

# WTO members differ over reform, market-centred policies

Recent discussions at the World Trade Organization saw member states continue to advance disparate agendas for WTO reform, while a call for pursuing “market-oriented” policies drew mixed responses.

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131 Jalan Macalister  
10400 Penang, Malaysia  
Tel: (60-4) 2266728/2266159  
Fax: (60-4) 2264505  
Email: [tw@twnetwork.org](mailto:tw@twnetwork.org)  
Website: <https://tw.my>

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### THIRD WORLD ECONOMICS

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

**Editor:** Chakravarthi Raghavan

**Editorial Assistants:** Lean Ka-Min, T. Rajamoorthy, Chee Yoke Heong

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# South rallies around developmental agenda for WTO reforms

Member states outlined their respective visions of WTO reform at a recent meeting of the trade body, reports *D. Ravi Kanth*.

WASHINGTON DC: Many developing countries have rallied around the developmental agenda for WTO reforms, including improvements for simple and effective special and differential treatment (S&DT), resolution of longstanding issues in agriculture, and an immediate COVID-19 relief package of measures through a waiver from implementing core intellectual property rules.

At an informal meeting of the WTO's Trade Negotiations Committee (TNC) on 12 October, the Group of 33 (G33), comprising 47 developing and least-developed countries, issued a powerful statement on the mandated agriculture issues such as the permanent solution for public stockholding programmes for food security and the need to resolve inequities in trade-distorting domestic support.

India, South Africa and several other countries called for the waiving of provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in order to address the COVID-19 pandemic.

Developing countries also emphasized the need to restore the WTO's two-stage disputesettlementmechanism, particularly the restoration of the Appellate Body, said participants after the TNC meeting.

In sharp contrast, the developed countries, led by the United States, the European Union, Canada, Japan and Australia, stuck to their oft-repeated demands for altering key provisions, including the negotiating function of the WTO, and the transparency and notification provisions among others.

### "Reset of the WTO"

The US Ambassador to the WTO Dennis Shea emphasized "the need for a reset of the WTO and an acceptance that the organization needs to undergo fundamental reform after years of limited achievements", particularly in the area of the negotiating function and market-based practice.

Shea also called for addressing "the

uneven liberalization of tariffs and other market access barriers across the membership."

He asked whether members remained committed to fulfilling basic transparency obligations, and spoke of reserving S&DT only for the lowest-income countries that are least integrated into the world trading system.

Despite a demand from more than 120 WTO members for the immediate restoration of the Appellate Body and the smooth functioning of the two-stage dispute settlement system, Shea continued to complain that the Body "assumed more and more authority beyond that envisioned in the Dispute Settlement Understanding."

For the US, it was important to address some of the foundational questions, including the negotiating function, Shea suggested.

The EU said that maintaining a positive agenda in these difficult times was "a challenge and it requires strong political will", adding that reforming the WTO remained open. It suggested that the Ottawa Group of developed and some developing countries, of which the EU was a member, was considering promoting two "specific issues" – the plurilateral trade and health initiative, and the sustainability initiative.

In its intervention at the TNC meeting, Japan said that the ongoing fisheries subsidies negotiations were a test case for the WTO's negotiating function, suggesting that big gaps remained among members.

### Development concerns

China said it was open to discussing any proposal on fisheries subsidies but members must ensure fundamental fairness of the potential outcomes. It called for prohibiting harmful fisheries subsidies while addressing sustainability goals.

Commenting on the core issues in the "Doha development" dossier, China said it was imperative to address the real concerns of the developing countries such

as effective S&DT. Chinese Ambassador to the WTO Zhang Xiangchen called for a real conversation on the G90 grouping's S&DT proposal, as well as immediate restoration of the Appellate Body.

He also said that the ongoing process to select the WTO's next Director-General must remain transparent and be without any "political influence."

Zhang delivered a somewhat upbeat statement about the progress in the informal plurilateral Joint Statement Initiative (JSI) on investment facilitation.

In its intervention, India expressed concern over a K-type recovery involving a V-shaped recovery for the wealthy countries and a V-shaped deceleration in economic growth for the poor countries.

India said the multilateral trading system could play an important role in addressing the COVID-19 pandemic by ensuring equitable supply of medicines. It urged other WTO members to support its joint proposal with South Africa for a waiver from TRIPS commitments on copyright, industrial designs, patents and trade secrets.

India also called for removing the restrictive practices on the movement of healthcare professionals, the restoration of the Appellate Body, and strong and effective S&DT. It expressed support for the G90 agenda and the G33 statement on agriculture, and strong S&DT in the fisheries subsidies outcome as per the United Nations Sustainable Development Goal (SDG) 14.6.

It said that making new rules in the plurilateral JSI on e-commerce would create a non-level playing field.

South Africa said that "the WTO has a unique opportunity to be part of a global solution on COVID-19 and to deal with the health crisis and restore its credibility."

"Therefore, it is important more than ever for the membership to work together to define a balanced and effective response to ensure equitable and affordable access to the vaccine, technologies and treatments for the pandemic through the TRIPS waiver."

Commenting on the outstanding issues in the Doha agriculture dossier, South Africa said substantial reform of trade-distorting domestic support that addresses historical imbalances, concentration, preserves the architecture in Article 6 and delivers on the spirit of Article 20 of the WTO Agreement on Agriculture was more urgent given the effects of

COVID-19.

"A meaningful outcome at MC12 [the WTO's 12th Ministerial Conference, which is scheduled for next year] should address this, including cotton, SSM [special safeguard mechanism] and a permanent solution on public stockholding for food security purposes," South Africa said.

Referring to the fisheries subsidies negotiations, South Africa reiterated "the need for a systematic approach to the negotiations with focus on the core disciplines – the sequence of issues is therefore important."

*"The COVID-19 pandemic has severely impacted every aspect of livelihood and the agricultural sector, particularly in developing countries."*

It stressed that "the aim of the negotiations is not market access but sustainability, therefore the concept of common but differentiated responsibility is key". Disciplines must therefore target large-scale industrial fishing and safeguard food security and livelihoods and allow policy space to develop marine resources, South Africa said, emphasizing that the outcome must deliver on all the pillars of the mandate, including S&DT.

In relation to S&DT, South Africa noted that the G90 group of developing and least-developed countries had tabled a new proposal "in recognition of the growing COVID-19 crisis that threatens to disproportionately affect developing countries, not only as a health crisis but a devastating socio-economic crisis with much wider effects." It called for reinvigorating substantive discussions on S&DT to deliver on the mandate in paragraph 44 of the Doha Ministerial Declaration.

The G90 meanwhile expressed disappointment over the apparent stonewalling approach being adopted by the developed countries in discussing its specific proposals for making S&DT provisions simple and effective. It said that it had submitted a revised proposal to step up the discussions so as to reach an outcome at MC12.

### **G33 agriculture statement**

Several developing countries, including

China and India, strongly supported the G33 initiative for addressing the "food security issue and uninterrupted flows of agricultural goods to promote food security and for enabling fair trade to developing country producers without distortions in the current context of the COVID-19 pandemic."

The G33 coordinator, Indonesia, issued the statement to drive home the message of addressing food security and fair trade for developing-country producers hit hard by COVID-19.

The G33 statement stated that "the COVID-19 pandemic has severely impacted every aspect of livelihood and the agricultural sector, particularly in developing countries."

"Reduced consumer demand, disruption of agri-supply chains is posing considerable challenges to food and livelihood security," the G33 said.

