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Global economic outlook dims

Hit by fallout from the Ukraine war, surging inflationary pressures and tightening monetary policy stances, the growth outlook for the world economy has deteriorated, according to a United Nations economic monitoring report.

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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.

Global growth prospects dampened by Ukraine war, rising food prices

The United Nations has revised downwards its growth forecast for the world economy amid the conflict in Ukraine, rising inflation and a turn to monetary tightening, with developing countries expected to face significant growth and financing challenges.

by Kanaga Raja

GENEVA: The global economy is now projected to grow by only 3.1% in 2022 and 2023, marking substantial downward revisions of 0.9 and 0.4 percentage points, respectively, from the previous forecast released in January 2022, the United Nations has said in a new report.

According to the *World Economic Situation and Prospects as of mid-2022* (WESP) report released on 18 May, global growth prospects have weakened significantly amid the war in Ukraine, rising energy, food and commodity prices, soaring inflation and tightening monetary policy stances by major central banks.

The UN said the downgrades in growth prospects are broad-based, including the world's largest economies – the United States, China and the European Union – and the majority of other developed and developing economies.

The European Union economy – most directly hit by disruptions in energy supply from the Russian Federation – is now expected to grow by 2.7% in 2022, down from the 3.9% expected in January. The United States economy is expected to grow by 2.6%, while China is expected to grow by 4.5% in 2022.

"The developing countries, as a group, are projected to grow by 4.1% in 2022, down from 6.7% in 2021," the WESP said.

"The war in Ukraine – in all its dimensions – is setting in motion a crisis that is also devastating global energy markets, disrupting financial systems and exacerbating extreme vulnerabilities for the developing world," said UN Secretary-General Antonio Guterres.

"We need quick and decisive action to ensure a steady flow of food and energy in open markets, by lifting export restrictions, allocating surpluses and reserves to those who need them, and addressing food price increases to calm market volatility," he added.

Overview of global economy

According to the WESP, the global economy may be on the cusp of a new crisis, while still recovering from the COVID-19 pandemic.

"The war in Ukraine has upended the fragile recovery from the pandemic, triggering a devastating humanitarian crisis in Europe, pushing up food and commodity prices and exacerbating inflationary pressures worldwide."

Geopolitical and economic uncertainties are dampening business confidence and investment and further weakening short-term economic prospects, it said.

Against this backdrop, the UN said the global economy is now projected to grow by only 3.1% in 2022 and 2023, marking substantial downward revisions of 0.9 and 0.4 percentage points, respectively, from its previous forecast released in January 2022.

"Our baseline outlook faces major downside risks from further intensification of the war in Ukraine, new waves of the pandemic and faster-than-expected monetary tightening in the developed economies."

Economic growth in the United States is forecast to slow to 2.6% in 2022 due to high inflationary pressures, aggressive monetary tightening by the Federal Reserve and a strong US dollar, worsening net export balances, said the WESP.

In China, gross domestic product (GDP) is projected to expand by 4.5%, a downward revision of 0.7 percentage points, with stringent zero-COVID-19 policies adversely affecting growth prospects.

There is an exceptionally heavy toll on the economy of the European Union:

its GDP is projected to expand by 2.7% in 2022, 1.2 percentage points lower than expected in January.

"The economic prospects for the Commonwealth of Independent States and Georgia are also sharply downgraded."

According to the WESP, the Russian Federation's economy is projected to contract by about 10% in 2022, buffeted by unprecedented trade and financial sanctions that came into effect in March.

"Amid massive destruction of infrastructure, population displacement and disruption of economic activities, the Ukrainian economy is projected to contract by 30 to 50% in 2022."

The outlook for developing countries has also deteriorated, with GDP projected to increase by 4.1% in 2022, 0.4 percentage points lower than the forecast in January, said the WESP.

Higher energy and food prices, rising inflationary pressures and slowing growth in the United States, the European Union and China are weakening growth prospects in developing countries, it said, adding that monetary tightening in the United States will sharply increase their borrowing costs.

The WESP said that a growing number of developing countries – especially the least-developed countries (LDCs) – face stagnant growth prospects and rising risks of a lost decade, amid high levels of debt distress.

The outlook is compounded by worsening food insecurity, especially in Africa. Lower vaccination rates also make developing countries more vulnerable to new waves of COVID-19 infections. By the end of April 2022, the number of doses per 100 people in the developed countries stood at 190.8, compared with 143.5 in developing countries and only 35.5 in Africa.

The war in Ukraine and the sanctions against the Russian Federation have rattled commodity markets, exacerbating supply-side shocks, said the WESP.

It said that in 2022, global trade growth is projected to slow down markedly, after a strong rebound in 2021. The conflict has directly disrupted exports of crude oil, natural gas, grains, fertilizer and metals, pushing up energy, food and commodity prices. "The Russian Federation and Ukraine are key suppliers of agricultural goods, accounting for 25% of global wheat exports, 16% of corn exports and 56% of exports of sunflower oil."

Food security concerns have also prompted countries to impose export restrictions, further constraining the supply of agricultural products and critical agricultural inputs, said the WESP. Since the beginning of 2022, countries have introduced 47 restrictions on exports of food – grains, edible oils, meat, etc. – and fertilizer, of which 43 came into effect after the war in Ukraine broke out in February.

The UN Food and Agriculture Organization (FAO)'s composite food price index reached record levels of 159.7 and 158.5 in March and April 2022, respectively, surpassing the previous high of 131.9 in 2011. Since the beginning of the year, the food price index rose by 22.9%, with the vegetable oils price index increasing by 51.6%.

Higher commodity prices, including base metals, have sharply increased production costs in automotive, electronics and other manufacturing sectors. The war halted the production of neon gas in Ukraine, which accounted for about half of the global output, said the WESP. "As neon gas is a critical input for the production of semiconductors, this will likely worsen the semiconductor shortages, which have already negatively impacted the production of automobiles and electronics."

The continued COVID-19 lockdown measures in China, including in major manufacturing centres and port cities, are also exacerbating production challenges. Even before the outbreak of the war in Ukraine, global supply-chain disruptions remained elevated, close to record highs, said the WESP.

The manufacturing industries purchasing managers index, a leading indicator of manufacturing output growth, fell sharply in the first quarter of 2022 across most G20 economies, it noted.

Rising inflationary pressures

The world economy is facing substantial inflationary pressures. Global inflation is projected to increase to 6.7% in 2022, twice the average of 2.9% during 2010-20, said the WESP.

Headline inflation in the United States has reached the highest level in four decades. In developing regions, inflation is rising in Western Asia and Latin America and the Caribbean.

The WESP said soaring food and energy prices are having knock-on effects on the rest of the economy, as reflected in the significant rise in core inflation in many economies.

Inflation began trending upward during the pandemic, as lockdown measures and border closures disrupted global supply chains. As progress in vaccination allowed countries, especially the developed economies, to ease pandemic-related restrictions, household demand quickly recovered to pre-pandemic levels or even further (e.g., demand for durable goods), but supply-side challenges persisted, which generated inflationary pressures in 2021.

Policymakers in the developed economies expected the pandemic-induced inflationary pressure to be transitory, but it has proved to be persistent, with the war in Ukraine and new rounds of supply-side shocks also fuelling high inflation expectations.

"We expect commodity prices to remain elevated throughout 2022 before easing somewhat in 2023," said the UN.

Also, it said, lower fertilizer exports from the Russian Federation – coming on top of China restricting the export of fertilizers since July 2021, together with prices close to all-time highs – will likely result in lower global crop yields in the coming seasons. The Russian Federation is one of the largest exporters of fertilizers to major agricultural producers, including Brazil and the United States.

The WESP said that tight labour market conditions – with unemployment rates at or close to record lows and acute shortages of workers – are also adding to inflationary pressures in developed countries. In the United Kingdom and the United States, for example, inflation expectations are rising, while nominal wage growth has started catching up with overall price increases, increasing the risk of a wage-price spiral.

"In developing countries, inflationary pressures are compounded by balance-of-payments challenges and downward pressures on exchange rates. A faster-than-expected global monetary tightening could trigger capital outflows, further weakening exchange rates and adding inflationary pressures through the import channel," the WESP cautioned.

