouping stressed on the need for work to start on the SSM for developing countries. Expressing concern that members have not yet engaged in finding a permanent solution for public stockholding programmes for food security, the G-33 also said it is high time that members deliver on it by MC11.

According to trade officials, the G-33's view was supported by the least-developed countries (LDCs) and the Africa, Caribbean and Pacific (ACP) group of states.

In its intervention, India made clear that success at MC11 is contingent on finding a permanent solution for public stockholding for food security.

Some developing countries also underscored that the 2008 Rev. 4 draft agriculture modalities text should be the basis for the negotiations.

Chair's report

The interventions of various members at this first informal meeting of the Committee since MC10 in Nairobi last December were preceded by a report by the Chair of the Special Session, Ambassador Vangelis Vitalis of New Zealand, on the over 70 bilateral consultations he had held with members since mid-January this year.

On substance, the Chair said that he had asked all of those with whom he had met, including coordinators of country groupings, what issues should in their view form the basis of the continuing negotiations.

According to the Chair, there were six areas identified through his consultations.

First, it was clear that the SSM and PSH remained high priorities for some members, said the Chair. However, it was also equally clear that other members' positions on these two issues had not changed since the ministers met in Nairobi.

With regard to the SSM in particular, the guidance provided by ministers was well understood.

The Chair said some members reminded him that "developing country Members will have the right to have recourse" to this mechanism "as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration." These members also drew his attention to the fact that negotiations on this will occur through "dedicated sessions" of the Special Session.

Other members reminded the Chair that these negotiations will need to occur "in the context of addressing outstanding agricultural issues."

"These are all phrases contained in the Ministerial Decision on SSM and they will of course shape the way we look collectively to structure the negotiations," said the Chair.

With regard to public stockholding, some members believed that an outcome can be delivered before MC11. Other members did not necessarily share that view.

For his part, the Chair recalled for the record that ministers confirmed that the PSH negotiations "shall be held in the CoASS [Special Session of the Agriculture Committee] in dedicated sessions"; in an "accelerated time frame"; and on a separate track "distinct from the agriculture negotiations under the Doha Development Agenda (DDA)".

"On both issues – the SSM and the PSH – and based on my consultations to date, there remains a lack of clarity from Members about what an eventual outcome might look like. This is clearly something you will need to work together on over the coming months," said Vitalis.

The Chair strongly recommended that all members read very carefully the texts of all of the Nairobi decisions relating to agriculture. The words used in those texts were deliberately chosen by ministers to reflect their perspectives and these would collectively shape and inform the way forward.

Second, the Chair said, negotiations on domestic support had emerged as the clear priority for the overwhelming bulk of those he had consulted with.

"In fact, domestic support has been identified by many of you quite explicitly as a key potential outcome for MC11. In this regard, Members have reminded me of the WTO's comparative advantage in this area as compared with Preferential Trade Agreements."

The Chair also recorded that many members expressed their very real disappointment over the absence of an outcome at Nairobi on domestic support in general and on cotton in particular.

On cotton, he said his attention was drawn on several occasions during his consultations to the language used by ministers in their decision on cotton.

Specifically, paragraph 8 reminded members about "efforts that remain to be made" with regard to trade-distorting domestic subsidies for cotton production. Indeed, a considerable number of members had made it clear to him that they wanted to take this issue up again.

"In sum, it is clear to me that domestic support, including for cotton, is an issue on which there is general agreement that we need to explore what may be possible. That said, based on what I have heard it is clear that this will take some time and that we need to take due care in how we proceed on this matter."

The Chair noted that no member had any specific ideas for how to proceed on domestic support at this early point.

Third, negotiations on market access remained a priority for a large group of members and an issue worth discussing for the remainder of those with whom the Chair had consulted.

Some members had advised him that progress on market access and domestic support would need to be contingent on movement elsewhere, including outside of the agriculture negotiations.

"Other Members have raised very specific issues of interest to them in the pillar of market access ranging from Tropical Products to Special Products – a wide range indeed. I have encouraged Members to continue consulting bilaterally to see where this can take us."

Fourth, with regard to export competition, the Chair reminded members that the implementation of the Nairobi Ministerial Decision on Export Competition was a matter for the regular Committee on Agriculture.