It said that levelling the playing field in agriculture, ensuring the undisrupted trade flow of food products, enhancement of food production, and efforts to ensure the availability of food reserves were essential to address the food security issue, price volatility, and needs for emergency food distribution during crisis.

In this context, the G33 underlined the need to ensure the ability of WTO members to "address food security issue and uninterrupted flows of agricultural goods to promote food security as well as to provide to our producers a fair trade without distortions".

Further, the G33 said it was "open to dialogues and discussions with the aim to enhance cooperation among members, in particular to advance the agricultural negotiations taking into account the newly revealed challenges as a result of the COVID-19 pandemic."

The group believed that "this pandemic has clearly indicated the pressing needs for members to move forward in the reform of agriculture."

"It includes commitments in domestic support, in particular on trade-distorting domestic support programmes, and to work towards delivering the Ministerially-mandated permanent solution for public stockholding for food security purposes, effective and operational Special Safeguard Measures and special products as well as the other pillars of agriculture. It is important to have meaningful outcomes that are acceptable and effective to all in the long run," the G33 emphasized. (SUNS9210)

# China criticizes US on proposal on market-oriented conditions

A US-spearheaded proposal promoting “market-oriented” policies met with mixed responses at a recent WTO meeting, with China describing it as “empty talk”.

by D. Ravi Kanth

WASHINGTON DC: China has severely criticized the United States on the latter’s joint proposal with Brazil and Japan in the WTO on addressing the importance of market-oriented conditions to the global trading system.

Without naming the US, China said some WTO members suffered from “selective amnesia” and failed to do first what they wanted others to do, according to trade envoys.

The clash over the proposal took place at a meeting of the WTO General Council on 13 October.

## “Core principles”

US Ambassador to the WTO Dennis Shea said “the joint Brazil-Japan-US statement reflects our shared belief in the core principles of the WTO, to include that market-oriented conditions are fundamental to a free, fair, and mutually advantageous world trading system.”

Shea said “we affirm a number of criteria that reflect the market-oriented conditions and disciplines to which our own enterprises are subject”, emphasizing that “all members’ enterprises should operate under these conditions to ensure a level playing field for our citizens, workers, and businesses.”

He said that discussion on this joint proposal was necessary “in the context of achieving meaningful WTO reform.” “To achieve such reform, WTO members must continue moving toward – and not away from – more open, market-oriented policies and conditions.”

He added that in recent discussions among the G20 leading economies as reflected in the Riyadh Initiative Annex to the Trade Ministers’ Communique, “not all WTO members agree that ‘market-oriented policies’ is a principle of the WTO.”

Without naming China, the US trade envoy said that “one member in particular

could not reaffirm the principles of the Marrakesh Declaration or even bring itself to reference the Declaration, and went on to dispute that its accession commitments tied it to any market-oriented policies.”

He said “the usefulness of the recent G20 exercise was to clearly articulate this division in the membership, and that some do not agree with the core values of the institution. This crystallizes for us the importance of reaffirming those core values.”

Elaborating on the joint proposal, Shea said it recalled that “the WTO was established to promote member economies’ participation in a world trading system ‘based on open, market-oriented policies and the commitments set out in the Uruguay Round Agreements and Decisions.”

He claimed that “the market-based reforms that GATT parties and acceding members undertook during that process helped to ensure that their participation was indeed based on open, market-oriented conditions,” adding that “these members’ reform efforts demonstrated their commitment to an international trading system that depends on the operation of market-oriented conditions in each of our economies.”

The common foundation, said Shea, “is critical to realizing the benefits of the international trading system that come from our mutual commitment to these rules.”

Responding to arguments advanced by some countries against the joint proposal, he said that “market-oriented conditions provide a level playing field and therefore are necessary conditions for fair trade.”

He maintained that “the Brazil-Japan-US joint statement affirms that members’ enterprises should operate under market-oriented conditions and notes the elements that indicate and ensure those conditions for market participants.”

Several members, particularly Australia and the European Union, supported the joint proposal, with the EU saying that

“market-oriented conditions are central to allowing a level playing field”. The EU added that it was concerned with “non-market-oriented policies and practices that have resulted in distortions to the world trading system.”

India offered a somewhat mixed reaction, saying that it was open to the issues raised in the joint proposal while expressing disappointment over the reintroduction of a proposal that had already been discussed in previous General Council meetings.

However, a sharply contrasting response to the proposal was provided by China, South Africa and Pakistan.

## “Selective amnesia”

In his intervention, China’s Ambassador to the WTO Zhang Xiangchen said that the selective quoting of the Marrakesh agreement by some members demonstrated their “selective amnesia.” He said that when members discussed the Marrakesh Declaration, they should not forget Article 5 which states: “Ministers recall that the results of the negotiations embody provisions conferring differential and more favourable treatment for developing economies, including special attention to the particular situation of least-developed countries.”

Quoting Albert Einstein, who said that “success is equal to hard work plus correct method plus less empty talk”, Zhang said the “Chinese people have also believed in ‘empty talks harm the country’ since ancient times.”

He asked, “What is the purpose of this proposal? What are the follow-up measures to be taken in the next step?”

He further said it was puzzling that “at this moment, if we cannot prevent a member’s government from forcing foreign companies to sell their equities and technology to its national companies in any way, how can we sit here comfortably and discuss and tell the world what the market-oriented conditions are?”

He said members should be aware of their failure to take effective actions to “stop unilateralist and protectionist measures that undermine the market rules from raging around the world.”

“We [members] should feel ashamed,” he said, adding that some members continued to “talk empty about the market-oriented conditions to give more reasons for the international community to laugh at us, for being not only incapable,

but also naive.”

“When a principle or a system is broken, what we should do is to take concrete actions to try to fix it rather than verbally repeating the importance and correctness of the rules to show the innocence of someone who broke the rules,” the Chinese envoy emphasized.

He quoted Shea, who had said that “when the state puts its thumb – or even its fist – on the scale to distort competition and drive preferred outcomes to benefit certain domestic actors, that is unfair”, saying that he “couldn’t agree with him more about that.”

Zhang said “it is common sense that if you ask others to do something, you should do it first.” He said, “When a country, on the grounds of national security, arbitrarily and frequently imposes tariffs on foreign goods or deprives foreign services of market access, that is unfair.

“When a country uses tariffs as a leverage to force its trading partners to concede in trade negotiations, the market is distorted. When a country blatantly violates fundamental trade rules and at the same time blocks the independent and neutral adjudications, the level playing field is gone.”

Therefore, he said, “instead of chanting the empty slogan of ‘market-oriented conditions’, it’s better for us to take concrete actions to address the above wrongful practices which undermine the fair competition and market-oriented conditions.”

In its intervention, South Africa said that while it agreed with the “importance of promoting market-oriented policies,” there should be recognition that “the market is not perfect and there are cases of over-pricing, market concentration, rising unemployment and inequality, necessitating government intervention to ensure proper functioning of the market and to promote a range of public policy imperatives.”

South Africa’s WTO Ambassador Xolelwa Mlumbi-Peter recalled “the preamble of the Marrakesh Agreement that recognizes the right of every developing country, including LDCs, to secure a share of the growth in world trade commensurate with the needs of their economic development.”

She said that the joint statement by the US, Brazil and Japan recognized “the right and ability of members to regulate in the public interest and in promoting the

public’s welfare”, but members needed to know what was meant by “no significant government interference”. She held that “almost all WTO members have mixed economies where governments intervene in the economy to achieve a developmental mandate,” pointing out that many developed members had undertaken massive fiscal stimulus packages in the context of COVID-19. “This is by far the best demonstration of the important role the State plays in national economies.”