The current inflation cycle is clearly more pronounced and persistent than the global inflation spike in 2007-08, and inflationary pressures are unlikely to subside significantly in the near term, it said.

The WESP also said higher inflationary pressures are prompting central banks to tighten their monetary policy stances. Monetary tightening might exacerbate the persistent supply-side constraints, as higher interest rates will discourage investments that could ease some of the logistical bottlenecks that emerged during the pandemic crisis. "Lower business investments – induced by higher interest rates – during a period of economic recovery will only contribute to further delaying the full recovery."

The WESP said higher interest rates in the developed economies will also adversely affect growth in the developing countries, especially in Africa and Latin America and the Caribbean where weak employment growth and higher unemployment rates relative to the pre-pandemic level continue to persist. Higher borrowing costs will also weaken investment and worsen financing gaps between developed and developing countries.

Rising inflation is posing an additional challenge to an inclusive recovery as it disproportionally affects low-income households that spend a much larger share of their income on food items, the WESP further said. "The decline in real incomes is particularly pronounced in developing countries, where poverty is more prevalent, wage growth remains constrained, and fiscal support measures to alleviate the impact of higher oil and food prices on the vulnerable groups are more limited."

Surging food inflation is worsening food insecurity and pushing millions below the poverty line in many developing countries that are still struggling with economic shocks from the pandemic. Rising poverty will inevitably worsen inequality, both within and between countries, in the near term, the WESP cautioned.

Worsening financing prospects for South

According to the WESP, the war in Ukraine and the global monetary tightening cycle are worsening the financing gaps in developing countries, particularly in poorer countries.

Since September 2021, capital flows to emerging economies have trended downwards, with net portfolio outflows reaching $9.8 billion in March 2022, compared with, on average, net monthly inflows of about $30 billion over 2021.

A faster-than-expected monetary tightening by the US Federal Reserve could trigger a quick "flight to safety", adversely affecting domestic financial stability and growth in many developing countries, said the WESP.

"Developing countries are also facing the prospect of higher borrowing costs, which were already high before the pandemic." In developed countries, the average interest cost of outstanding government debt has fallen to 1%, but the average cost for developing countries is over 3%.

The least-developed countries, which have had access to concessional lending, have however increasingly borrowed at significantly higher interest rates from the international capital market. In 2021, African and LDC sovereign Eurobonds were issued with yields above 5% – and in 40% of African bonds, the yield was above 8%.

Since early March 2022, hard currency yields of emerging market sovereign bonds have increased substantially, with more than 20% of the bonds trading with spreads above 1,000 basis points on the secondary market, said the WESP.

"The monetary tightening and consequent increases in the risk-free US Treasury rates would further increase the already high yields on developing country sovereign debt, which will further raise re-financing or roll-over costs."

The monetary tightening will not only raise borrowing costs but also constrain the fiscal space in many developing countries, particularly for net energy and food importers, said the WESP. It said the current debt crisis in Sri Lanka, a net oil and food importer, is an example of the solvency challenges confronting many developing countries.

As of 31 March 2022, about 60% of the least-developed and other low-income countries were at high risk of or in debt distress, almost double the number in 2015, it said, adding that debt-servicing burdens of the developing countries have risen considerably since the beginning of the pandemic. The total debt-service payments on public and publicly guaranteed debt of the poorest countries are expected to reach $35 billion in 2022, 45% above the level in 2020.

While the US Federal Reserve's more aggressive tightening path will affect the LDCs and other low-income countries, many of these countries are also adversely impacted by the spillover effects of the war in Ukraine, said the WESP. "Surging global fuel and food prices are affecting the most vulnerable populations in these countries."

The WESP said it will remain critical to scale up concessional finance and official development assistance (ODA) to ease their financing and balance-of-payments challenges.

"Major central banks in developed economies will need to calibrate their interest rate hikes to contain inflationary pressures, while minimizing their spillover effects on the borrowing costs and debt sustainability of the developing countries," it said.

The WESP noted that amid strong consumer spending, the US Federal Reserve raised its funds rate by a total of 75 basis points in two consecutive rate hikes in March and May 2022 and signalled that it would embark on a more aggressive pace of rate hikes. "The Federal Reserve will need to ensure that inflation expectations remain anchored, while avoiding a hard landing of the economy. The European Central Bank, which has kept its main policy rate unchanged so far, had signalled a more gradual monetary tightening approach," it said.

"The spectre of higher inflation and rising borrowing costs poses major monetary and fiscal policy challenges for developing countries," the WESP emphasized.

It said that since the second half of 2021, monetary tightening in developing countries has gained momentum. As higher interest rates raise borrowing costs and deter investments which will remain critical for steering the recovery, the developing economies will instead need to utilize other tools such as macro-prudential policies – including capital control measures – to limit their exposure to sudden changes in capital flows.

"Constrained fiscal space and high and rising debt servicing obligations will likely push many developing countries in the direction of austerity and fiscal consolidation. But a premature fiscal consolidation will derail the still fragile recovery and actually increase their debt distress risks," said the WESP.

Governments, even with constrained fiscal space, will need to provide targeted support to alleviate the effects of higher food and fuel prices on poorer segments of the population, while pursuing medium-term fiscal and debt sustainability. This will require comprehensive debt restructuring and debt relief for poorer countries, particularly the LDCs, the WESP added.

The pandemic and the war in Ukraine have tested the limits of multilateralism and have confirmed that the current multilateral system is not fit for purpose, the WESP said. With millions around the world facing severe food insecurity – potentially joining the ranks of nearly a billion already living in poverty – multilateralism needs to rise to the challenges of stimulating inclusive growth, creating employment, taming food price inflation and boosting resilience, while providing debt relief to the countries facing debt distress.

According to the WESP, the need for macroeconomic policy coordination – through fair and inclusive multilateral processes – is more pressing than ever to address the scourge of rising hunger and poverty, reduce inequality, fight climate change, and put the world back on the trajectory of sustainable development. *(SUNS9580)*

Health Action International Asia Pacific at 40 (1981-2021)

A Chronicle of Health Heroes, Historic Events, Challenges and Victories

Prepared and edited by Beverley Snell

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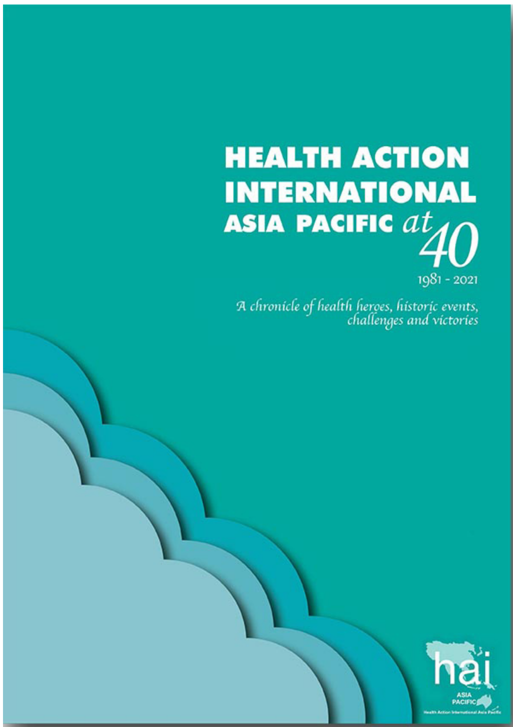

This book commemorates the 40th anniversary of Health Action International Asia Pacific (HAIAP), an informal network of non-governmental organisations and individuals in the Asia-Pacific region committed to resistance and persistence in the struggle for Health for All Now.

HAIAP is the regional arm of Health Action International – upholding health as a fundamental human right and aspiring for a just and equitable society in which there is regular access to essential medicines for all who need them. HAIAP works with governments, academic institutions and NGOs at community, national and regional levels on issues such as promoting the essential medicines concept, equitable and affordable access to essential medicines, rational use of medicines, ethical promotion and fair prices. While promoting awareness of the impact of multilateral agreements, particularly TRIPS and GATT, on access to affordable healthcare and essential medicines, HAIAP advocates for poverty eradication and action on other priority themes relevant to countries in the Asia-Pacific region.

