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Fund-Bank meetings fail to deliver

The annual meetings of the International Monetary Fund (IMF) and World Bank took place on 10-16 October amid a confluence of crises engulfing the world economy. However, the two mainstays of global economic governance failed to rise to the occasion, continuing to prioritize fiscal austerity and private finance while paying scant heed to the plight of countries in debt distress.

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THIRD WORLD ECONOMICS
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World Bank and IMF failure to address the global polycrisis makes systemic reform even more urgent

Convened at a time of multiple, intersecting global crises, the recent annual meetings of the World Bank and the IMF fell woefully short of delivering the substantive measures needed to support the hardest-hit countries.

by Iolanda Fresnillo, María José Romero and Chiara Mariotti

This year's annual meetings of the World Bank and the International Monetary Fund – the Bretton Woods institutions – held in Washington on 10-16 October, were the first face-to-face gathering since the outbreak of the COVID-19 pandemic. The need for ambitious action could not be greater. The two institutions stressed that the world is facing multiple and interconnected crises – defined as a "polycrisis" by historian Adam Tooze and outlined by the World Bank as "Increased poverty. Food shortages. Energy shocks. Debt crises. Climate change. Inflation. War." The Bank's forecast also predicted "the world may be edging toward a global recession in 2023", while the IMF warned "the worst is yet to come" for the global economy. This will have dramatic consequences for already rising poverty levels and inequalities.

However, there was a disconnect between the alarming messages delivered by the World Bank and IMF – and by activists on the streets of Washington and around the world who were calling for action – and the underwhelming practical responses of the institutions.

The main takeaway of the meetings is that the Bretton Woods institutions have failed to deliver what is needed, proving yet again that they are unfit for purpose. The problem starts with their governance system, which simply must now be reformed.

Designed in 1944, when power relations were driven by colonialism, the current governance structure and quota distribution, which gives the greatest power to a few countries, follows that same (neo)colonial logic. Mia Mottley, the Prime Minister of Barbados, argued in her address to the 2022 United Nations General Assembly that the time had come for "a review of the settlement of the Bretton Woods institutions." She said that the agreement that gave rise to the Bank and the IMF "no longer serve[s] the purpose in the 21st century that they served in the 20th century". This was also raised by speakers at a civil society session dedicated to IMF governance, where the need to address the unbalanced governance structure and to end the "gentlemen's agreement" that guarantees US-European leadership at the Bretton Woods institutions was underlined.

A first step to deliver the systemic governance reform so desperately needed in both institutions would be a major change to the quota distribution. A major opportunity to advance with this reform is the upcoming 16th review of IMF quotas (the previous review failed to introduce any meaningful reforms). During the annual meetings, IMF Managing Director Kristalina Georgieva acknowledged the high cost of failing to review the IMF quotas, admitting to civil society organizations (CSOs) that "it undermines the credibility of the IMF, it undermines our ability to serve our members".

The polycrisis reveals the true colour of IMF policies

Civil society has for years denounced the gap between IMF rhetoric in favour of government spending on public services and social protection, and its practice that continues to recommend austerity measures. This year, the gap narrowed, as rhetoric moved closer to practice. Georgieva made clear that tackling inflation and reducing fiscal deficits are the priority, even if we are still deep in crisis with no end in sight and even if countries have already contracted their public spending. As the 2022 edition of Oxfam and Development Finance International's Commitment to Reducing Inequality Index shows, during the pandemic, half of low- and lower-middle-income countries saw health spending fall; half of the countries tracked by the Index cut social protection spending; 70% cut education spending; and two-thirds of countries failed to increase their minimum wage in line with gross domestic product.

The standard IMF answer to CSOs' concerns about the new wave of austerity cuts is that countries have to intensify social protection and other support measures targeted to the poorest and most vulnerable people. However, targeted systems have proven to be inefficient at reaching those in need, commonly excluding over half of the intended beneficiaries and reinforcing gender stereotypes rather than challenging them. In fact, civil society representatives attending the annual meetings were astonished by the limited interest of IMF staff in seriously engaging with CSO concerns, despite new evidence that by next year 85% of the world will be affected by austerity.

The only two measures announced to help countries face the crises and increase their fiscal space were the creation of a temporary Food Shock Window (FSW) for emergency lending, and the operationalization of the Resilience and Sustainability Trust (RST), both debt-creating tools.