Mlumbi-Peter said members must have “a multilateral trading system that supports inclusive growth, and enables national authorities to pursue steps to achieve national developmental objectives and outcomes based on their peculiar circumstances.”

States must have the discretion “to decide how best to achieve national economic objectives and public policy objectives,” she said, emphasizing that “relying solely on the market is not practical given many market failures attributed to current practices of multinational corporations, including price gouging, patent abuse and other anti-competitive practices of pharmaceutical giants and digital platforms.” (SUN9212)

## Differing views on chair’s attempts to increase pace of fisheries talks

Plans by the chair of the WTO fisheries subsidies talks to intensify the negotiating process have sparked concern among some member states over the transparency and inclusiveness of the format.

by *D. Ravi Kanth*

WASHINGTON DC: Members of the World Trade Organization have expressed sharply differing views over attempts by the chair of the Doha Negotiating Group on Rules to increase the pace of the Doha fisheries subsidies negotiations through small-group intersessional meetings based on a seemingly non-inclusive format and sudden presentation of revised textual proposals without requisite prior discussions and advance notice, said trade envoys.

Amid the escalating COVID-19

pandemic, the chair, Ambassador Santiago Wills from Colombia, chose to step up the negotiations from 5-8 October, notwithstanding the inability of capital-based officials to participate in the meetings due to the coronavirus-induced restrictions on travel as well as technical glitches in the plenary sessions to discuss proposals in the draft consolidated text.

At the informal open-ended plenary meeting on 9 October, Wills presented his report on the October cluster of meetings and the proposed work plan for the coming days. He said the progress had been slow, emphasizing that members needed to

accelerate work, according to participants in the meeting.

But sharp concerns were also expressed by delegations during the 9 October meeting over the quality of the fisheries subsidies disciplines that would come out of the negotiations and whether they would live up to the mandate set out in the United Nations Sustainable Development Goal (SDG) 14.6.

According to SDG 14.6, members are to prohibit by 2020 certain forms of fisheries subsidies which contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated (IUU) fishing, and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least-developed countries should be an integral part of the WTO fisheries subsidies negotiations.

Commenting on the chair’s report on the October cluster of meetings, the developed countries, including the United States and the European Union, strongly

supported the chair's decision to step up the pace of negotiations through small-group intersessional meetings in order to finalize an agreement by the end of the year.

In sharp contrast, India, South Africa, Jamaica [which is the coordinator of the African, Caribbean and Pacific (ACP) Group of countries] and several other developing countries raised the alarm over the presentation of textual proposals without any proper sequencing of the issues while ignoring the linkages and cross-cutting issues.

Speaking on behalf of the ACP Group, which represents the interests of more than 90 developing countries that are dependent on fishing, Jamaica said the Group was not invited for the small-group meetings, suggesting that they were not inclusive.

It said that "in order to advance our work in a transparent and inclusive manner, we ask [that] any process, whether it be consultations, plenary sessions or small group proceedings, should be conducted in a transparent, inclusive and consensus-based manner."

### Chair's report

In his report, Wills said that following the last cluster of meetings, he had held separate consultations with representatives from 20 delegations on Article 5 in the draft consolidated text concerning the proposed disciplines on overcapacity and overfishing.

He said that he also discussed during those consultations whether the new fisheries subsidies disciplines should take the form of a standalone agreement or an annex to the existing WTO Agreement on Subsidies and Countervailing Measures (ASCM).

The chair said a number of delegations raised several other issues such as subsidies to IUU fishing and overfished stocks, dispute settlement and remedies, notifications and transparency, and scope and definitions.

Wills said he could not have full discussion in all the areas, adding that the draft consolidated document should remain neutral but that the issues must be resolved at some point.

As regards the issue of territoriality and due process and dispute settlement, he acknowledged that any disciplines negotiated for the final outcome would not have any implications for adjudication

on territoriality, suggesting the concept of "firewalls" to ensure this, and added that a panel would not assess issues with conflicting views on territoriality.

Wills admitted that the overall progress in the negotiations was slow, including on issues such as what would constitute "fish", exemptions for subsidies in the context of natural disasters, and even the IUU determinations. He said that more work needed to be done in all these areas, adding that he would hold meetings on 15 October to discuss Article 3.4 concerning disciplines on IUU fishing.

He urged members to enter into hard negotiations without making any rhetorical points or repeating old statements, according to participants at the meeting.

(Subsequently, on 14 October, Wills postponed the informal meetings he had set for 15-16 October, citing "medical reasons". Several members had protested the convening of the meetings on these dates as they would clash with a meeting of the WTO TRIPS Council. Wills has now scheduled the fisheries subsidies talks for 20, 21 and 23 October. – *TWE*)

Responding to the chair's report, Ambassador Dennis Shea of the United States welcomed the chair's intersessional meetings till the November cluster of meetings. He urged the chair to convene more small-group meetings, including one-on-one meetings, underscoring the need to lock in progress made in these small-group meetings. He also called for more work on transparency and notifications.

He regretted to hear that many delegations were seeking to preserve maximum freedom to subsidize fishing in the future rather than develop comprehensive disciplines on fisheries subsidies, according to participants at the meeting.

The European Union said time was short for making progress, noting that much more work needed to be done to overcome differences and divergences. It said plenaries with open-ended sessions would not be able to cover all important issues and argued that intersessional meetings in small groups were much needed to make progress.

### Effective participation

In contrast, India suggested that more plenary sessions with text-based negotiations were needed to bridge the

gaps between members' positions.

India said that textual proposals to be discussed in the intersessional meetings and the cluster of meetings may be shared with members in advance so that they could participate and engage effectively.

India also requested the chair to share his plan for the sequence of articles for discussions in the upcoming meetings.

On the substantive issue of the definition of "fish", India said it was important to have a definition in the agreement as all members must have a common understanding of the term. Otherwise, it would continue to pose problems as was the case with the WTO moratorium on customs duties on electronic transmissions, where, after more than 20 years, members were still discussing the scope of the moratorium.

On natural disasters, India said it supported the views expressed by several other countries that the disciplines should have exemptions for subsidies provided in the event of natural disasters as well as man-made disasters like oil spills that impact fisheries.

On another sensitive issue concerning territoriality and dispute settlement and due process, India said disputes relating to maritime jurisdictions were very sensitive and involved the issue of sovereignty, adding that it had referred the issue to its capital for guidance.

India said it was committed to prohibiting fisheries subsidies with effective special and differential treatment for developing and least-developed countries.

India emphasized that "we should not show undue haste to conclude the negotiations by December 2020 by compromising on the quality of the text and by compromising on the fair, inclusive and transparent procedures."

In a sharp response over the process of small-group intersessional meetings, South Africa's Ambassador to the WTO Xolelwa Mlumbi-Peter said "in order to make progress in our negotiations, we need to ensure that the principles of transparency, inclusivity and consensus-based decision-making should be respected in all instances."

During this critical time, she said, "we need to ensure that our work progresses in an inclusive manner and the composition of the group must be carefully considered and must be representative."

She also called for "a structured work plan that will allow us to complete

our negotiations,” emphasizing that the “sequencing of issues for discussion must be clear and must enable us to resolve issues.”

Mlumbi-Peter said “the priority should be the core disciplines with the ultimate goal being to prohibit harmful subsidies as per the mandate,” adding that “there are a number of important issues and discussions that we need to have but the sequence is important.” Further, “agreement on the core disciplines may address a number of concerns and clarify the parameters of the disciplines which may unlock an understanding on a number of issues.”