Available at https://twn.my/title2/books/HAIAP%20at%2040.htm

MC12 "modalities" suggest negotiations on five issues at WTO

The programme for the WTO's upcoming 12th Ministerial Conference envisages talks during the meeting itself to thrash out substantive decisions, raising the prospect of last-minute outcomes that may sideline developing-country interests.

GENEVA: It appears that the World Trade Organization's 12th Ministerial Conference (MC12), scheduled for 12-15 June in Geneva, will be a negotiating meeting on five issues – "WTO response to the pandemic and TRIPS waiver", "food crisis", "fisheries subsidies", "agriculture reform" and "WTO reform" – according to the "modalities of sessions" document issued on 23 May.

The restricted informal modalities document, seen by the *South-North Development Monitor* (*SUNS*), indicates that thematic sessions on these issues will provide ministers and heads of delegation at MC12 "an opportunity to engage with each other in a frank dialogue on these issues in an interactive, personable environment. The respective Minister Facilitators will chair these sessions and engage in further discussions/outreach in various configurations as necessary to finalize reaching specific decisions/ministerial guidance or other outcomes on any of these areas".

This document seems to reveal the gameplan of WTO Director-General Ngozi Okonjo-Iweala to pursue "decisions/ministerial guidance or other outcomes" through negotiating sessions involving ministers in different "configurations" – which may include exclusive and secretive "green room" meetings – said people familiar with the development.

The modalities do not mention whether the ministers will negotiate on unresolved mandated issues such as a permanent solution for public food stockholding programmes in developing countries and a special safeguard mechanism in agriculture. Nor do they mention the flexibilities sought by the least-developed countries for graduating LDCs. However, they list other issues like the food crisis, agricultural reform and WTO reform, several of which are non-mandated.

Interestingly, regardless of the progress made in the above five areas, which are supposed to figure in a pre-MC12 stocktaking meeting in early June, the modalities document indicates that the Director-General is looking to turn MC12 into a negotiating session like what happened at MC10 in Nairobi in 2015 and MC11 in Buenos Aires in 2017, said people who asked not to be identified.

Thematic sessions

The modalities document, under the sub-heading "action by Ministers", says that "during the Formal Closing Session [of MC12], Ministers and Heads of Delegation are expected to take action that they deem necessary for the work of the WTO", adding that "this may include any action on ministerial declarations or decisions".

> The modalities document and the way the negotiations have been developing seem to point towards likely "take-it-or-leave-it" decisions that may be foisted on the developing countries and LDCs at the eleventh hour.

"To prepare the finalization of such action, several informal sessions will be convened from 13 to 15 June. A non-exhaustive list of areas that could be taken up – based on views that Members have expressed – can be found below under the sub-heading 3.3 Thematic Sessions on Specific Areas".

The document goes on to state that MC12 is proposed to have informal thematic sessions on fisheries subsidies, agriculture reform, the WTO's response to the pandemic and TRIPS waiver, the current food crisis, and WTO reform. "This does not preclude the possibility of a session or sessions on other matters, if need be, for example on the e-commerce moratorium and work programme or the outcome document."

The modalities maintain that "this non-exhaustive list reflects some of the key areas in which Members have indicated interest in Ministerial exchange for guidance."

While the thematic sessions are currently slated to be held consecutively, it is not clear whether this approach will be maintained. One can imagine that if certain sessions are added, as allowed for by the modalities, or if work on one theme does not end in the allocated time (which is currently set at three hours for each theme), then these sessions will have to be held simultaneously, which could create major challenges for delegations to follow and effectively participate.

In short, the modalities document indicates that there seem to be no clear deliverables for the developing and least-developed countries on the table at MC12, and even the proposed fisheries subsidies agreement is replete with carve-outs for the big subsidizers like China, the United States, the European Union, Canada and other developed countries.

Further, the modalities document and the way the negotiations on various issues have been developing, along with the over-emphasis on the narrative that the WTO has to deliver, seem to point towards likely "take-it-or-leave-it" decisions that may be foisted on the developing countries and LDCs at the eleventh hour on 15 June. *(TWN/SUNS9583)*

TRIPS Council "outcome text" contradicts bracketed working document

Up for consideration in the WTO negotiations on easing COVID-19-related intellectual property protections are two separate documents.

GENEVA: A restricted WTO TRIPS Council document (JOB/IP/58) titled "Outcome Text – Revision" and dated 23 May has been issued that reflects some of the tentatively agreed changes to the text issued by the WTO Director-General in document IP/C/W/688 on TRIPS COVID-19.

The "Outcome Text – Revision" however fails to include the textual suggestions made by WTO members in a working document that was issued on 20 May, said people familiar with the development.

The introductory paragraphs of JOB/IP/58 state:

"The Outcome Text circulated on 3 May 2022 in document IP/C/W/688 was accepted by the membership as a basis for text-based negotiations, without prejudice to the final position of Members. Since 17 May 2022, text-based negotiations have been conducted on this basis in a negotiating group composed of delegations and group coordinators.

"This revised outcome text reflects changes to the outcome text that were accepted by the negotiating group as of 20 May 2022. More textual proposals and suggestions from delegations in and outside of the negotiating group are being actively considered. These change rapidly and are only reflected in a temporary collection of suggestions and proposals that is used during individual meetings. The question of eligibility – considered by many delegations to be critical – still remains under consideration.

"It remains the understanding of all delegations that any overall outcome will have to be agreed by all Members."

There are thus effectively two documents – the heavily bracketed (indicating lack of agreement) working document which includes all textual suggestions, and the "revised outcome text" – said a TRIPS negotiator, who described this as "a strange development".

The revised outcome text as contained in JOB/IP/58 continues to contain many onerous elements such as "necessity tests", anti-diversion measures and notification requirements that go well beyond what is required under Article 31 of the TRIPS Agreement, said a TRIPS expert who asked not to be identified. The text is reproduced below:

"1. Notwithstanding the provision of patent rights under its domestic legislation, an eligible Member[1] may limit the rights provided for under Article 28.1 of the TRIPS Agreement (hereinafter 'the Agreement') by authorizing the use of the subject matter of a patent[2] required for the production and supply of COVID-19 vaccines without the consent of the right holder to the extent necessary to address the COVID-19 pandemic, in accordance with the provisions of Article 31 of the Agreement, as clarified and waived in paragraphs 2 to 6 below.

"2. For greater clarity, an eligible Member may authorize the use of the subject matter of a patent under Article 31 without the right holder's consent through any instrument available in the law of the Member such as executive orders, emergency decrees, government use authorizations, and judicial or administrative orders, whether or not a Member has a compulsory license regime in place. For the purpose of this Decision, the 'law of a Member' referred to in Article 31 is not limited to legislative acts such as those laying down rules on compulsory licensing, but it also includes other acts, such as executive orders, emergency decrees, and judicial or administrative orders.

"3. Members agree on the following clarifications and waiver for eligible Members to authorize the use of the subject matter of a patent in accordance with paragraphs 1 and 2:

"b) An eligible Member need not require the proposed user of the subject matter of a patent to make efforts to obtain an authorization from the right holder for the purposes of Article 31(b).

"c) An eligible Member may waive the requirement of Article 31(f) that authorized use under Article 31 be predominantly to supply its domestic market and may allow any proportion of the authorized use to be exported to eligible Members and to supply international or regional joint initiatives that aim to ensure the equitable access of eligible Members to the COVID-19 vaccine covered by the authorization.

"d) Eligible Members shall undertake all reasonable efforts to prevent the re-exportation of the COVID-19 vaccine that has been imported into their territories under this Decision. All Members shall ensure the availability of effective legal remedies to prevent the importation into their territories of COVID-19 vaccines produced under, and diverted to their markets inconsistently with, this Decision.

"e) Determination of adequate remuneration under Article 31(h) may take account of the humanitarian and not-for-profit purpose of specific vaccine distribution programs aimed at providing equitable access to COVID-19 vaccines in order to support manufacturers in eligible Members to produce and supply these vaccines at affordable prices for eligible Members. In setting the adequate remuneration in these cases, eligible Members may take into consideration existing good practices in instances of national emergencies, pandemics, or similar circumstances.[4]

"4. Nothing in Article 39.3 of the Agreement shall prevent an eligible Member from taking measures necessary to enable the effectiveness of any authorization issued as per this Decision.