The FSW might provide some short-term relief to countries struggling to pay for their food imports, but it does nothing to correct the IMF's long-held support for trade liberalization measures, market-led land reforms and financial deregulation of agriculture which have contributed to creating a dysfunctional and unbalanced global food system.

The operationalization of the RST is the latest move in the thus far failed attempt to rechannel the 2021 Special Drawing Rights (SDRs) allocation to countries that need it the most. While the IMF announced that Rwanda, Barbados and Costa Rica have officially applied for the RST, no SDRs have been rechannelled yet.

At the annual meetings, civil society reiterated concerns previously expressed about the RST, such as the fact that eligible countries must have a concurrent programme with the IMF, meaning they will have to meet the Fund's macroeconomic recommendations and definition of a stable macroeconomic environment, whether they agree with it or not. An additional concern is the emphasis placed on the hope that the RST will play a catalytic role for private capital to support climate needs, introducing reforms that will make it easier for governments to play a "de-risking role" and create incentives to attract private investment in the energy transition. This sounds too much like the World Bank Group (WBG)'s "maximizing finance for development" approach – termed by Professor Daniela Gabor the "Wall Street Consensus" – which has been questioned due to its focus on driving private capital into areas that should remain under the state. This is also something that may end up increasing the financial vulnerability of the Global South, serving the interests of private capital instead of people and the planet. None of these issues were addressed.

The RST, with its combination of macroeconomic programmes in the area of climate adaptation, energy transition and pandemic preparedness, will turn the IMF into a major actor in climate action. However, the Fund's limited expertise in the area, its unwillingness to move away from conditionality and austerity, and its unequal governance system make it ill-placed to play such a role. Climate action and climate finance should follow the principles of "polluter pays" and "common but differentiated responsibilities". They should include a strong element of justice and equity, acknowledging that the most important policy issue in economics today is how to tackle climate change in an equitable, just, gender-responsive and human-rights-based manner. All of these are yet to be seen in the IMF's engagement on climate.

The IMF should also use a greater variety of instruments to help countries expand their fiscal space, such as the elimination of surcharges (a system of fees on loans from the institutions); a new allocation of SDRs, especially if targeted to developing countries; and more focus on the need for debt restructuring. Yet none of these measures were addressed during the annual meetings.

Calls for the World Bank to "evolve" get louder, but what does "evolving" mean?

The dramatic nature of the global crises meant that the activities of the World Bank came under intense scrutiny. Damning criticism came from all sides, as this time CSOs were not the only ones raising concerns about WBG policies and practices. Current and former officials from the WBG's rich shareholders – with the US and Germany in the lead – made unprecedented calls for the institution to step up its game.

World Bank President David Malpass himself entered the annual meetings under a cloud of criticism for a dismissive remark in September about human-induced climate change, which resulted in former US Vice-President Al Gore accusing him of being a "climate denier". The WBG is also seen to be facing difficulties aligning its operations to the Paris Agreement on climate change. CSOs restated their call for greater WBG action on climate at a townhall event with Malpass. He announced a new trust fund called Scaling Climate Action by Lowering Emissions (SCALE) – to be launched at the COP27 UN climate conference in November – to provide grants to developing countries as they deliver pre-agreed results in reducing greenhouse gas emissions, but more ambitious actions are yet to be seen.

The WBG has worked to position itself as a "first respondent" to the polycrisis. However, its response leans more towards maintaining the status quo, displaying a complete failure to address the situation on the crisis footing it deserves. The July WBG Global Crises Response Framework Paper "Navigating Multiple Crises, Staying the Course on Long-term Development" shows the approach that the WBG is taking, which includes a financial package up to $170 billion through to June 2023 – not so different from the $160 billion that the WBG allocated to its response to the COVID-19 crisis – and a policy framework that does not incorporate any meaningful innovation.