The South African envoy said that “as HoDs [heads of delegation], we have a keen interest in these negotiations; however, it remains unclear as to how we can constructively shape these negotiations. Many of the issues brought to the level of HoDs seem not to be mature enough for decisions to be taken.” She said her delegation was “ready to support a clear process that clarifies how HoDs can be involved in solving bottlenecks and to facilitate more discussion where needed.”

Commenting on substantive issues, Mlumbi-Peter said “we believe that progress under the OCOF [overcapacity and overfishing] pillar can only be achieved if the scope of Article 5.1 is clarified, the coinciding issues in Article 5.1.1 and Article 5.1.3 would be easier

to address – the same logic applies to the correlation between 5.1 and 5.2.”

She said that “the African Group and ACP [Group] indicated that the mixing of the list approach and the effects approach remains difficult to accept, while language such as ‘if it reduces’ creates confusion as to the relationship between OCOF disciplines and Article 1.1 of the ASCM which clearly defines a subsidy that anticipates such a situation where a benefit is conferred.”

With respect to Article 3.3 concerning the disciplines on IUU fishing, she said that “without solving the question of who makes determinations under Article 3.2, it is equally difficult to have a useful discussion.”

Therefore, “sequencing of discussions [is] critical to resolve some of the cross-cutting issues; looking at text in isolation, while it may create a focused discussion, may not be beneficial if the broader scope and context of discussions are ignored.”

The South African representative also expressed grave concern regarding the lack of discussion on special and differential treatment.

Commenting on the definition of “fish”, she said that “while international definitions may help in other cases, this is impractical as there is no commonly accepted definition; this is the case with IUU and fish.”

“For issues such as territorial disputes,

natural disasters and artisanal fishing, and payments under government-to-government access agreement, more discussion is required,” she said.

Noting that “issues of dispute resolution also seem to occupy much of the discussions on determinations, such as in the area of IUU determinations as well as on the issue of territoriality and maritime jurisdiction”, she said it would be important to start looking at the brackets in Article 10 on dispute resolution in the draft consolidated text.

Jamaica, speaking on behalf of the ACP Group, raised several concerns on substantive issues concerning the proposed language for IUU fishing and OCOF among others.

On the clusters and intersessional meetings, Jamaica said the ACP Group “have repeated the need to observe the context of COVID-19 and the small delegations we comprise who, whether or not in virtual mode, must carry and follow a number of files at the same time. These delegations are deeply vested and interested in the drafting of these disciplines and the outcome in terms of their national objectives.” It urged the chair to consider “clear guidance on the work schedule, the sequencing of the content, and also on the precise role of the HoDs.” (*SUN9209*)

## Candidates from Nigeria, South Korea to contest post of WTO DG

The field of candidates vying for the top job in the WTO has been whittled down to two.

by D. Ravi Kanth

WASHINGTON DC: The chair of the WTO General Council (GC), Ambassador David Walker from New Zealand, has declared Ngozi Okonjo-Iweala from Nigeria and Yoo Myung-hee from South Korea as the two finalists in the race to become the new Director-General of the WTO.

At a brief heads-of-delegation (HoD) meeting held in-person and through

remote participation on 8 October, Walker informed members of the results of the second round of consultations, in which three candidates – Amina Mohamed from Kenya, Mohammad Maziad Al-Tuwaijri from Saudi Arabia, and Liam Fox from the United Kingdom – were asked to withdraw from the DG race on grounds that they would be “least likely to attract consensus”.

In the first round of consultations, held in September, three other candidates

– Jesus Seade Kuri from Mexico, Abdulhameed Mamdouh from Egypt, and Tudor Ulianovschi from Moldova – had been eliminated from the race.

At the 8 October HoD meeting, the GC chair said that he held consultations along with his two facilitators – the chair of the Dispute Settlement Body, Ambassador Dacio Castillo (Honduras); and the chair of the Trade Policy Review Body, Ambassador Harald Aspelund (Iceland) – on 24 September and 6 October.

Walker cited his earlier communication (WTO document Job/GC/244) dated 18 September concerning the “substance and results of the consultations”, including the breadth of support, the distribution of preferences across geographic regions and the category of members such as developed, developing and least-developed countries.

On the basis of the guidelines set out

in this communication and by former GC chair Ambassador Shahid Bashir from Pakistan in document Job/GC/243, Walker said that Kenya's Mohamed, Saudi Arabia's Al-Tuwaijri and the UK's Fox were asked to withdraw from the race on 7 October.

In the final round, he said, members would need to indicate their preference among the two remaining candidates in the race, Okonjo-Iweala and Yoo.

The final round of consultations will begin on 19 October and conclude on 27 October.

Walker explained that each member would be asked "what is your preference", adding that the preferences expressed in the second round would not be taken into consideration during the final round. Members had been asked to indicate two preferences in the second round. The GC chair also said that negative preferences would not be accepted.

At the HoD meeting, Kenya expressed regret, saying that its candidate Mohamed

was the "most qualified person to steer the organization". Saudi Arabia and the UK thanked the GC chair for his conduct of the selection process.

At the end of the meeting, Canada complained about "media leaks", saying that such leaks were inconsistent with the "confidentiality" of the selection process.

Commenting on the three candidates who were asked to withdraw from the race at the end of the second round, one trade envoy said the geographical spread of support may have contributed to their elimination.

The African countries largely cast their preferences in favour of Okonjo-Iweala from Nigeria and Mohamed from Kenya, the trade envoy suggested, while Yoo from Korea may also have secured support from a few countries on the continent. However, Mohamed failed to garner support from Europe, with the EU having cast its 27 preferences in favour of Okonjo-Iweala and Yoo, according to the envoy.

The EU's bloc voting also tilted the

scales against Fox and Al-Tuwaijri, according to media reports.

In Asia, both Yoo and Okonjo-Iweala seemed to have received considerable support, while some big Asian countries did not back Mohamed because of her alleged role in reportedly undermining the Doha Development Agenda negotiations at the WTO's 10th Ministerial Conference hosted by Kenya in 2015, said an Asian trade envoy who asked not to be quoted.

In the Americas, Fox secured significant support while Okonjo-Iweala and Yoo received modest support, the trade envoy said.

Interestingly, the three losing candidates did not raise any complaints, unlike in the first round when Egypt had complained about the selection process.

In the last DG selection process in 2013, Mohamed was asked to withdraw at the end of the first round. She then sought the figures of support, which the then GC chair Bashir refused to divulge on grounds of confidentiality. (SUNS9207)

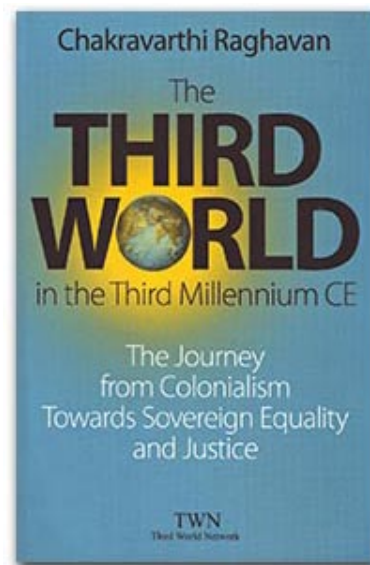
## The Third World in the Third Millennium CE

### The Journey from Colonialism Towards Sovereign Equality and Justice

by Chakravarthi Raghavan

In this collection of contemporaneous articles written over a span of more than three decades, Chakravarthi Raghavan traces the course of dialogue, cooperation and confrontation on the global development front through the years.