"5. For purposes of transparency, as soon as possible after the adoption of the measure, an eligible Member shall communicate to the Council for TRIPS any measure related to the implementation of this Decision, including the granting of an authorization.[5]

"6. An eligible Member may apply the provisions of this Decision until [3][5] years from the date of this Decision. The General Council may extend such a period taking into consideration the exceptional circumstances of the COVID-19 pandemic. The General Council will review annually the operation of this Decision.

"7. No later than six months from the date of this Decision, Members will decide on its extension to cover the production and distribution of COVID-19 diagnostics and therapeutics."

Footnote [1] reads: "[For the purpose of this Decision, all developing country Members are eligible Members. Developing country Members with capacity to export vaccines are encouraged to opt out from this Decision.] [For the purpose of this Decision, developing country Members who exported more than 10 percent of world exports of COVID-19 vaccine doses in 2021 are not eligible Members.]."

Footnote [2] reads: "For the purpose of this Decision, it is understood that 'subject matter of a patent' includes ingredients and processes necessary for the manufacture of the COVID-19 vaccine."

Footnote [4] reads: "This includes the Remuneration Guidelines for Non-Voluntary Use of a Patent on Medical Technologies published by the WHO (WHO/TCM/2005.1)."

Footnote [5] reads: "The information provided shall include the name and address of the authorized entity, the product(s) for which the authorization has been granted and the duration of the authorization. The quantity(ies) for which the authorization has been granted and the country(ies) to which the product(s) is (are) to be supplied shall be notified as soon as possible after the information is available." *(TWN/SUNS9584)*

Battle lines drawn on WTO response to pandemic

Two contrasting approaches – one put forward by a group of developing countries and the other by an as yet unidentified grouping – are on the table as the WTO seeks to craft guidelines on implementing trade measures in light of the pandemic.

GENEVA: Negotiations on a declaration on the WTO response to the pandemic have recommenced, facilitated by Ambassador Dacio Castillo of Honduras who served as the chair of the WTO General Council last year.

Proposals submitted collectively by a group of developing countries including Pakistan, Sri Lanka, Egypt, South Africa, Indonesia, Venezuela, Tunisia, Uganda and Bolivia along with the African, Caribbean and Pacific (ACP) Group, and by a group which calls itself "Friends of the Facilitator", set the ground for further discussions.

Another document considered in these negotiations is prepared by the WTO secretariat and attempts to capture a "factual contribution" on the WTO members' responses to the pandemic and the contributions of the secretariat. This contribution is intended to form an opening section of the eventual declaration on the WTO response to the pandemic that could emerge out of this process. Notably, however, there is no precedent that can be recalled when the secretariat contributed directly to drafting a whole section of a potential Ministerial declaration, one observer said.

On the proposal circulated by the "Friends of the Facilitator", Castillo claims it is "an informal paper intended to help to move the negotiations on the trade part of the WTO Response to Pandemic".

The "Friends" maintain that their proposal "condenses some sections of the November Walker text (Job/GC/281), and it includes transparency, export restrictions, trade facilitation and an action plan." (The Walker text was put forward by Castillo's predecessor as facilitator, New Zealand Ambassador David Walker.)

Surprisingly, the members of the "Friends" grouping are not listed in the submission, as is usual practice, and the facilitator has not clarified who these "Friends" are and when the group was constituted.

It is not known whether the "Friends" submission is in fact the text alluded to by the European Union when it previously stated that it was working with the US to make a condensed proposal on the trade component of the WTO response to the pandemic, said a person who asked not to be quoted.

Castillo must clarify who the "Friends" are and whether it is a proposal by the US, the EU and/or other members, the person said.

Developing-country-ACP-Group proposal

The proposal by the ACP Group and a group of developing countries including South Africa, Egypt, Uganda, Pakistan, Indonesia, Bolivia, Uganda and Sri Lanka builds on the submissions last year by a group of developing countries which came to be known as the 278 co-sponsors (named after the document number of their initial submission) and which the ACP Group recently joined.

The joint proposal said "expanding and diversifying manufacturing capacity and reducing barriers to the export of COVID-19 medicines, diagnostics and raw materials are critical components of a comprehensive preparedness and resilience policy."

According to the proposal, "the current model of global vaccine distribution is based on financial competition for limited vaccine supplies, resulting in a small number of countries getting first access to vaccines, with other developing countries and LDCs relying on voluntary donation schemes", while "pharmaceutical companies own the intellectual property rights for

COVID-19 vaccines, allowing them to control manufacturing, distribution, and pricing."

The proposal underscored the role of "public investment", saying that it was "instrumental in accelerating COVID-19 vaccine discovery, with technologies often being based on decades of academic research." It added that "public investment also supported vaccine development through clinical development stages, with the use of government facilities, research grants, and by accelerating regulatory approval. Public investment was then used to underwrite the risk of production costs, with advance purchase schemes."

It highlighted that "the COVID-19 pandemic has brought the challenges of technology transfer into the spotlight", emphasizing "the importance of technology transfer to enable rapid scaling of new health innovations to advance global health and drive economic development in a manner that is sustainable for the broader innovation ecosystem."

The proposal listed the following inputs for a "credible, meaningful and effective response to the pandemic that builds resilience for future pandemics":

(a) a shared desire to ensure flexibilities in the intellectual property system to address barriers to scaling up and diversifying production and supply to support members' responses to the pandemic, including through international efforts to develop, manufacture and distribute COVID-19 products;
(b) the particular situation and needs of import-dependent developing countries;
(c) the importance of technology transfer, technical assistance and capacity building for developing members including LDCs;
(d) the understanding that the pandemic has exacerbated members' balance-of-payments challenges which, inter alia, negatively impact their access to trade finance and participation in international trade.

The ACP Group and the group of developing countries said that the proposed "Declaration and Action Plan [on the WTO response to the pandemic] do not alter Members' rights and obligations provided in the WTO Agreements."

They also emphasized the "central role of the multilateral trading system in facilitating the expansion and ramping up of production, and promoting the availability, in a timely manner, of essential goods and services needed in the fight against the COVID-19 pandemic and in ensuring equitable access to them and at affordable prices, especially in developing countries including least-developed countries (LDCs), notably by promoting the diversification of production and supply of essential medical goods and facilitating provision of such services, including through identifying opportunities and addressing barriers, that may also be related to intellectual property issues."

The joint proposal also recognized that "inequitable access to products required to prevent, treat or contain the spread of COVID-19 infection is a major contributing factor to the unbalanced recovery from the pandemic."

It insisted that "trade rules should accommodate the policy space that is particularly important for developing and least-developed countries."

The developing-country proponents reaffirmed their resolve to ensure that "any emergency trade measures designed to tackle COVID-19, if deemed necessary, are targeted, proportionate, transparent, and temporary; reflect our interest in protecting developing countries and least-developed countries; do not create unnecessary barriers to trade that are arbitrary and unjustified; and are consistent with existing WTO rules."

While this language is appearing in submissions under consideration in the negotiations on the WTO's pandemic response, experts have pointed out that such standards do not form part of the obligations pertaining to emergency trade measures under the existing WTO rules. When interacting with existing WTO obligations in the future, these standards could influence the way the existing obligations are applied and how WTO member states are expected to approach emergency trade measures in the future, the experts added.

The developing-country proponents further recalled the 2001 Doha Declaration on the TRIPS Agreement and Public Health and reiterated that "the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health." Accordingly, while reiterating "our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all".

The proposal included a placeholder for the outcome of the simultaneously ongoing negotiations on the intellectual property track of the WTO response to the pandemic. The proponents said "we also agree that beyond COVID-19, resilience building, response, and recovery to face future health emergencies or other crises also requires WTO Members to address issues and concerns with respect to intellectual property including the difficulties faced by developing countries and LDCs in using flexibilities of the TRIPS Agreement to protect public health."

The proposal underscored the need to agree that "Members will not directly or indirectly prevent or discourage another Member(s) from fully utilizing the existing flexibilities of the TRIPS Agreement or in any way limit such flexibilities."

It reaffirmed "the need for a solution on IP [intellectual property] in addressing the difficulties faced by developing countries in accessing TRIPS flexibilities to apply automatically to future pandemics, health emergencies and other crises."