"Based on my consultations to date, further negotiations on export competition were a low priority for most Members. In fact, many Members made it clear to me that they have limited or no interest in re-engaging on export competition, given their assessment that the negotiations in Nairobi went as far as was possible."

Conversely, a small group of members specifically identified export credits as an issue of "unfinished business."

The Chair noted that paragraph 31 of the Nairobi Ministerial Declaration explicitly included export competition as a subject for ongoing negotiation.

"It is up to Members therefore to map out what their Ministers had in mind for this process, but my role as Chair is clear – I will facilitate this for the Membership, as required."

Fifth, as part of the wider Article 20 agricultural reform process, several members observed that it was important to continue negotiating across all pillars of agriculture. This was because there was value in the negotiating process in terms of domestic policy reform.

[Article 20 of the WTO Agreement on Agriculture mandates continuation of the reform process, and says: "Recognizing that the long-term objective of substantial progressive reduction in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account: (a) the experience to that date from implementing the reduction commitments; (b) the effect of reduction commitments on world trade in agriculture; (c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and (d) what further commitments are necessary to achieve the abovementioned long-term objectives."]

"Specifically," said the Chair, "our negotiations have an important signalling effect that can help drive, shape and inform domestic agricultural reform. I strongly share that perspective and believe that this is what the Agreement on Agriculture is intended to do, i.e. to have a dynamic policy effect over time."

Finally, said the Chair, a minority of members had raised with him what might be termed "other issues," some of which it was possible to argue could be undertaken through the mandate provided by the Article 20 reform process.

"Issues raised in this regard include: export restrictions; SPS [sanitary and phytosanitary measures]; private standards for agricultural products; and disciplines on subsidies for bio-fuels and bio-energy."

In terms of the way ahead on the substance, Vitalis encouraged members to reflect on these priorities. "Where possible and when they are ready I have asked them to consider preparing information-focused submissions that can identify in a crisp and clear manner what the issue is. With improved and as up-to-date as possible information in front of us as negotiators, it is my expectation that we can carefully continue to frame and advance our process."

Views of members

The Chair's summation was followed by several interventions from members.

Chile was happy with the outcome at Nairobi on export competition. What was important, it said, was the implementation of the Nairobi decisions. The unresolved areas of the agriculture negotiations should be taken up in the negotiating group, it added.

Colombia stressed rapid implementation of the Nairobi decisions. The reforms in agriculture however did not stop here. The WTO was the appropriate forum to work on domestic support in order to level the playing field. Members must be pragmatic but also open-minded to new ideas, it said.

Benin, on behalf of the LDCs, said that in most of the LDCs, agriculture was a highly strategic sector accounting for 80% of the jobs created. Agriculture's potential for economic development could not be recognized unless the rules were reformed, Benin said, referring to paragraph 13 of the Doha Declaration which addresses agriculture reform.

Benin stressed the importance of duty-free, quota-free (DFQF) market access for the LDCs, as well as the Nairobi decision on export competition. It appreciated the fact that this decision took into account special and differential treatment (SDT) for the LDCs.

It underlined that public stockholding for food security purposes and the SSM were also mandated in the Nairobi decisions.

On cotton, it said that the Nairobi decision had to be taken together with the DFQF exercise. It was also important to substantially reduce and eliminate domestic subsidies. It cited the Hong Kong mandate on cotton.

Brazil said that although the results in Nairobi fell short of its expectations, MC10 still delivered substantive results, the main point being a strong commitment to advance negotiations on the Doha issues. It was a clear mandate for members to continue working on agriculture.

Brazil said it was ready to examine any new issues. However, in no way should such discussion take place to the detriment of agriculture under the Doha Round, it added, stressing the importance of domestic support and market access. There were clear instructions to continue working in both these areas. It also said that SPS and technical barriers to trade as well as other areas should be dealt with multilaterally.

Indonesia, on behalf of the G-33, said that the discussion should be undertaken prudently in good faith and with a sense of urgency. It appreciated the affirmation of ministers in Nairobi that the SSM and a permanent solution for public stockholding would be undertaken in dedicated sessions in the Agriculture Committee.