The respected journalist and longtime observer of international affairs brings his inimitable blend of reportage, critique and analysis to bear on such issues as South-South cooperation, corporate-led globalization, the international financial system, trade and the environment-development nexus. Together, these writings present a vivid picture of the Third World's struggle, in the face of a less-than-conducive external environment, for a development rooted in equity and justice.



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# Universal health coverage critical for effective COVID-19 response

The COVID-19 outbreak has underlined the urgency of attaining universal health coverage, asserts a new UN report.

by Kanaga Raja

GENEVA: The COVID-19 pandemic has brought home the importance of basic public health and strong health systems and emergency preparedness, lending ever-greater urgency to the quest for universal health coverage.

This is one of the main conclusions highlighted by the UN Secretary-General in a Policy Brief on “COVID-19 and Universal Health Coverage”.

According to the Policy Brief, which was published in October, with universal health coverage in place, countries could more effectively and efficiently address the three ways in which the COVID-19 crisis is directly and indirectly causing morbidity and mortality: the first is due to the virus itself, the second is due to the inability of health systems to provide ongoing essential health services, and the third is linked to its socioeconomic impact.

Coming out of the COVID-19 pandemic will require a whole-of-government, whole-of-society and a global coordinated approach, it said.

“The lessons learned call for universal health coverage that ensures equal access to quality health care without financial risks for everyone and that effectively protects societies from another health crisis with its devastating effects on lives and livelihoods,” it added.

According to the Policy Brief, the pandemic has laid bare long-ignored risks, including inadequate health systems, gaps in social protection and structural inequalities. “It has also brought home the importance of basic public health, and strong health systems and emergency preparedness, as well as the resilience of a population in the face of a new virus or pandemic, lending ever greater urgency to the quest for universal health coverage.”

Health is a fundamental human right, and universal health coverage is a critical tool for achieving health for all, it said. Universal health coverage is defined as

a situation where all individuals and communities receive the health services they need without undue financial hardship. However, at least half of the world’s population still do not have full coverage of essential health services, and over 800 million people spend at least 10% of their household budgets to pay for health. It will be important to remove as much as possible financial barriers to accessing health services, the report said.

## Health and socioeconomic impacts

Within just nine months, COVID-19 has spread to more than 190 countries. By the end of September 2020, the world had recorded over 30 million cases, and over 1 million people had lost their lives, the report noted. Depending on the age structure of the population, about 5-15% of COVID-19 patients will develop critical complications that require mechanical ventilation, and 15-20% of patients will have severe symptoms that require oxygen therapy or other in-patient interventions.

COVID-19 often hits hardest those who can least afford it: the old, those with chronic disease, or those in poor living conditions, said the report.

Older persons in long-term care facilities have high morbidity and mortality rates as well as face high rates of staff absence due to COVID-19. In several European Union countries, deaths among residents have accounted for over half of all COVID-19-related deaths. Persons living in confined living spaces, whether in crowded settlements or prisons, refugees or migrants, are also at high risk.

Healthcare workers are at high risk of COVID-19 infection because of more frequent contact with COVID-19 cases. Frontline workers in essential occupations, such as in public transport, food production and law enforcement, also face greater exposure.

The additional patient load caused by COVID-19 threatens the ability of health systems to provide other essential

health services, said the report. On a local scale, this may mean the cancellation of elective surgeries and other non-urgent procedures, but it may also lead to wider effects owing to the restriction of travel, interruption of supply chains and redeployment of staff. On a global scale, the effects may seriously impair or reverse progress towards the Sustainable Development Goals (SDGs).

For example, coverage reductions of 9.8-18.5% of reproductive, maternal and child health interventions, such as immunization, and a wasting increase of 10%, could lead to more than 250,000 additional child deaths and 12,000 maternal deaths over six months in 118 countries.

Furthermore, 47 million women may not be able to access modern contraceptives, 7 million unintended pregnancies may occur and 31 million additional cases of gender-based violence can be expected to occur if lockdowns continue for at least six months in 114 low- and middle-income countries.

A suspension of planned insecticide-treated nets distributions in 2020, and reduced access to effective anti-malarial treatment could lead to an estimated 769,000 malaria deaths by the end of 2020.

“A global reduction of 25% in expected tuberculosis detection for 3 months could increase tuberculosis deaths by 13%, bringing us back to the levels of tuberculosis mortality that we had 5 years ago,” said the report.

A six-month disruption of antiretroviral therapy could lead to more than 500,000 extra deaths from AIDS-related illnesses in Sub-Saharan Africa in 2020-21. In 2018, an estimated 470,000 people died of AIDS-related illnesses in the region.

COVID-19 can negatively affect outcomes in people with noncommunicable diseases through delays in diagnosis of these diseases, such as cancers and heart disease, resulting in more advanced stages of disease, said the report.

To minimize morbidity and mortality, countries need to identify essential health services that will be prioritized for continuation during the acute phase of the COVID-19 pandemic, it emphasized.

The report noted that various measures used to limit the spread of COVID-19 and ease the strain on healthcare systems have reduced travel, consumption and investment, as well as restricted labour supply and production, causing huge

socioeconomic impacts, especially for the most vulnerable. The IMF and the World Bank are supporting the Debt Service Suspension Initiative in which borrowers can use freed-up resources to increase social, health or economic spending. “This is critical for universal health coverage in particular, as progress requires public funding,” said the report.

Despite these fiscal stimulus interventions, advanced economies are expected to experience a 7% drop in output, while emerging market and developing economies will mark their first output contraction in more than 50 years. The pandemic is costing the global economy \$375 billion a month and 500 million jobs since the beginning of the crisis.

It will be vital to address the root cause of the economic crisis – which is the COVID-19 disease – by prioritizing health investments now, said the report. “The financial costs for a comprehensive public health response to the pandemic will be small compared with those of a prolonged global recession.” Health financing policies need to prioritize public financing for health and remove financial barriers to accessing services.

The global recession is projected to lead to the first rise in global extreme poverty since 1998. It is estimated that COVID-19 could push an additional 70-100 million people into extreme poverty in 2020, effectively wiping out progress made since 2017. The consequences for human health are potentially serious, with each health-related SDG target likely to go backwards, said the report. Those most influenced by a poverty indicator will likely be most affected (e.g., tuberculosis will be less likely to be treated, and skilled delivery rates reduced).

A large share of the new extreme poor will be concentrated in countries that are already struggling with high poverty rates and numbers of poor, said the report. Almost half of the projected new poor will be in South Asia, and more than a third in Sub-Saharan Africa. The increase in world poverty threatens the ability of the most vulnerable to access health services.

The incidence of catastrophic health expenditure increased continuously between 2000 and 2015, and its incidence may increase further due to the COVID-19 pandemic, the report said.

“We are now at a critical juncture of the COVID-19 pandemic. After initial success in suppressing transmission,

many countries are now experiencing a resurgence of cases after easing some restrictions,” said the report.

“Safe and effective vaccines, diagnostics and therapeutics will be vital for ending the pandemic and accelerating the global recovery,” it stressed. But these life-saving tools will only be effective if they are available for the most vulnerable equitably and simultaneously in all countries – essentially, to make these tools global public goods.

*“The financial costs for a comprehensive public health response to the pandemic will be small compared with those of a prolonged global recession.”*

“The Access to COVID-19 Tools Accelerator (ACT-Accelerator) is the best global solution for speeding up the development of the tools we need to save lives as fast as possible, and to make them available for as many as possible as equitably as possible,” it added.