The proposal suggested the following areas to be addressed as part of a work programme:

(a) the role of the intellectual property system in diversification of production across all regions of the world, development and timely and equitable distribution of health technologies needed to respond to future pandemics, including evaluating the adequacy of the TRIPS Agreement flexibilities to protect public health, as well as developing TRIPS provisions to deal with future pandemics;
(b) possible ways to promote the transfer of technology and know-how in order to diversify the production of COVID-19 products;
(c) tripartite (WIPO, WHO, WTO) assessment of transparency of contracts for vaccines, therapeutics and diagnostics, and recommendations for improvements where necessary;
(d) policy tools within the mandate of the WTO to promote food security and livelihoods;

(e) the role of WTO rules in promoting economic recovery, resilience and structural transformation.

"Friends of the Facilitator" proposal

The submission by the "Friends of the Facilitator" generally suggested that the response to COVID-19 and future pandemics should lie in keeping markets open, bolstering regulatory constraints on emergency trade measures, speeding up implementation of trade obligations such as those under the Trade Facilitation Agreement, and deepening monitoring mechanisms.

Issues of importance to developing countries and LDCs including policy space, food security and economic resilience were absent from the submission.

The "Friends" emphasized the central role of the multilateral trading system for promoting the availability, "in a timely manner, of essential goods and services needed in the fight against the COVID-19 pandemic and in promoting equitable access to them, especially in developing countries highly dependent on imports of such goods and services, and in particular LDCs, notably by promoting the diversification of COVID-19 vaccines, therapeutics, diagnostics, and other essential medical goods production and supply, and facilitating provision of such services, including through identifying opportunities and addressing barriers".

The "Friends" said that they "are committed to transparency and inclusiveness, including the need for timely notifications of COVID-19-related measures and trade-related measures in future pandemics in accordance with WTO rules." They called for "examin[ing] whether existing notification requirements are adequate to ensure that Members and traders are able to become familiar with the measures taken in the context of the COVID-19 pandemic and future pandemics."

They further maintained that "timely and accurate information is vital to enable the quick identification by Members of potential disruptions in related supply chains during the COVID-19 pandemic and future pandemics." They urged the WTO's General Council chair to "identify a relevant institutional forum to meet expeditiously for the exchange of information in the event that a WTO Member raises concerns about disruptions of supply chains in the context of the COVID-19 pandemic or a future pandemic so as to facilitate enhanced cooperation and dialogue amongst Members."

The "Friends" underscored "the importance of technical assistance and capacity building in respect of transparency and monitoring as the COVID-19 pandemic and future pandemics may further constrain the limited resources and institutional capacities of developing countries, in particular LDCs."

They called for keeping markets "open in accordance with WTO rules, to facilitate manufacturing, and supply and distribution, of COVID-19 vaccines, therapeutics, diagnostics, and other essential medical goods, including their inputs, as well as the provision of services."

The "Friends" affirmed their resolve "to ensur[e] that any emergency trade measures designed to tackle COVID-19, if deemed necessary, are targeted, proportionate, transparent, and temporary; reflect our interest in protecting the most vulnerable; do not create unnecessary barriers to trade or disruptions in supply chains; and are consistent with WTO rules." They added that while implementing such measures, they will "uphold the principle of international solidarity, considering the evolving needs of other countries for emergency supplies and humanitarian assistance."

On export restrictions, the "Friends" diluted the language in the Walker text, perhaps to accommodate the interests of the US, by saying that they "may apply export restrictions and otherwise take measures necessary to protect life and health in accordance with WTO rules" but "intend to exercise due restraint in the imposition of export restrictions on COVID-19 vaccines, therapeutics, diagnostics, and other essential medical goods, including their inputs."

They added that in the event of the imposition of export restrictions on COVID-19 vaccines, therapeutics, diagnostics and other essential medical goods, "we will give particular consideration to the interests of those countries, including developing countries highly dependent on imports, and in particular LDCs and, where possible, exempt them, and humanitarian shipments for their use, from the measures or take other appropriate action in order to avoid a negative impact of such measures on their access to those goods."

The "Friends" reiterated "the importance of strengthening the implementation of the WTO Trade Facilitation Agreement and particularly those provisions which have proved critical to date during the COVID-19 pandemic as discussed in the Committee on Trade Facilitation."

They underlined "the critical role of services in ensuring resilience during the COVID-19 pandemic and future pandemics."

The "Friends" also proposed a "follow-up post-MC12", highlighting the following points:

- They proposed that "relevant WTO bodies are encouraged to analyze within their fields of competence lessons that have been learned from the COVID-19 pandemic and whether there are best practices or recommendations for action that could be taken in response to future pandemics, health emergencies, or any other emergencies and consider possible work forward on the basis of proposals from Members."
- The review and analysis are proposed to be carried out in relevant WTO bodies such as the Council for Trade in Goods or its subsidiary bodies (including the Committee on Trade Facilitation, the Committee on Technical Barriers to Trade, the Committee on Market Access, and the Committee on Agriculture), the Trade Policy Review Body, the Council for Trade in Services or its relevant subsidiary bodies, the Council for Trade-Related Aspects of Intellectual Property Rights, the Committee on Trade and Development, and the Working Group on Trade and Technology Transfer.

In a nutshell, the two proposals – one by the ACP Group and the group of developing countries, and the other by the "Friends of the Facilitator" – offer two different pathways for addressing the trade-related aspects of the WTO's response to the pandemic.

It remains to be seen whether the ACP Group and group of developing countries will stand their ground in the face of the "Friends" submission, said people who asked not to be quoted. *(TWN/SUNS9582)*

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MC12 draft "outcome" document mired in divergences at WTO

Member states remain at odds over the direction of WTO reform, as reflected in the continued inability to arrive at agreed wording on this topic in the draft outcome text for MC12.

by D. Ravi Kanth

GENEVA: Ongoing discussions on the draft outcome document for the WTO's 12th Ministerial Conference seem to be mired in divergences, including on the issue of "WTO reform".

Developing and least-developed countries are seeking a clear roadmap on WTO reform based on the WTO's foundational Marrakesh Agreement. In contrast, the major developed countries appear to be opposed to any mention of the Marrakesh Agreement so as to keep the mandate open to introducing their controversial proposals such as eliminating the principle of consensus-based decision-making and enabling plurilateral negotiations, said people who asked not to be quoted.

At an informal WTO General Council (GC) meeting on 24 May, the divide between the developed countries and some of their developing-country allies on the one side, and a large majority of developing countries on the other, came into the open with regard to several paragraphs in the draft MC12 outcome document.

With the conference scheduled to start on 12 June, the GC chair, Ambassador Didier Chambovey of Switzerland, sounded alarm bells, saying that the "stakes are very high" on the outcome document.

Divergences

The chair provided an account of his meetings with members in different configurations on the outcome document. In relation to the issue of WTO reform, he said he could "distill three common elements" arising from the meetings: (i) an acknowledgement of the need for WTO reform; (ii) that the reform process should be open, transparent and inclusive; and (iii) that it should address the interests of all members.

However, he acknowledged that "discussions have also demonstrated that divergences remain, including on issues such as 'where' and 'how' this process should take place".

Chambovey said "I should note that many prefer a short and general mandate on WTO reform, while some others would like to establish additional parameters for the reform discussion in the text."

However, it appears that it is not "many" but several developed countries such as the European Union and the United States and some developing countries that want a "short and general mandate" on WTO reform, said people who asked not to be quoted. Many developing and least-developed countries instead want a clear roadmap based on the Marrakesh Agreement to revitalize the multilateral trading system with development-oriented goals, said these people.

If the mandate for WTO reforms is left open and vague as sought by the EU and the US, the developing countries fear a repeat of the controversial Nairobi Ministerial Declaration from MC10 in 2015 that ambiguously laid the ground for discontinuing the Doha work programme and pursuing plurilateral negotiations in its stead, said people who asked not to be quoted.

To recall, paragraph 30 of the Nairobi Ministerial Declaration stated: "We recognize that many Members reaffirm the Doha Development Agenda, and the Declarations and Decisions adopted at Doha and at the Ministerial Conferences held since then, and reaffirm their full commitment to conclude the DDA on that basis. Other Members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations. Members have different views on how to address the negotiations. We acknowledge the strong legal structure of this Organization."