The WBG emphasizes its role to strengthen policies and institutions, with a focus on generating fiscal space and crowding in private sector investments. Its "Navigating Multiple Crises" paper argues that "more robust private sector investment and public-private partnerships are vital for sustainable job creation and are necessary ingredients to reach development goals". This approach is pursued despite the evidence – including findings by World Bank and IMF staff – that public-private partnerships are an expensive and risky way of financing and delivering public services and can also result in increasing inequalities. And it does not recognize that the way businesses operate, often enabled by inadequate government oversight, is a big part of the problem the world is facing today – starting with their focus on short-term profits at the expense of long-term gains for people and the environment. While millions of people around the world are facing a cost-of-living crisis due to the continuing effects of the pandemic-induced crisis and the rapidly rising costs of essential goods and services, multinational corporations in the food, pharmaceutical, energy and tech sectors are making huge profits.

Against this backdrop, the Development Committee, a ministerial-level forum that represents 189 member countries, requested WBG management to work with the board to overhaul the institution's strategy. Specifically, they requested them to engage in "a systematic dialogue [with the board] to enhance our shared vision for the WBG, including strategic priorities, strengths and gaps, incentives, operational approach, and financial capacity to bolster and scale the response to global challenges". According to the Chair's Statement, this includes consideration by WBG management of the recommendations of the July Independent Review of Multilateral Development Bank Capital Adequacy Frameworks (CAF), commissioned by the G20. This request was also voiced by the G20 Chair's Statement, and comes loud and clear in the statement by US Treasury Secretary Janet Yellen, who "asked WBG Management to identify gaps in the WBG's current institutional and operational framework, and within the context of the international development finance architecture, deliver a roadmap by year-end for consideration by the World Bank Executive Board". What is at stake is a greater use of the Group's balance sheets to increase lending capacity, by increasing the risk appetite of the WBG in its operations, at a time when rich countries are not willing to recapitalize the institution and when the need for development finance is increasingly expanding.

While calls for the WBG to evolve are welcome, particularly when it comes to fully embracing the Sustainable Development Goals and the fight against climate change, there is no substantive discussion on what "evolution" means for the policies and practices of an institution that has historically been driven by the interests of rich countries. The "stepping up" that is requested seems to be a further financialization of development and climate action – more lending, more risk-taking – with losses being backed by the state and public money, rather than a qualitative change in how the Bank conceives of development.

Civil society is concerned about the possibility of a greater use of the WBG for delivering on a development agenda that is designed by its major shareholders and technocrats that rely on the promises of "trickle-down economics". An inclusive and open discussion must take place in the coming months for this process to deliver the evolution that is needed.

Debt crisis response: too little, too late?

Debt is another area where rhetoric and practice very much differ. The IMF and World Bank leadership seems to acknowledge the critical situation of Global South sovereign debt – Malpass called it "a fifth wave of debt crisis facing the developing world". However, officials from both institutions seem to have a hard time recognizing the gravity of the situation. Guillaume Chabert, Deputy Director of the Strategy, Policy and Review Department at the IMF, said we should be aware that "countries are not in a pre-HIPC situation yet", referring to the deep debt crisis in African and Latin American countries in the 1980s and 1990s.

That debt crisis led to a huge amount of human suffering, increased poverty and what has come to be known as the "lost decade for development", precisely because of the international community's "too little, too late" response. It is a syndrome that has become a historical feature of the response to debt crises, and that is also reflected in the response to the present debt emergency. We hear the financial markets, central banks and IMF representatives highlighting how the crisis is not yet systemic – that is, not affecting Global North markets. So they do not feel the pressure to act yet.

The reality on the ground in countries in the Global South, however, is starkly different, demonstrating the human rights blind spot of the IMF's assessments. The United Nations Development Programme (UNDP) has published a report titled "Avoiding 'Too Little Too Late' on International Debt Relief" which concludes that 54 low- and middle-income countries face severe debt problems. These problems are particularly acute for climate-vulnerable countries, as shown by another recent report, "Riders on the Storm", published by the European Network on Debt and Development (Eurodad). Four out of five small island developing states (SIDS) are facing different levels of debt distress. This is clearly leading to public spending cuts, exacerbating poverty, hunger and inequality and making it impossible, in the present climate emergency, to build resilient futures or maybe even to secure survival.

The existing mechanisms are failing to deliver the timely, comprehensive and lasting debt cancellation and restructuring that many countries need. The Common Framework for Debt Treatments is seen as imperfect by most officials, even leadership at the IMF and World Bank. Nevertheless, World Bank Macroeconomics, Trade and Investment Global Director Marcello Estevao described it as the "only game in town", while insisting that it was "about debt restructuring and not development", during a civil society event co-organized by Eurodad. Indeed, debt resolution is approached as if it had no effects on people's wellbeing and rights.