#### **Importance of universal health coverage**

According to the Policy Brief, to respond to the pandemic efficiently and effectively, and build the foundations for a better future, governments need to expand their investments in core health system functions that are fundamental to protecting and promoting health and well-being, called “common goods for health”.

In human-rights terms, this means committing the maximum available resources towards meeting the minimum core obligations under the right to health. These include access to essential medicines and the equitable distribution of all health facilities, goods and services. “These functions are integral to the commitments that all Member States made in the

International Health Regulations, as well as the Political Declaration on Universal Health Coverage in 2019.”

The COVID-19 experience has brought home the reality that the health systems of many countries were not adequately prepared to fully protect the health of their populations, said the report.

“Strong health systems based on primary health care are the foundation of an effective response to COVID-19 as well as for universal health coverage,” it said. In some countries the emergency response has focused more on expanding intensive care beds than primary care. Both are needed. Facility-based services need to be delivered remotely, with personal protective equipment and ventilators, while primary care services that would routinely be delivered across multiple visits need to be integrated when possible. In-patient admission processes may need to be adapted, as the risks and benefits associated with hospital-based care may change.

Alternative approaches to making essential medicines and services available should be urgently introduced when facility-based services are restricted, said the report. For example, telemedicine for key information and delivery of medicines by post, self-care interventions and task-sharing for outreach workers are all mechanisms that can increase access to essential health services when facility-based care is not possible.

The report also said that effective communication and community engagement are essential to maintaining public trust, and participation in and access to health information and education are essential for the full enjoyment of the right to health.

Removal of financial barriers to accessing health services is a vital step to ensuring greater public health, said the report. “This is challenging during an economic recession, but COVID-19 has shown that effective epidemic control benefits the economy,” it added.

COVID-19 reinforces the need to remove financial barriers from individuals’ decisions about whether to seek care. Ideally, patients do not pay user fees (co-payments) at the point of care for essential services during the COVID-19 pandemic since the expectation of payment may pose a substantial barrier to seeking and receiving needed care.

The experience with COVID-19 also reinforces messages about health

financing for universal health coverage. In particular, where health coverage is linked to employment, an economic shock that leads to a loss of formal sector jobs also has negative consequences for health coverage. “This is at odds with universal health coverage – the right to health coverage is not a mere employee benefit.”

Therefore, in countries that historically have relied on contributory, employment-linked coverage, it has been essential to inject general budget revenues into the system, both to reduce the vulnerability of the system to job losses and to ensure that the essential actions needed to respond to COVID-19 can be implemented.

“Universal health coverage embodies

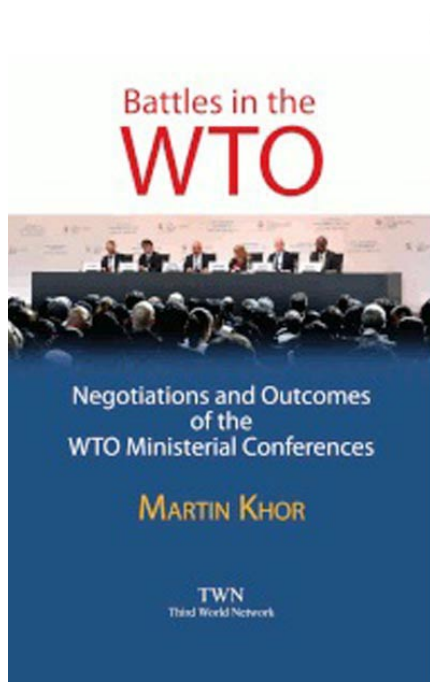
the goals of equity in the use of needed, effective services with financial protection, and progress towards these goals assessed at the level of entire populations,” said the report. Systems that are organized to sustain progress towards universal health coverage are better organized to respond to a disease outbreak if they are people-centred and rights-based.

Coming out of the COVID-19 pandemic will require a whole-of-government, whole-of-society and a global coordinated approach, said the report. “Pandemic preparedness can be seen as a global public good with commensurate global and national-level investments.”

Public health systems need to evolve

towards a more holistic focus on universal health coverage and primary health care and social protection. It is important that responses to the pandemic avoid locking in inequalities or even worsening them, said the report.

COVID-19 is a human tragedy but has also created a generational opportunity to build back a more equitable and sustainable world. “For the health sector of each country, this means that the value of getting the right policies in place to enable progress towards universal health coverage is more important than ever,” the report concluded. (SUNS9208)



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## Battles in the WTO

### Negotiations and Outcomes of the WTO Ministerial Conferences

By *Martin Khor*

The World Trade Organisation has been an extremely controversial and divided organisation ever since its establishment in 1995. The big battles are most evident at its highest governing body, the Ministerial Conference, where the Trade Ministers of member states convene to chart the WTO’s course.

This book is a compilation of contemporaneous reports and analyses of what unfolded at each Ministerial, as well as a few “mini-Ministerials”, that took place from the WTO’s inception up to 2017. As these articles reveal, the Ministerials have been the stage on which battles over the future direction of the WTO are most prominently played out. These clashes have mainly pitted developed member states pushing to expand the WTO’s ambit into new subject areas, against many developing countries which call instead for redressing imbalances in the existing set of WTO rules.

This book also shines a light on the murky decision-making methods often employed during Ministerials, where agreements are sought to be hammered out by a select few delegations behind closed doors before being foisted on the rest of the membership. Such exclusionary processes, coupled with the crucial substantive issues at stake, have led to dramatic outcomes in many a Ministerial.

The ringside accounts of Ministerial battles collected here offer important insights into the contested dynamics of the WTO and the multilateral trading system in general.

**MARTIN KHOR** (1951–2020) was Adviser to the Third World Network. He was formerly Executive Director of the South Centre (2009 to 2018). He was the author of several books on trade, development and the environment, including *Globalization and the South*. He followed the negotiations in the WTO for many years, including at most of the Ministerial Conferences.

# G20 ministers fail to meaningfully address debt distress of South

The latest measures by the G20 major economies to aid indebted low-income countries fall far short of what is required to help the latter weather the COVID-19 crisis.

by *Bhumika Muchhala*

NEW YORK: The Group of 20 (G20) has announced a six-month extension of the Debt Service Suspension Initiative (DSSI) in a communique released on 14 October.

The extension concludes in spring 2021, at which time the G20 will “examine” if the financial and economic situation of indebted low-income countries requires another extension of six months.

Unfortunately, the cancellation of external debt is not on the table. Many debt-distressed low-income countries require debt cancellation in order to place life above debt in the midst of a global pandemic. The crippling impact of debt on public health services is demonstrated by some low-income countries which repay creditors sums greater than their national healthcare budgets.

While a debt suspension is a constructive crisis response in the immediate term, suspensions keep the debt itself intact, accumulating interest with time. This could become a direct pathway to insolvency and debt default when the suspension lifts and repayment with interest comes due between 2022 and 2024. The short-term and fragmented approach of six-month intervals also creates uncertainty and insecurity for domestic economies.

The absence of participation by private creditors in the DSSI, or other initiatives to address developing-country debt, is lamented by both the G20 and the International Monetary Fund (IMF). Given the scale and size of private debt in developing countries, the intransigence of the private sector to participate blunts the effectiveness of the debt moratoria.