Thus, in the current talks on WTO reform, a large majority of developing and least-developed countries seem to have demanded that the proposed reforms must be grounded in the Marrakesh Agreement and aim at revitalizing the multilateral trading system. Many developing countries have opposed changes to Articles II.1, III.2 and IX of the Marrakesh Agreement that would do away with the principle of consensus-based decision-making and pave the path for plurilateral trade negotiations.

In response to the apparent clash of the two reform narratives, the GC chair said that "based on what I heard, I sense that this is where Members remain apart and where a solution would need to be sought if we are to arrive at an agreeable mandate on WTO reform."

Chambovey added that "some delegations have also indicated that if the language on WTO reform in paragraph 8 [of the draft outcome document] is not agreeable, other paragraphs may be affected as well, including paragraph 9 (on DSU reform) and for some, the entire outcome document may be affected. Colleagues, it is clear that the stakes are very high."

The bracketed (indicating lack of agreement) paragraph 8 states: "We acknowledge the need to take advantage of available opportunities, address the challenges that the WTO is facing, and ensure the WTO's proper functioning. We commit to work towards necessary reform of the WTO. [We [establish a Working Group open to all Members] [agree to a review] under the auspices of the General Council to [review and] consider, based on contributions from Members, institutional and other improvements to the functioning of the WTO [as agreed by all WTO Members].] We agree that the discussions should be open, transparent, inclusive, and must address the interests of all Members [including the development and policy space needs of developing country Members and LDCs]. [It shall prepare recommendations on the following issues, among others: dispute settlement function, negotiating function, and monitoring and deliberating function.] We undertake to engage closely in this process, instruct officials to prepare recommendations [and update them regularly], and take appropriate decisions [at the next Ministerial Conference] [on the review as appropriate] [bearing in mind at all times the development issue].”

This is followed by two alternative sets of text:

- Alternative 1: “[We agree to launch a comprehensive review of the operations of the WTO under the auspices of the General Council with the view to making the necessary reforms to improve its functions. The process should be open, transparent, inclusive, and must address the interests of all Members. We undertake to engage closely in this process and to instruct officials to prepare recommendations. We will consider the outcome of this process and take appropriate decisions on WTO reform at the next Ministerial Conference.]”
- Alternative 2 (language proposed by developing countries): “[We agree to review the operations of the WTO with the view to making the necessary reforms to improve its functions, consistent with the principles and objectives of the multilateral trading system as set out in the Marrakesh Agreement Establishing the World Trade Organization and its multilateral trade agreements. The process as well as the outcomes of the review should be transparent, inclusive and give due regard to the development and policy space needs of developing and least-developed countries. The review and its outcomes shall not alter, or in any manner affect, Members’ rights and obligations under the WTO Agreements and agreed mandates. We undertake to engage closely in this process and instruct officials to prepare recommendations. The review shall be undertaken in the dedicated sessions of the General Council led by the General Council Chair and the rules of procedure of the General Council Meetings shall be applicable to these sessions. The General Council shall present a report to the Ministers at the Thirteenth Ministerial Conference on the status of the review.]”

Other paragraphs

The GC chair said that there are differences even on paragraph 9 of the draft outcome document dealing with the WTO’s dispute settlement system.

Paragraph 9 states: “We acknowledge the challenges and concerns with respect to the dispute settlement system including those related to the Appellate Body, recognize the importance and urgency of addressing those challenges and concerns, and commit to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by MC13.”

Paragraph 10 on the WTO’s negotiating function also comprises two alternatives:

- Developed countries’ proposal: “[We commit to revitalize the WTO negotiating function and to strengthen its rulemaking by facilitating trade negotiations [within the multilateral trading system]. Many Members reaffirm our commitment to exclusive multilateral negotiations. Many other Members believe that new approaches are necessary to achieve meaningful outcomes in WTO negotiations.]”
- Developing countries’ proposal: “[We commit to preserve the WTO negotiating function and to strengthen the capacity of the WTO to perform its function as the forum for negotiations among all its Members concerning their multilateral trade relations as collectively decided by the Ministerial Conference, in accordance with Articles II.1 and III.2 of the Marrakesh Agreement Establishing the World Trade Organization and other relevant articles of the WTO Agreement, and with a view to strengthening its ability to develop an integrated, more viable multilateral trading system.]”

On paragraph 12, which deals with WTO accessions, the GC chair said he is “yet to receive feedback on the bracketed language and an update today would be welcome.”

On paragraph 14, which deals with the package of flexibilities for graduating LDCs, the chair said that “where delegations have expressed some reservations, I understand from the proponents that they will be reaching out to delegations. I also understand that a reference welcoming the decision recently taken in the Committee on Rules of Origin may usefully replace the bracketed text in this paragraph.”

The US has opposed a blanket agreement on extending the flexibilities for graduating LDCs for a period of six or nine years, said people who asked not to be quoted.

The GC chair said that “concerning the footnote that applies to paragraphs 15 and 16, I have checked with both delegations and the reservations have been reiterated. So, unless there have been further developments, there appears to be no agreement on these two paragraphs.” Paragraphs 15 and 16 are in relation to the issues of trade and gender and disciplines for micro, small, and medium enterprises (MSMEs).

Chambovey said overall, “we should not underestimate the challenges and difficulties of finalizing this outcome document.”

“Therefore, at this late stage of our preparatory process, if Members are still willing to work towards a consensus outcome document, this will require flexibility and pragmatism and willingness to compromise,” the chair said. *(SUNS9584)*

Rise of the super-rich and fall of the world's poor

A report by the humanitarian organization Oxfam points to a billionaire bonanza in the midst of proliferating poverty.

by Thalif Deen

NEW YORK: Michael Bloomberg, the three-term mayor of New York city and a billionaire philanthropist, was once quoted as saying that by the time he dies, he would have given away all his wealth to charity, so that his cheque to the funeral undertaker will bounce for lack of funds in his bank account.

Sounds altruistic – even as the number of billionaires keeps rising while the poorest of the world's poor keep multiplying.

The latest brief by Oxfam International, titled "Profiting from Pain" and released on 23 May, shows that 573 people became new billionaires during the two-and-a-half-year COVID-19 pandemic, while the world's poverty-stricken continued to increase in number.

"We expect this year that 263 million more people will crash into extreme poverty, at a rate of a million people every 33 hours," Oxfam said.

Meanwhile billionaires' wealth has risen more in the first 24 months of COVID-19 than in 23 years combined. The total wealth of the world's billionaires is now equivalent to 13.9% of global gross domestic product (GDP). This is a threefold increase, up from 4.4% in 2000, according to the study.

Asked about philanthropic gestures, Gabriela Bucher, Executive Director of Oxfam International, told Inter Press Service (IPS) wealthy individuals who use their money to help others should be congratulated. "But charitable giving is no substitute for wealthy people and companies paying their fair share of tax or ensuring their workers are paid a decent wage. And it does not justify them using their power and connections to lobby for unfair advantages over others," she declared.

Oxfam's new research also reveals that corporations in the energy, food and pharmaceutical sectors – where monopolies are especially common – are posting record-high profits, even as wages have barely budged and workers struggle with decades-high prices amid COVID-19.

The fortunes of food and energy billionaires have risen by $453 billion in the last two years, equivalent to $1 billion every two days, says Oxfam. Five of the largest energy companies (BP, Shell, Total Energies, Exxon and Chevron) are together making $2,600 in profits every second, and there are now 62 new food billionaires.

The Oxfam study also says the pandemic has created 40 new pharma billionaires. Pharmaceutical corporations like Moderna and Pfizer are making $1,000 in profits every second just from their monopoly control of the COVID-19 vaccine, despite its development having been supported by billions of dollars in public investments. "They are charging governments up to 24 times more than the potential cost of generic production. 87% of people in low-income countries have still not been fully vaccinated."

"The extremely rich and powerful are profiting from pain and suffering. This is unconscionable. Some have grown rich by denying billions of people access to vaccines, others by exploiting rising food and energy prices. They are paying out massive bonuses and dividends while paying as little tax as possible. This rising wealth and rising poverty are two sides of the same coin, proof that our economic system is functioning exactly how the rich and powerful designed it to do," said Bucher.