Noting that there was a commitment to take on public stockholding for food security, the G-33 was concerned that members were not yet engaged in finding a permanent solution. It was high time to deliver it by MC11. There should not be any preconditions for negotiations.

Australia said the Cairns Group had been fighting for 30 years to get rid of export subsidies. Major economies spent more supporting farmers these days compared to the days when the WTO was created.

It said that there was a need to reflect the reality, namely, that negotiations in market access had been taken outside of the WTO.

On the SSM and public stockholding, there was a need for fresh approaches. The discussion needed to be based on facts rather than stereotypes. Australia said it was ready to engage constructively.

Argentina underlined the importance of achieving certainty. The mandate to continue agriculture reform also came from Article 20 (of the Agreement on Agriculture), which was before Doha. It welcomed the elimination of export subsidies in Nairobi, but said that there was no clear result on the market access and domestic support pillars. There was a need to make progress on these fronts as well. It expressed hope that the moment of reflection would be short.

Switzerland, on behalf of the G-10 group, said that implementation of the Nairobi decisions was very important. The G-10 had already started the internal process in this regard and was ready to engage constructively. It took note of paragraph 31 of the Nairobi Ministerial Declaration. The G-10 considered that the priority for future negotiations should be defined with an open mind.

Moving forward reforms

Rwanda, on behalf of the ACP group, said that MC10 had been successful in moving forward reforms in agriculture. If members wanted to capitalize on the Nairobi success, they needed to continue with implementation.

On export competition, it expressed hope that the trading partners would do their homework. On the SSM and public stockholding, it said that there was a need to ensure that members arrived at an outcome by MC11. On the remaining DDA issues, it said delivering on the DDA mandate should be the priority. SDT should remain integral to the discussion.

It was also looking for an outcome on domestic support because domestic subsidies had been damaging its agriculture. The discussions should start as soon as possible, focusing on delivering for the LDCs.

Mali, on behalf of the Cotton-4 countries, said that although the decision on cotton was modest, it could consider this result as an important step forward in the right direction. It reiterated the Hong Kong mandate on cotton and said that this was an absolute priority for the group.

Chinese Taipei, on behalf of the Article XII countries (formerly the recently acceded members), said that the first priority should be implementation of the Nairobi decisions. The most urgent task was to harness the positive momentum in Nairobi.

The Philippines, endorsing the G-33 statement, said that the Nairobi decision (on agriculture) was a modest but tangible gain. Some aspects of the decision such as export credits had escaped; there was a need for work to continue on that specific area. Export subsidies were only the tip of the iceberg.

For the Philippines, reforms in domestic support and market access were priorities. It said that the SSM and public stockholding to ensure food security were important. While it was willing to engage constructively on other issues, there should be no linkage between the SSM or public stockholding and market access, it said.

Turkey, supporting the G-33 statement, pointed to a lot of uncertainties, not only in agriculture but also in NAMA and services. There was a need for the negotiations to pick up expeditiously.

The outcome in export competition was far from perfect, and the Nairobi decision on cotton was much below expectation, it said. After 15 years of talks, the bulk of the reform agenda was still on the table. Export credits, state trading enterprises and food aid under the export competition pillar were still subject to further work. The SSM and a permanent solution to public stockholding were of particular importance.

South Africa, endorsing the ACP group statement, welcomed the fact that the first Ministerial Conference held in Africa delivered results. It supported developing countries' efforts on the SSM. It was of the view that the SSM was a standalone issue and not linked to market access. The SSM would offer some relief to developing countries for distortions that already existed in the market. On public stockholding, it looked forward to working with members towards a permanent solution.

Paraguay said that tangible results must be sought for agriculture producers. Members must move forward on the domestic support pillar. They must also work on market access, which in its view was the most tangible result. It was important to eliminate "water" between the applied and bound tariffs. No one must be excluded from the multilateral discussion.

Mexico said it was clear that history had been created in Nairobi. It said it was fully committed and also ready to work in an open manner on the other issues. The discussion must be holistic. Market access could not be unlinked, it said (in apparent reference to the SSM). And the public stockholding issue could not be unlinked from the domestic support pillar. This discussion could only be carried out at the WTO and must be given the highest priority.