Meanwhile, Chad has finalized negotiations with its creditors, with zero debt relief. Zambia might reach an agreement by the end of the year – almost two years after requesting debt restructuring. Ethiopia, which applied to the Common Framework looking for a pre-emptive debt rescheduling, is not even mentioned anymore. Countries not eligible for the Common Framework, like Sri Lanka, face a rather chaotic and savage negotiation process with their creditors.

What is worse, all the blame for the present crisis is put on the shoulders of borrowing countries, and none on reckless lenders or rich countries' monetary policies. Most of the proposals discussed at the annual meetings were about improving debt transparency and debt management, with a striking lack of ideas on how to improve debt crisis resolution.

As there seem to be no clear gains for development, borrowing governments do not have any incentive to engage in debt restructuring, particularly with private creditors. They fear losing access to financial markets – which on many occasions is already lost or too expensive – and that they may come out of a long, costly and politically painful restructuring process with an IMF programme full of conditionalities and without any substantial debt cancellation. Ironically, most end up getting a new IMF loan, kicking the can down the road – the perfect recipe for yet another "too little, too late" debt crisis response.

It seems clear that we need a new international financial system, including a new framework for sovereign debt restructuring. While the Bretton Woods institutions keep trying to improve the Common Framework, stalled in intercreditor disputes at the G20, civil society is determined to take forward the process for the creation of a multilateral sovereign debt resolution framework under UN auspices, and to call for unconditional debt cancellation for all countries in need from all creditors. As the UNDP report states, "Debt relief would be a small pill for wealthy countries to swallow, yet the cost of inaction is brutal for the world's poorest."

When more than a third of the Global South is in acute debt distress, we can't wait for rich countries to decide that the crisis is "systemic" before acting. As the Global Week of Action for Justice and Debt Cancellation statement, signed by more than 400 organizations, states: "We refuse to be held hostage by the lenders and global rule-makers who are leading us down a path towards greater inequality, impoverishment, deprivation and ecocide."

The annual meetings proved yet again that without fundamental reform to how the World Bank and IMF are governed and how they ultimately operate, the same mistakes will be repeated again and again. And that is unacceptable.

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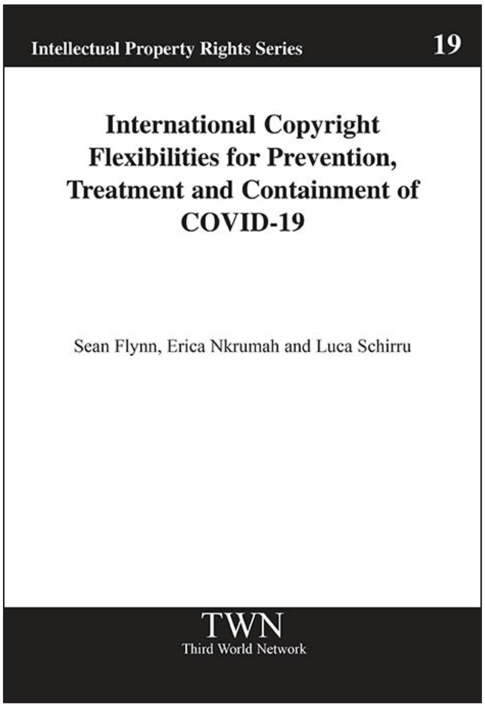
TWN Intellectual Property Rights Series No. 19

International Copyright Flexibilities for Prevention, Treatment and Containment of COVID-19

By Sean Flynn, Erica Nkrumah and Luca Schirru



Most policymaking attention with respect to intellectual property barriers to COVID-19 prevention, treatment and containment has been focused on patents. This focus is reflected in the World Trade Organisation (WTO) Ministerial Decision on the TRIPS Agreement, adopted on 17 June 2022, which provides a limited waiver of TRIPS rules on compulsory licences for production of COVID-19 vaccines. The original WTO proposal for a TRIPS waiver, however, explicitly applied to all forms of intellectual property, including copyright. This paper outlines the numerous ways in which copyright can create barriers to addressing COVID-19. It also provides a description of international copyright treaty provisions that permit uses of copyright materials in response to the barriers identified, despite the exclusion of copyright from the final TRIPS waiver.