In the communique, which was issued after a G20 Finance Ministers and Central Bank Governors Meeting held virtually on 14 October, the G20 also announced the establishment of a “Common Framework for Debt Treatments Beyond the DSSI.” The details of this framework are to be mapped out in November ahead of the

G20 leaders’ summit in Riyadh.

There is concern over whether the framework will include the majority of developing countries, while the vague nature of the proposal and lack of stated principles invite the influence of vested interests in the financialized global economy.

## **(Still) no sovereign debt workout mechanism**

The G20 missed a key opportunity to call for a sovereign debt workout mechanism grounded in an international legal framework.

Arguably the most serious deficit or missing link in the international financial architecture, such a mechanism would provide systematic support for states to cancel or restructure their debts in order to prioritize financing for public services and systems in the midst of the pandemic.

An open letter generated by the Global Week of Action for Debt Cancellation (10-17 October) calls for a workout mechanism to be established under the

auspices of the United Nations and not in lender-dominated arenas. The letter was supported by over 500 organizational and individual signatories across the world and can be accessed at <https://debtgwa.net/open-letter>.

It also calls for unconditional cancellation of public external debt payments by all lenders, including bilateral, multilateral and private lenders.

Importantly, the letter proposes that national and global reviews and changes in lending, borrowing and payment policies and practices should aim at preventing the re-accumulation of unsustainable and illegitimate debt, strengthening democratic institutions and processes, and upholding human rights and peoples’ self-determination.

Without the systematic coherence provided by a multilateral debt workout mechanism, the approach thus far is piecemeal and riddled with the instability of creditor disputes.

In a context where public money deficits put human survival and economic recovery at risk, such additional costs in debt crisis resolution are both unfair and unconstructive.

The IMF has stated several times that the world economy is in the deepest economic recession since the Great Depression. In this urgent situation, every missed opportunity to address debt distress implies that the interests of creditors supersede the rights of people who are enduring the twin crises of health and economy. (*SUNS9213*)

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## World Bank prioritizes private sector in COVID fight

A new briefing paper reveals how the World Bank is putting private ahead of public sector interests in its response to COVID-19. The following is the executive summary of the report, which was written by *Ourania Dimakou, María José Romero and Elisa Van Waeyenberge*.

The COVID-19 pandemic has triggered health, economic and social crises of unprecedented proportions that have the potential to seriously undermine the (already slow) progress made by developing countries towards achieving the Sustainable Development Goals

(SDGs). The World Bank (WB)’s own figures suggest that by 2021 an additional 110 to 150 million people will have fallen into extreme poverty, living on less than \$1.90 per day. The impacts of the pandemic have resulted in calls for ambitious responses, in terms of both

scale and policy, under the broad headline of “building back better”.

A briefing paper co-published by Eurodad (European Network on Debt and Development) and SOAS University of London, “Never let a pandemic go to waste”, analyzes the response of the World Bank Group (WBG) to the COVID-19 pandemic. It reveals a persistent prioritization of private over public interests, both in the immediate pandemic response and beyond. In fact, the WBG appears to have seized the current crisis as an opportunity to intensify its Maximizing Finance for Development (MFD) approach.

The MFD approach, which has been implemented by the WBG since 2017, builds on previous strategies and represents a systematic and comprehensive effort to promote private sector development. The approach seeks to place the private sector at the heart of development, including in public service provision. The idea is for traditional official development assistance (ODA) to take on a catalytic role in the mobilization of private finance for development, including in the poorest countries. The approach deploys various instruments, many of which are referred to as “blended finance”. They range from offering technical advice on how to reform policies and institutions in a particular country and/or sector, to taking “first equity loss” positions in private investment deals or providing loans to private sector agents at subsidized rates.

This WBG agenda reveals the unwillingness of the donor community to take concrete measures to scale up and strengthen public financing of development, and an inability to agree on a multilateral resolution to unsustainable sovereign debts. Furthermore, it demonstrates a lack of resolve to create a global body to deal with massive tax avoidance and evasion, which is strongly detrimental to countries in the Global South.

Major donors and international institutions have failed to respond to a growing body of literature and evidence that calls into question the effectiveness of this approach and highlights its considerable negative consequences. Finally, it reflects a fundamental underlying prejudice against the public sector, which has been fuelled by austerity policies that have undermined its ability to deliver.

The briefing paper highlights five

points:

1. During the immediate emergency response, the WBG earmarked almost 60% of its \$14 billion Fast Track COVID-19 Facility (\$8 billion) to be allocated through its private sector arm, the International Finance Corporation (IFC), instead of its public sector arms, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). They received \$6 billion. This does not respond to multiple calls across the policy spectrum for stronger public systems.

2. IFC financial sector clients and multinational companies have particularly benefited from the pandemic response. According to publicly available information, by late June 2020, 68% (in value terms) of IFC COVID-19 projects targeted financial institutions. This corresponds to the first four months of the WBG’s pandemic response and the close of its 2020 fiscal year. The WBG claims that this is to assist micro, small and medium enterprises (MSMEs) in navigating the fallout from the pandemic but this strategy is yet to produce results. In addition, around 50% of IFC-supported companies are either majority-owned by multinational companies or themselves international conglomerates. There is a high risk that the IFC emergency response has not reached the countries, sectors and companies most in need of support.

3. Increased pressure to “get money out the door” has raised clear implementation challenges. In particular, the IFC’s focus on financial institutions has fallen short with regard to transparency and accountability, while on the WB’s side there have been questions about the very limited to no stakeholder engagement as projects are rolled out. This comes in addition to the shrinking space for civil society organizations to actively participate and increased reprisals against human rights activists by national governments.

4. Regarding its relationship with governments, the WBG remains set on structural reforms in support of liberalization and deregulation. While most WB loans to governments that have been approved in the emergency response period have aimed at addressing the health crisis, others have a broader scope and include more traditional reforms in support of the private sector. This indicates a strong and continued commitment by the WBG to a market-driven approach

which, among other things, has resulted in adverse health outcomes and negative impacts on gender equality.

5. The WBG ultimately aims to “build back better” by accelerating and scaling up its support for private sector solutions. This includes an enhanced focus on public-private partnerships (PPPs) to deliver ostensibly public services, despite well-documented evidence regarding the multiple risks and implications of PPPs for the public sector and for citizens, including their high cost, fiscal risks, questionable effectiveness and equity implications.

On closer inspection of the MFD approach in a pilot country like Kenya, it is clear that both prior to and during the pandemic, the WBG has relentlessly pursued an agenda of promoting private sector interests, including in core public sectors like health and education. This raises serious issues regarding who benefits from this agenda and at what cost. Indeed, the implementation of MFD risks worsening inequalities and amplifying the economic and social fallout of COVID-19.

## Policy recommendations

The WBG is a public institution with a development mandate and, as such, has a duty to deliver for the public good. The development financing paradigm for the next decade is at stake.

The briefing paper suggests short-term policy recommendations focused on the COVID-19 response and long-term measures that would allow the WBG to reconnect with its core mandate, which is ending extreme poverty and promoting shared prosperity.

In the short term:

- The WBG needs to restore the balance between the public and private sectors in its COVID-19 response, including in its modalities and instruments. Developing countries are in need of concessional resources to strengthen their public systems, particularly health, education and social protection, and to stimulate the economic recovery.

- Both in its emergency response and with regard to long-term finance, the WBG must abandon policy conditions that undermine economic policies and regulatory measures aimed at strengthening domestic economies, jobs and livelihoods and civic rights. This includes abandoning those policy conditions that favour the private sector

and undermine the strengthening of public services and the delivery of public goods.