Canada said that on the way forward, the Nairobi package was a positive but modest outcome. It was the first step in the continued discussion. It said that work needed to continue on food aid. On domestic support, Canada said the Agriculture Committee could start to have an informal discussion. It saw some value in taking time to review the domestic support landscape.

Peru said that all members must work on domestic support, market access and export competition. It was essential to look into these areas rapidly. The Rev. 4 draft modalities text served its purpose in Nairobi, where it was the basis for discussion on export competition. It could continue to serve as the basis in other areas. There was also a need to guarantee a transparent and inclusive process, Peru said. It was open to considering new issues as long as the issues of interest to it were looked into.

Thailand said that agriculture was the centre of the negotiations. Article 20 of the Agreement on Agriculture mandated the members to continue the work. Thailand said it would continue to contribute constructively including on the SSM, public stockholding and export competition.

Uruguay stressed the importance of the domestic support pillar and hoped to achieve results on this issue.

Achieving results

Nicaragua said that the priority must be on achieving results. It favoured the effective implementation of the Nairobi outcomes. Elimination of domestic support contributed to fair trade. It also was in favour of market access for agricultural products. It further highlighted the issues of the SSM, public stockholding and cotton which it said were essential.

Korea supported the G-10 and G-33 statements. The first priority was to implement the Nairobi decisions. Though they looked humble, it was priceless to secure outcomes, particularly on the SSM and public stockholding in dedicated sessions.

New Zealand said MC10 demonstrated that the WTO could deliver. The most immediate job was to implement these decisions. There continued to be significant work ahead of members on market access and domestic support.

The European Union said there was a need to ensure that the decision on export competition was fully implemented. It said it was committed to implementing the Nairobi decisions. It expected to see all elements of the decisions implemented equally. It stressed on transparency and enforceability.

The EU said the agriculture negotiations were entering a new phase. Two issues needed to be addressed. The first was to advance the Doha issues and the second was to look at new issues. It was ready to continue to move forward on the outstanding Doha issues.

The WTO framework was the most appropriate forum to discuss domestic support, it said, adding that if the past methods had not been successful, it was open to addressing new issues. It noted that the Nairobi Ministerial Declaration also referred to the possibility of new issues.

On the SSM, the EU said that ministers agreed to pursue negotiations, and it was ready to continue discussions as it had done before.

Pakistan, referring to International Women's Day (which fell on 8 March, the day of the meeting), said that over 70% of employed women in Pakistan worked in agriculture. Market access and domestic support, which were critical issues for Pakistan, were still outstanding. Cotton remained as work in progress. Distortions in agriculture affected the poorest producers and consumers in the world, it said.

Uganda voiced agreement with the LDC, ACP and G-33 statements. It welcomed the outcome in Nairobi on export competition and cotton. It voiced regret that public stockholding and the SSM were not delivered. Agriculture was an important sector for Uganda which could play an important role in reducing the vulnerability of its poor people as well as its farmers, who continued to face highly subsidized imports.

Uganda also said that domestic support was a key issue. Not addressing it would be like pouring water in a basket. Uganda further stressed on the need for DFQF market access for the LDCs, the SSM and a permanent solution for public stockholding.

Cuba, endorsing the G-33 and ACP statements, said that it was important to continue work in an inclusive and transparent manner. The work in agriculture must respect the Doha mandate. The Rev. 4 text should continue to be the benchmark in the negotiations.

On market access, it said it wished to preserve the treatment accorded to the small and vulnerable economies. The SSM, public stockholding for food security and Special Products were important to Cuba in the framework of the Doha negotiations.

Bolivia, endorsing the G-33 statement, said that the Nairobi decision on export competition was undoubtedly an achievement but there was a need to continue the reforms in order to achieve a level playing field. There was a high convergence that the Rev. 4 text was important and was the best benchmark. Special Products should be respected and priority must also be given to work on the SSM and public stockholding, it said.

The United States, in reference to International Women's Day, said that agriculture was important for women and women were important for agriculture trade. It noted that over two months had passed since the Nairobi Ministerial Conference. It welcomed the fact that WTO members finally delivered on export competition in agriculture, so that agriculture producers could look ahead.

In the US' view, it was apparent that this was a good opportunity to switch to a problem-solving mode. It said it was ready to engage with an open mind. It said we might move ahead in the WTO and free of the Doha architecture. It was prepared to bring its best energy.