Available at https://twn.my/title2/IPR/ipr19.htm

China shows "mirror" to US on Washington's semiconductor subsidies

Large-scale industrial subsidy programmes announced by the US were in the spotlight at the WTO recently, with China voicing concern over their compatibility with multilateral trade rules.

by D. Ravi Kanth

GENEVA: China has apparently shown "the mirror" to the United States at the World Trade Organization over alleged violations of WTO rules committed by Washington through its total of $447 billion worth of subsidies being provided under the so-called CHIPS Act and the Inflation Reduction Act (IRA), said people who asked not to be quoted.

At a meeting of the WTO's Committee on Subsidies and Countervailing Measures on 25 October, China said it has no problem if WTO members seek to adopt industrialization programmes. However, if the US continues to block such programmes being undertaken in developing and other countries, then it is practising "double standards" by adopting one set of policies for furthering its economic and security interests while blocking other countries from pursuing their respective national industrialization programmes, China said, according to its statement issued at the meeting.

China castigated the US over Washington's CHIPS Act, which provides semiconductor investment and production subsidies worth $369 billion, and the Inflation Reduction Act that provides subsidies worth $78 billion for clean energy and climate maintenance.

China said that while it encourages countries in pursuing industrial programmes directed at tackling climate change, such programmes should not include "draconian" provisions in the arena of trade in semiconductors and other items that are specifically targeted against one country, i.e., China, said people familiar with the Chinese statement.

China said the US measures would "run afoul of WTO principles and rules, impair the legitimate rights and interests of other members, and distort international trade and investment."

Due to the enactment of the two laws – the CHIPS Act in August and the IRA in October – "a number of projects under consideration in other WTO members were either cancelled or put on hold and potentially redirected to the US in anticipation of the US subsidies", said China.

China's statement, seen by the *South-North Development Monitor* (*SUNS*), said that the CHIPS Act "on the semiconductor incentives explicitly requires a covered entity to disengage certain business activities with specified WTO members in order to get the benefit under the programme."

According to China, "if implemented, this discriminatory requirement would very likely lead to treatment towards certain semiconductor products destined for those specified WTO members [that is] less favourable than similar products destined for other WTO members."

China said that what the US is trying to do through these two Acts would amount to "a violation of the MFN [most-favoured-nation treatment] principle under the GATT [General Agreement on Tariffs and Trade] Article I" and "a quantitative restriction that would violate the general elimination of quantitative restrictions under GATT Article XI."

The US incentives for semiconductor investment and production "could cause adverse effects to the interests of other Members, in particular causing serious prejudice by displacing or impeding the exports of a like product of the Member from a third country market", China alleged.

Further, China said that "the specific domestic content requirements of 'critical manufacturing industry' in Section 103 [of the CHIPS Act] would make any incentives provided in consideration of these criteria domestic-content contingent subsidy, which would be prohibited under Article 3.1(b) of the ASCM [WTO Agreement on Subsidies and Countervailing Measures]."

China also cited the example of subsidies provided to consumers for purchasing electric vehicles (EVs) under Section 13401 of the IRA, which "limits the place of extraction or process of critical materials, the place of component manufacture or assembly, and the place of vehicle assembly to the United States, countries that have signed free trade agreements with the US, or North America, as a precondition for tax credit." It said that this provision excludes the application of relevant products from a "foreign entity of concern", which "constitutes discrimination against certain other WTO members."

China likened the "consumption subsidies contingent on the purchaser choosing a domestically manufactured and assembled EV, and requires the percentage of the value of the components contained in the battery manufactured or assembled in North America is equal to or greater than the applicable percentage", to a prohibited subsidy.

"Double standards"

China said "the recent discriminatory and distortive subsidies and measures enacted by the US tend to violate the basic principles of the WTO, i.e. non-discrimination, and free and fair trade."

According to China, the two new US laws only demonstrate the "double standards" adopted by Washington, which had not long ago called for reining in industrial subsidies.

The industrial subsidies provided by the US undermine its credibility in upholding multilateral trade rules, said China. It added that "while the US made use of WTO-incompatible subsidies to stimulate its domestic semiconductor industry, it also wielded a monopolistic hand to suppress the development of semiconductor industries from other WTO members, by abusing export control and exercising extra-territorial jurisdictions over non-US origin goods from other WTO members."