Currently, the world's total population is around 7.8 billion, and according to the UN, more than 736 million people live below the international poverty line. A World Bank report last year said that extreme poverty is set to rise, for the first time in more than two decades, and the impact of the spreading virus is expected to push up to 115 million more people into poverty, while the pandemic is compounding the forces of conflict and climate change that have already been slowing poverty reduction. By 2021, as many as 150 million more people could be living in extreme poverty.

Yasmeen Hassan, Global Executive Director at Equality Now, told IPS that Oxfam's report demonstrates systemic failings in the discriminatory nature of countries' economies and underscores the urgent need for financial systems to be restructured so that they benefit the 99%, not the 1%.

"As with any crisis, Equality Now foresaw that gender would influence how individuals and communities experienced the pandemic, but even we were shocked at how exceptionally and intensely pre-existing inequalities and sex-based discrimination have been exacerbated," she said.

While billionaires – the vast majority of whom are men – continue to amass vast sums of wealth, women around the world remain trapped in poverty. Wealthy elites are profiting off women's labour, much of which is underappreciated, underpaid and uncompensated, she pointed out.

"Economic hardship and inadequate policy responses to the pandemic have eroded many of the hard-won gains that have been achieved over recent years for women and girls. From increases in child marriage, sexual exploitation and human trafficking, to landlords demanding sex from female tenants who have lost their job, and domestic workers trapped inside with abusive employers, women and girls around the world have borne the brunt of the pandemic," Hassan declared.

"Grotesque inequality"

The Oxfam study was released to coincide with the World Economic Forum (WEF)'s annual meeting – which includes the presence of the rich and the super-rich – in Davos, Switzerland on 22-26 May.

"Billionaires are arriving in Davos to celebrate an incredible surge in their fortunes. The pandemic, and now the steep increases in food and energy prices have, simply put, been a bonanza for them. Meanwhile, decades of progress on extreme poverty are now in reverse and millions of people are facing impossible rises in the cost of simply staying alive," said Oxfam's Bucher.

She said billionaires' fortunes have not increased because they are now smarter or working harder. It is really the workers who are working harder, for less pay and in worse conditions.

The super-rich, she argued, have rigged the system with impunity for decades and they are now reaping the benefits. "They have seized a shocking amount of the world's wealth as a result of privatization and monopolies, gutting regulation and workers' rights while stashing their cash in tax havens – all with the complicity of governments.

"Meanwhile, millions of others are skipping meals, turning off the heating, falling behind on bills and wondering what they can possibly do next to survive. Across East Africa, one person is likely dying every minute from hunger. This grotesque inequality is breaking the bonds that hold us together as humanity. It is divisive, corrosive and dangerous. This is inequality that literally kills."

Elaborating further, Hassan of Equality Now said women are more likely to be informally employed low-wage earners, and this disadvantaged position has resulted in higher rates of women losing their jobs, particularly in sectors that were not prioritized in government relief packages.

"Women are also more likely to be the primary caretaker and many have had to absorb increases in unpaid duties while schools and nurseries shut down. As a consequence, some women have been forced out of jobs as they found it impossible to juggle full-time work while also providing full-time childcare.

"This loss of income has been especially catastrophic for women in poverty and has made them more vulnerable to a range of human rights violations."

She said world leaders must stop pursuing policy agendas that benefit the rich and hurt the poor. "Instead, we urgently need a committed and coordinated response from governments and policymakers to reduce inequality and poverty, and address discrimination that is holding women and girls back while allowing the super-rich to get richer still."

Oxfam recommends that governments urgently:

- Introduce one-off solidarity taxes on billionaires' pandemic windfalls to fund support for people facing rising food and energy costs and a fair and sustainable recovery from COVID-19. Argentina adopted a one-off special levy dubbed the "millionaire's tax" and is now considering introducing a windfall tax on energy profits as well as a tax on undeclared assets held overseas to repay International Monetary Fund (IMF) debt. The super-rich have stashed nearly $8 trillion in tax havens.
- End crisis profiteering by introducing a temporary excess profit tax of 90% to capture the windfall profits of big corporations across all industries. Oxfam estimated that such a tax on just 32 super-profitable multinational companies could have generated $104 billion in revenue in 2020.
- Introduce permanent wealth taxes to rein in extreme wealth and monopoly power, as well as the outsized carbon emissions of the super-rich. An annual wealth tax on millionaires starting at just 2%, and 5% on billionaires, could generate $2.52 trillion a year – enough to lift 2.3 billion people out of poverty, make enough vaccines for the world, and deliver universal healthcare and social protection for everyone living in low- and lower-middle-income countries. *(IPS)*

US ranked world's biggest perpetrator of financial secrecy

The US tops a list of countries deemed to be facilitating tax dodging.

by Jake Johnson

A global index published on 17 May ranks the United States as the world's leading perpetrator of financial secrecy, citing the country's refusal to share key information with the tax authorities of other nations and its status as a generous tax haven for foreign oligarchs, rich executives and other elites.

The ranking comes despite US President Joe Biden's campaign-trail pledge to "bring transparency to the global financial system, go after illicit tax havens, seize stolen assets, and make it more difficult for leaders who steal from their people to hide behind anonymous front companies."

In December, following the leak of an enormous trove of tax documents that called additional attention to the country's secretive financial system, US Treasury Secretary Janet Yellen conceded, "There's a good argument that, right now, the best place to hide and launder ill-gotten gains is actually the United States."

The latest edition of the Financial Secrecy Index, a project of the Tax Justice Network (TJN), echoes that assessment, faulting the US for its weak corporate tax disclosure rules and overall lack of transparency. In fact, the index awarded the US the highest secrecy score since 2009, when the ranking began.

"That isn't a prize the US wants to claim for itself," Gary Kalman, the executive director of Transparency International US, said in a statement. "The combination of secrecy and size of our financial system puts the US ahead of other notorious secrecy havens like the Cayman Islands and Switzerland. That's a shameful distinction."

While noting that some progress has been made over the past year and a half – specifically Congress' passage of a ban on anonymous shell companies, entities often used to hide illicit cash – TJN found that "the US now fuels more global financial secrecy than Switzerland, Cayman, and Bermuda combined."

TJN also stressed that the shell company law enacted in January 2021 is riddled with loopholes such as "limited definitions of which legal entities and beneficial owners must register, 23 baked-in exemptions to registration, and an absence of requirements on all trusts."

To improve on its dismal ranking, TJN urged the US to "reciprocally exchange information with other countries by adopting the Common Reporting Standard and become a party to amended Convention on Mutual Administrative Assistance in Tax Matters," steps that "would cut its supply of financial secrecy to the world by 40%."

The US-based Financial Accountability and Corporate Transparency (FACT) Coalition also outlined a number of actions the Biden administration and Congress should take, including "introducing consistent anti-money laundering due diligence and reporting requirements to the $11 trillion US private investment fund industry."

"While the US has committed to being a leader in cracking down on global corruption, these rankings show how corrupt actors are weaponizing our financial system against democracy here and abroad," said Ian Gary, the FACT Coalition's executive director.

Rich-country "subversion"

TJN argued that despite "subversion" by the G7 leading industrial countries, global financial secrecy has continued to shrink overall thanks to "more countries adopting or improving beneficial ownership registration laws – which require the identification and registration of the real individual, made of flesh and blood, who ultimately owns, controls, or benefits from a company or legal vehicle – and by more countries, particularly lower-income countries, improving international cooperation on anti-money laundering efforts, information exchange, treaties, and judicial cooperation."

Alex Cobham, TJN's chief executive, said in a statement that "globally, we're starting to curb the financial secrecy used by Russian oligarchs, and also by tax evaders, corrupt politicians, and organized crime around the world to hide and launder ill-gotten wealth."

"But the US, UK, Germany, Italy, and Japan cut back that global progress by more than half, fuelling financial secrecy instead of fighting it," Cobham continued. "The G7 must make clear where they stand in the fight against financial secrecy by committing to a global asset register."

TJN researcher Moran Harari added that "once again, a small club of rich countries setting global rules on finance and tax are found to be the ones most responsible for facilitating financial secrecy and tax abuses."