- The WBG should make sure its emergency and long-term programmes are consistent with and strengthen climate resilience and the shift to low-carbon pathways.

- The IFC should commit to publicly disclosing the ultimate recipients of its support and what this assistance is used for. This would ensure that IFC programmes help preserve employment and do not serve to bail out private financial institutions.

- The IFC should stop its support to commercial private health facilities that undermines public system building and that arguably has pernicious implications for women, lower-income or vulnerable populations.

In the long term, given the problematic

track record of MFD, the WBG should seriously re-evaluate this approach. If the institution wishes to “build back better”, it needs to consider the broad implications of its agenda and instead move towards a human-rights-based approach that builds resilience and strengthens public systems.

At its core, this will require adequate levels of public finance to be achieved through, among other things, tackling tax avoidance and evasion and by using ODA to strengthen the provision of public services. The WBG, as a leading development actor, has to play its part and rethink its approach to blended finance. Immediate cancellation of debt payments should be linked to a more comprehensive approach to debt crisis resolution under the auspices of the United Nations. The implementation of these measures would allow for an equitable and resilient recovery in line with the SDG and Paris

commitments.

*The above is the executive summary of “Never let a pandemic go to waste: How the World Bank’s COVID-19 response is prioritising the private sector”, a briefing paper co-published in October by Eurodad (European Network on Debt and Development) and SOAS University of London. The briefing was written by Ourania Dimakou, Lecturer in Economics at SOAS University of London; María José Romero, Eurodad Policy and Advocacy Manager and PhD candidate in Development Economics, SOAS University of London; and Elisa Van Waeyenberge, Senior Lecturer and acting co-Head of the Department of Economics, SOAS University of London. The full briefing is available at [www.eurodad.org/never\\_let\\_a\\_pandemic\\_go\\_to\\_waste](http://www.eurodad.org/never_let_a_pandemic_go_to_waste)*

## Global poverty soars as billionaire wealth hits new highs

Extreme poverty is on the rise, as are billionaire fortunes – and these are not unconnected, say development campaigners.

by *Thalif Deen*

NEW YORK: The phenomenal rise in extreme poverty for the first time in over 20 years has been accompanied by an upsurge in the wealth of the world’s billionaires and super-rich.

The paradox of poverty amidst plenty is being blamed largely on the coronavirus pandemic which has driven millions, mostly in the developing world, into a state of perpetual poverty.

As the United Nations commemorates International Day for the Eradication of Poverty, the rich are getting richer and the poor poorer, which may also reflect the realities of widespread economic inequalities worldwide.

A World Bank report in October said extreme poverty is set to rise this year, for the first time in more than two decades, while the impact of the spreading virus is

expected to push up to 115 million people into poverty.

The pandemic, which is also compounding the forces of conflict and climate change, has already been slowing poverty reduction, the World Bank said. By 2021, as many as 150 million people could be living in extreme poverty.

In contrast, the wealth of the world’s billionaires reached a new record high in the middle of the pandemic, on the back of a rebound in asset prices, according to a report released in October by UBS Global Wealth Management and PwC Switzerland.

Providing a sheaf of statistics, the report said total wealth held by billionaires reached \$10.2 trillion in July, described as “a new high” compared with \$8.9 trillion in 2017. The number of billionaires worldwide has been estimated at 2,189, up from 2,158 in 2017. The rising wealth was

mostly from three sectors, tech, healthcare and industry – a trend accelerated by the pandemic. But the study also says that the rise in billionaires has led to greater philanthropy, with some 209 billionaires pledging \$7.2 billion in donations.

### Need for systemic solutions

Pooja Rangaprasad, Director of Policy and Advocacy on Financing for Development at the Rome-based Society for International Development (SID), told Inter Press Service (IPS) “philanthropy or charity is not a substitute for systemic solutions”.

Many developing countries are already on the brink of debt crises, which is exacerbated by a broken international tax system that allows wealthy corporations and individuals to pay little to no taxes, she pointed out. “Unless global economic solutions are prioritized to ensure developing countries have the fiscal space to respond to the crisis, the consequences will be devastating with millions being pushed back into extreme poverty,” she warned.

Governments need to urgently agree on systemic solutions such as debt cancellations, a binding and multilateral UN framework for debt crisis resolution that addresses unsustainable and

illegitimate debt, and a UN tax convention to fix loopholes in the international tax system, argued Rangaprasad.

Kunal Sen, Director of the UN University World Institute for Development Economics Research (UNU-WIDER), told IPS the pandemic is going to push millions of households into poverty all around the developing world. “The challenge for the international community is to channelize additional resources through official development assistance (ODA) to low-income countries, where global poverty is concentrated.”

“The UN can play an important role in mobilizing resources for financing the efforts of the member states to counter the effects of the pandemic on the poor and vulnerable in their own countries,” said Sen, who is also a professor of development economics at the Global Development Institute, University of Manchester, UK.

The projected rise in poverty has also undermined the UN’s Sustainable Development Goals (SDGs) which target the eradication of extreme poverty and hunger by 2030.

According to the World Bank, “extreme poverty” is defined as living on less than \$1.90 a day. The projected increase in poverty would be the first since 1998, when the Asian financial crisis shook the global economy.

Before the pandemic struck, the extreme poverty rate was expected to drop to 7.9% in 2020. But now it is likely to affect between 9.1% and 9.4% of the

world’s population this year, according to the bank’s biennial *Poverty and Shared Prosperity* report.

“The pandemic and global recession may cause over 1.4% of the world’s population to fall into extreme poverty,” said World Bank Group president David Malpass. He said that to reverse this “serious setback”, countries would need to prepare for a different economy post-COVID, by allowing capital, labour, skills and innovation to move into new businesses and sectors.

Malpass said World Bank support would be available to developing countries “as they work toward a sustainable and inclusive recovery”, with grants and low-interest loans worth \$160 billion to help more than 100 poorer countries tackle the crisis.

Ben Phillips, author of *How to Fight Inequality*, told IPS that the concentration of wealth amongst a handful of oligarchs, and the spread of impoverishment to hundreds of millions more people, are not the disconnected coincidences that the super-rich claim, but are two sides of the same bad penny.

He said COVID-19 has not created obscene inequality, but it has supercharged it. In this systemic crisis, the healing impact of philanthropy will be no greater than a novelty sticking plaster on a gaping wound.

As the Pope, the UN Secretary-General, the President of Ireland and the Prime Minister of New Zealand have all pointed

out, there is only one non-disastrous way out of this, and that is a rebalancing of economies to serve ordinary people, he noted.

“That is absolutely doable – indeed, we’ve done it before – but markets cannot self-correct, and elites never bestow a fair economy from on high. Only pressure from ordinary people can win an economy that is humane and safe,” declared Phillips.

Dereje Alemayehu, Executive Coordinator of the Global Alliance for Tax Justice, told IPS inequality is rising in every country, and so is the income of billionaires. These are causally linked. “Multinationals and the wealthy do not pay their share of taxes, thus depriving countries the public revenue needed to address inequality.”

Furthermore, he said, the prevailing international financial architecture denies developing countries their right to tax their share of multinationals’ global profits.

To adequately address inequality, national governments should introduce progressive and redistributive tax systems. But this would not be enough. “Developing countries should also reclaim their taxing rights on global profit.”

“For this, a UN-led intergovernmental process, in which member states participate on an equal footing, should be established to pave the way for the reform of international tax rules and standards,” said Alemayehu, who is also Senior Economic Policy Advisor at Tax Justice Network Africa. (IPS)

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