China criticized the US measures, saying they are part of "executing a modern American industrial strategy."

It said that while it does not object to countries adopting an industrial strategy or industrial policy in general, "the means by which the US implemented such strategies represented a wilful disregard for the multilateral trading system and the global commons, an act of bullying and coercion, and a mind-set of a zero-sum game, reminiscent of that of the Cold War."

"If left unchecked," China said, "such practices would disrupt the stability of the global industrial chains and supply chains, and seriously undermine the collective efforts of all WTO members to jointly promote global economic recovery and tackle global challenges."

China appealed to the US to "play its leading role to make positive contributions to build the global industrial chains and supply chains, to make them stable and resilient, open and inclusive, beneficial to all stakeholders and to the global economy."

It further called on the US to enter into "an honest and informed discussion about such practices in this committee and other relevant WTO forums", emphasizing that "the duty is upon all of us to act together and rise up to the common challenges of our time, be it climate issues, economic resilience, with the available tools in our hands."

It said that "policy measures that undermine multilateral rules and distort international supply chains will, in the end, defeat themselves."

At the Committee meeting, Russia and India also raised concerns over the US subsidy programmes. Russia reportedly said that the preference under the IRA does not comply with ASCM provisions. India said it is not ready to support the US notification on the two subsidy programmes, adding that more discussions are needed in the Committee.

Subsidy notifications

The US, for its part, raised issues of transparency and timely notification of new subsidies by China. It alleged that China rarely even publishes the legal measures that establish and implement its subsidy programmes in the Chinese Ministry of Commerce gazette, as it is obligated to do under its 2001 WTO accession protocol.

The US said that "when one member is not adhering to its transparency obligations, it undermines the entire rules-based trading system because there is no way of determining whether the obligations agreed upon are being followed and no means of enforcing them if they are not."

"The means by which the US implemented such strategies represented a wilful disregard for the multilateral trading system and the global commons, an act of bullying and coercion, and a mind-set of a zero-sum game..."

Commenting on the IRA, the US said WTO members all share an urgent need to increase investments in clean energy technologies to seriously combat the climate crisis, as well as to address supply chain issues. It said that the transportation sector is the highest source of greenhouse gas emissions in the US and that the US will not meet its Paris Agreement commitments and other climate goals without bold action.

Many US trading partners, including China, have also prioritized investment in electric vehicle technologies and taken a range of domestic measures to support zero-emission vehicles, the US said.

Regarding the CHIPS Act, the US said it is consistent with the WTO rules, maintaining that imposing limitations that reflect national security concerns on which entities can receive government support is not discriminatory.

The US said the CHIPS Act does not tax or regulate domestic products differently than other products and does not violate the US' MFN obligations.

At the Committee meeting, the European Union, the United Kingdom, Australia and Japan stood by the US in raising concerns about China's alleged failure to provide timely information on the subsidies being provided by Beijing.

Even though the EU had recently raised sharp concerns over provisions in the CHIPS Act and the IRA during a meeting with the US Trade Representative, it did not express the same concerns at the Committee meeting, said a person who asked not to be quoted.

Responding to the US allegation, China said the information sought by the US was outside the scope of information to be provided by its inquiry point. It said that it will report its required subsidy notifications on time and that members are free to contact the inquiry point for information that is required to be submitted.

During the meeting, the chair of the Committee, Kerrlene Wills from Guyana, spoke on the problem of missing subsidy notifications. The ASCM requires WTO members to submit annual notifications of any subsidies they provide which are "specific", i.e., subsidies given to a particular enterprise or industry, or a group of enterprises or industries, she said.

Apparently, to date, around 85 WTO members – more than half of the WTO membership – have failed to submit required notifications for 2021, while 65 have still not submitted notifications for 2017.

The US, the UK, Canada, Australia, New Zealand, the EU and Norway expressed their concerns about the poor state of compliance with the notification requirements and urged fellow members to submit the required information as soon as possible.

Intervening for the second time, the US and its allies including the EU, Japan, Australia and Canada targeted the role of state subsidies allegedly provided by China in contributing to excess production capacity in sectors such as semiconductors, steel and aluminium.