"For decades, rich G7 countries courted billionaires, oligarchs, and corporate giants with secrecy loopholes and eyes-wide-shut regulations," said Harari. "The regulations they imposed facilitated the robbing of billions from poorer countries' public purses. And now those same regulations are making it nearly impossible for G7 countries themselves to track down the billions held offshore by sanctioned Russian oligarchs."

When the saviours are the problem

Raising interest rates is many central banks' go-to policy response to inflation. It may often also be the wrong one, caution *Anis Chowdhury* and *Jomo Kwame Sundaram*.

Central bank policies have often worsened economic crises instead of resolving them. By raising interest rates in response to inflation, they often exacerbate, rather than mitigate, business cycles and inflation.

US Federal Reserve Bank chair Jerome Powell has admitted: "Whether we can execute a soft landing or not, it may actually depend on factors that we don't control."

He conceded, "What we can control is demand, we can't really affect supply with our policies. And supply is a big part of the story here." Hence, decision-makers must consider more appropriate policy tools.

Rejecting "one size fits all" formulas, including simply raising interest rates, anti-inflationary measures should be designed as appropriate. Instead of squelching demand by raising interest rates, supply could be enhanced. Thus, Milton Friedman – whom many central bankers still worship – blamed the 1930s' Great Depression on the US Fed. Instead of providing liquidity support to businesses struggling with short-term cash-flow problems, it squeezed credit, crushing economic activity.

Similarly, before becoming Fed chair, Ben Bernanke's research team concluded that "an important part of the effect of oil price shocks [in the 1970s] on the economy results not from the change in oil prices, per se, but from the resulting tightening of monetary policy".

Adverse impacts of the 1970s' oil price shocks were worsened by the reactions of monetary policymakers, which caused stagflation. That is, US Fed and other central bank interventions caused economic stagnation without mitigating inflation.

Likewise, the longest US recession after the Great Depression, during the 1980s, was due to interest rate hikes by Fed chair Paul Volcker. A recent *New York Times* op-ed warned, "The Powell pivot to tighter money in 2021 is the equivalent of Mr. Volcker's 1981 move" and "the 2020s economy could resemble the 1980s".

Monetary policy for supply shocks?

Food prices surged in 2011 due to weather-related events ruining harvests in major food-producing nations, such as Australia and Russia. Meanwhile, fuel prices soared with political turmoil in the Middle East. However, Boston Fed head Eric Rosengren argued, "tightening monetary policy solely in response to contractionary supply shocks would likely make the impact of the shocks worse for households and businesses". Referring to Boston Fed research, he noted that commodity price changes did not affect the long-run inflation rate.

Other research has also concluded that commodity price shocks are less likely to be inflationary. This reduced inflationary impact has been attributed to "structural changes" such as workers' diminished bargaining power due to labour market deregulation, technological innovation and globalization.

Hence, central banks are no longer expected to respond strongly to food and fuel price increases. Policymakers should not respond aggressively to supply shocks, which are often symptomatic of broader macroeconomic developments.

Instead, central banks should identify the deeper causes of food and fuel price rises, only responding appropriately to them. Wrong policy responses can compound rather than mitigate problems.

Former Philippine central bank governor Amando M. Tetangco Jr noted that the bank had not responded strongly to higher food and fuel prices in 2004. He stressed that "authorities should ignore changes in the price of things that they cannot control".

Tetangco warned that "the required policy response is not ... straightforward ... Thus policy makers will need to make a choice between bringing down inflation and raising output growth". He emphasized that "a real sector supply side response may be more appropriate in addressing the pressure on prices".

Thus, instead of restricting credit indiscriminately, financing constraints on desired industries (e.g., renewable energy) should be eased. Enterprises deemed inefficient or undesirable, such as polluters or those engaged in speculation, should have less access to the limited financing available.

This requires designing macroeconomic policies to enable dynamic new investments, technologies and economic diversification. Instead of reacting with blunt interest rate policy tools, policymakers should know how fiscal and monetary policy tools interact and impact various economic activities. Used well, these can unlock supply bottlenecks, promote desired investments and enhance productivity. As no one size fits all, each policy objective will need appropriate, customized, often innovative tools.

China's central bank, the People's Bank of China (PBOC), developed "structural monetary policy" tools and new lending programmes to help victims of COVID-19. These ensured ample inter-bank liquidity, supported credit growth and strengthened domestic supply chains.

Outstanding loans to small and micro businesses rose 25% to 20.8 trillion renminbi by March 2022 from a year before. By January, the interest rate for loans to over 48 million small and medium enterprises had dropped to 4.5%, the lowest level since 1978.

The PBOC has also provided banks with loan funds for promising, innovative and creditworthy companies, such as those involved in renewable energy and digital technologies. It thus achieves three goals: fostering growth, maintaining debt at sustainable levels, and "green transformation". Defying global trends, China's "factory-gate" (or producer price) inflation fell to a one-year low in April 2022 as the PBOC eased supply chains and stabilized commodity prices.

Although consumer prices have risen with COVID-19 lockdowns, the increases have remained relatively benign so far. In short, the PBOC has coordinated monetary policy with both fiscal and industrial policies to boost confidence, promote desired investments and achieve stable growth. It maintains financial stability and policy independence by regulating capital flows, thus avoiding sudden outflows, and interest rate hikes in response.

Improving policy coordination

Central bankers monitor aggregate indicators such as wage growth. However, before reacting to upward wage movements, the context needs to be considered. For example, wages may have stagnated or the labour share of income may have declined over the long term.

Moreover, wage increases may be needed for critical sectors facing shortages to attract workers with relevant skills. Wage growth itself may not be the problem. The issue may be weak long-term productivity growth due to deficient investments. Input-output tables can provide information about sectoral bottlenecks and productivity, while flow-of-funds information reveals what sectors are financially constrained, and which are net savers or debtors.

Such information can helpfully guide the design of appropriate, complementary fiscal and monetary policy tools. Undoubtedly, pursuing heterodox policies is challenging in the face of policy fetters imposed by current orthodoxies.

Central bank independence – with dogmatic mandates for inflation targeting and capital account liberalization – precludes better coordination, e.g., between fiscal and monetary authorities. It also undercuts the policy space needed to address both demand- and supply-side inflation.

Monetary authorities are under tremendous pressure to be seen to be responding to rising prices. But experience reminds us they can easily make things worse by acting inappropriately. The answer is not greater central bank independence, but rather, improved economic policy coordination. *(IPS)*

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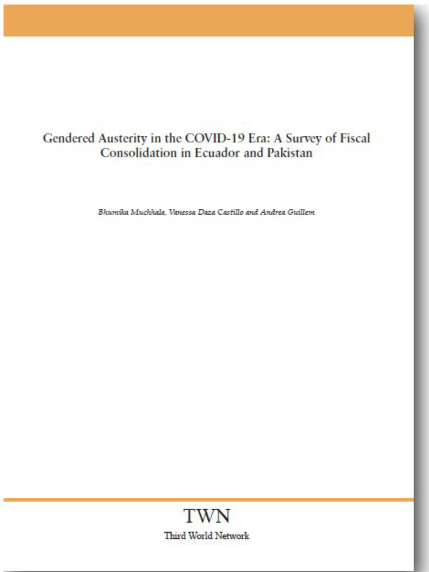
Gendered Austerity in the COVID-19 Era: A Survey of Fiscal Consolidation in Ecuador and Pakistan

by Bhumika Muchhala, Vanessa Daza Castillo and Andrea Guillem


Gendered Austerity in the COVID-19 Era: A Survey of Fiscal Consolidation in Ecuador and Pakistan

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TWN
Third World Network

Austerity is gendered in that the power relations that shape the distribution of resources and wealth as well as the labour of care and reproduction turn women and girls into involuntary "shock absorbers" of fiscal consolidation measures. The effects of austerity measures, such as public expenditure contraction, regressive taxation, labour flexibilization and privatization, on women's human rights, poverty and inequality occur through multiple channels. These include diminished access to essential services, loss of livelihoods, and increased unpaid work and time poverty. This report examines the dynamics and implications of gendered austerity in Ecuador and Pakistan in the context of the fiscal consolidation framework recommended by International Monetary Fund (IMF) loan programmes.

***Available at** https://twn.my/title2/books/pdf/GenderedAusterity.pdf*