The US raised some questions to kickstart a discussion. What were the trade distortions in today's landscape? What were the impacts on producers, importers and exporters? Should the role of the WTO's regular committees be strengthened? What were the benefits of previous negotiations in multilateral and plurilateral fora?

The US recalled that in Davos, US Trade Representative Michael Froman had counselled that members had to engage in discussions. This would take time and members must avoid the impulse to force formal negotiations too soon.

The US said the existing structures at the WTO could allow members to engage in discussions, an example being the regular Agriculture Committee. On the SSM, the US said that any meeting should be within the context of the agriculture negotiations.

Venezuela reiterated the mandate set out in paragraphs 13, 14 and 15 of the Doha Declaration, saying they continued to provide the framework for discussion. The Nairobi decisions on the SSM, public stockholding and cotton gave these items a place on the negotiating agenda. The Rev. 4 text had been a key to finding a solution in Nairobi, it noted.

Norway voiced agreement with the G-10 statement. This was a period of constructive interaction. Members may come forward with ideas. Having realistic ambition was also important. More should be delivered, and not only on agriculture.

The discussion, Norway said, should be among all members and not among just five, seven or nine of them. It recognized that some market access negotiations were outside the WTO. However, the WTO was the only place where tariff reduction was done on an MFN (most favoured nation) basis. Norway said it was willing to continue discussion on domestic support, but recognized that it would be very difficult if members maintained their old positions.

Key issue

China, supporting the G-33 statement, welcomed the decisions at MC10. Ministerial decisions should be effectively implemented, it said.

Agriculture remained the key issue on the DDA, it said. There was a need to keep balanced progress across all the three pillars.

On the future of the DDA negotiations, it said the remaining issues should still be pursued and needed to be resolved. On new approaches and ideas, China said that if proposals were being put forward, it would study them. It cautioned that the DDA was not only about agriculture.

India supported the G-33 statement. On public stockholding, it reminded members of the WTO General Council decision of November 2014. Similarly, ministers had decided to pursue the SSM in dedicated sessions.

It reiterated that the cutoff to find a permanent solution for public stockholding was MC11 in 2017. Any success of MC11 was contingent on a permanent solution for public stockholding.

Noting that a few members at the meeting had linked the SSM and market access, India warned that this was not going to lead to success. All the ministerial decisions had to be respected. And this had to be a member-driven process. Just floating off ideas without concrete proposals would not bring success, India added, urging members to bring forward concrete proposals.

Zimbabwe endorsed the G-33 and ACP group statements. Welcoming the Nairobi outcomes, it called upon members to implement these outcomes. The Rev. 4 text should continue to be the basis of the discussions.

Nigeria endorsed the G-33 and ACP group statements.

According to trade officials, the Chair concluded the meeting by informing members that he would hold another round of consultations to pin down the content as well as the format of the discussions. He said he would then take a decision on the timing for the next meeting as well as the issues members would canvass. He encouraged members to talk with each other and to share more information. *(SUNS8198)* ❒

(continued from page 11)

require women and girls to walk longer distances to collect water and wood. In Senegal and Mozambique, women spend 17.5 and 15.3 hours respectively each week collecting water. In Nepal, girls spend an average of five hours per week on this task. In rural Africa and India, 30% of women's daily energy intake is spent in carrying water.

Decreased water resources may also cause women's health to suffer as a result of the increased work burden and reduced nutritional status. For instance, in Peru, following the 1997-98 El Nino events, malnutrition among women was a major cause of peripartum illness.

"A gendered approach to climate change adaptation and mitigation is necessary to combat the vulnerabilities women face because of existing social, economic and political inequalities," said the rights expert.

In order for adaptation and mitigation strategies to effectively take gender into account, they must provide women with the opportunity to be active members of the planning and implementation of such policies. Helping women participate fully in the process of adaptation will require concerted effort by decision-makers to overcome the multiple barriers of control over resources, lack of access to information, and socio-cultural constraints.

"Local adaptation policies need to be designed by both women and men in order to build upon existing knowledge and grant women access to the rights, resources and opportunities necessary to surviving climate change in the years to come," Elver underlined. *(SUNS8197)*❒