In response, China said the problem of excess capacity was cyclical and the result of the global recession caused by the 2008 financial crisis. China said it had made great efforts to reduce capacity in the steel and aluminium sectors.

Russia criticized the Northern countries, saying that the discussion was one-sided and needed to take into account the impact of trade protectionism. *(SUNS9676)*

WTO DG suffers setback at agriculture retreat

Apparent attempts by the WTO Director-General to bring climate change and sustainability issues into the ambit of the WTO agriculture talks have met with resistance from member states concerned that it would sideline the core negotiating agenda.

by D. Ravi Kanth

GENEVA: The World Trade Organization's Director-General Ngozi Okonjo-Iweala has apparently suffered a huge setback, at a retreat held at the WTO on 24 October, over her alleged plans to "reset" the agenda for the Doha agriculture negotiations by bringing in issues concerning climate change and "sustainability" based on trans-Atlantic trade proposals, said people familiar with the development.

For the first time, several WTO members appear to have conveyed in unmistakable terms to the DG that in a member-driven organization, it is the members who set the agenda and not the DG, said a trade envoy from a South American country.

Several Asian developing countries challenged her alleged plans of moving away from the core agriculture agenda decided by trade ministers, and into issues that are already being tackled in other international fora, particularly the United Nations Framework Convention on Climate Change's Conference of Parties, said another trade envoy who asked not to be quoted.

"The DG is undermining the political dynamics concerning the climate change negotiations that have complete legitimacy in addressing the existential issues," said a trade envoy, suggesting that she is "not only undermining the agriculture negotiations at the WTO but is also wading into areas which are hitherto considered as non-trade issues."

In another apparent setback for the DG, several developing countries from the Cairns Group of farm-exporting countries asked her not to issue any report on the retreat because issues discussed there seemed to undermine the actual agriculture negotiations based on the mandated issues as well as proposals for reforming trade-distorting farm subsidies, a Cairns Group envoy said.

The retreat was packed with experts whose presentations were seen to be advancing issues that are not part of the Doha agriculture work programme, which had made substantial advances since 2002 despite the current logjam.

Pushback on reset plans

According to a press release issued by the WTO secretariat after the retreat, the DG, in her opening statement at the retreat, maintained that despite some positive developments, "too often, markets for food and agriculture still continue to function poorly".

"It's increasingly clear that WTO rules have not kept pace with the challenges we face today, nor with developments on global markets," she declared.

WTO members "will have to update the WTO rulebook if we're to respond effectively to the problems on global markets, and ensure WTO disciplines help us tackle the challenges we're facing both today and tomorrow", she said.

Without addressing the unresolved mandated issues, the DG's call to "update the WTO rulebook" appears to be inconsistent with her role as per Article VI of the WTO's foundational Marrakesh Agreement.

Paragraph 4 of Article VI states: "The responsibilities of the Director-General and of the staff of the Secretariat shall be exclusively international in character. In the discharge of their duties, the Director-General and the staff of the Secretariat shall not seek or accept instructions from any government or any other authority external to the WTO. They shall refrain from any action which might adversely reflect on their position as international officials. The Members of the WTO shall respect the international character of the responsibilities of the Director-General and of the staff of the Secretariat and shall not seek to influence them in the discharge of their duties."

The DG's call for "members to consider a new approach towards the WTO agriculture negotiations in order to overcome the entrenched differences that have stymied progress in the talks" appears to be somewhat misleading.

On the one side, she wants issues pertaining to climate change in agriculture to be discussed, while on the other side, she is seeking new approaches to break the logjam in the negotiations.

Although the retreat included "two plenary sessions open to all WTO members where leading experts on farm trade and food security addressed the various challenges facing the agricultural sector and possible policy responses", the WTO secretariat did not put out what members said at these sessions.

It was at the plenary sessions that members apparently came down on the DG's statement as well as her alleged plans and attempts to "reset" the negotiations. For example, when one member (apparently Nepal) started reading out a statement at the plenary, the DG asked the member to speak briefly and to drop the reading of its statement, said a participant who asked not to be quoted.

Also at the plenary, Uruguay apparently strongly criticized the alleged attempts to bring climate change issues into agriculture as a plan to undermine the agriculture negotiations by not addressing the core reform issues, said a South American participant who preferred not to be identified. Further, Uruguay raised concerns that the climate change elements are being brought in to undermine their cattle exports, the participant said.

There were also five breakout sessions at the retreat for "brainstorming" on two questions centring around "contemporary challenges": how the WTO should approach agriculture and what the key considerations going forward should be; and how the agriculture negotiations can be reinvigorated to achieve possible outcomes at the next WTO Ministerial Conference.

While the DG claimed that there was an "extremely constructive spirit" in both the plenary and breakout sessions, several members felt that the retreat achieved no useful purpose and was "ill-designed", people familiar with the discussions said.

Another claim of the DG, that "the

objective of 'getting everyone out of their comfort zone' had been achieved", also appears to be patently false, said people who suggested that no one showed any willingness to give up their positions.

Although no reports of the breakout sessions were issued after the retreat, the DG attempted to paint a rather "rosy" picture of what was discussed and what had happened during the day-long deliberations.

"If we could bottle the spirit we had here today and take it with us, it would be a very good takeaway," the DG told members. "If we are able to do this, then I really have hope for us to go somewhere with agriculture."

Triangle of views

At the retreat, there were three sets of views that appear to have occupied centrestage.

Many members highlighted food security as a major issue. But there were differences on what would constitute food security, as many developing countries demanded a permanent solution on public stockholding programmes to address hunger.

As regards the second set of views, several European countries – the European Union, Switzerland and the United Kingdom – and the United States apparently underlined the need to reset the agenda with "sustainability" as a major focus.

At the beginning of the Doha Round of trade negotiations, the EU and some of its members had raised the issue of "multi-functionality" and the environment. The resurfacing of this issue now and the way in which the DG is championing the "sustainability" issue is a source of serious concern, said a trade envoy who asked not to be quoted.

In relation to the third set of views, some countries seemed prepared to discuss some elements of "sustainability" but not the manner in which the DG is apparently trying to advance the issue, said people who asked not to be quoted.

Several South American countries seem to fear that if the "sustainability" agenda is taken up, the actual agriculture negotiations involving reforms in trade-distorting subsidies and other areas are going to be permanently impaired, a trade envoy said.

Also, why is the DG focusing on climate change and "sustainability" in agriculture but not the industrial sectors that contribute more to emissions than the cattle sector, the trade envoy asked.

In crux, the retreat ended with more questions about the DG's "sustainability" agenda and the lack of any work programme on how to advance the Doha agriculture negotiations, trade envoys said. *(SUNS9678)*

Big business, not vulnerable communities, benefits from post-pandemic support

COVID-19 recovery funds in many developing countries have been channelled to the corporate sector at the expense of the neediest communities, finds a new report.

by Ed Holt

BRATISLAVA: Governments and international financial institutions must adopt new ways of providing post-pandemic support, say campaigners after a report found that in many poorer countries, big business benefitted most from COVID-19 recovery funds. At the same time, vulnerable communities have been "left behind."

They say the level and distribution of support of these funds has been poor, with the most vulnerable in society, such as informal workers and women, among others, having been especially failed by relief programmes.

And they warn that the measures have actually only deepened inequalities at a time when the UN has warned that up to 95 million additional people could soon fall into extreme poverty in comparison with pre-COVID-19 levels.

Matti Kohonen, Director of the Financial Transparency Coalition (FTC), which was behind the report, told Inter Press Service (IPS): "The elite have been sheltered from the worst effects of the pandemic. Nearly 40% of COVID-19 recovery funds went to large corporations, through measures like loans and tax cuts. This means that social protection for, in particular, women and informal workers, has been inadequate."

The FTC's research (https://financialtransparency.org/wp-content/uploads/2022/09/FTC-Recovery-at-a-Crossroads-SEPT-2022-V2.pdf) found that in 21 countries in the Global South, large corporations received 38% of recovery funds while small and medium-sized enterprises (SMEs) got 20%. Social protection measures accounted for 38%. Meanwhile, informal workers received only 4% of the funds in the countries surveyed, and the research showed that in many of those states, they actually received nothing at all.

Studies have shown that informal workers, and especially women, were globally hit hardest by the COVID-19 pandemic, and that economic policy measures taken in response have largely been gender-blind, exacerbating existing gender inequality and economic precarity in the sector.

According to the International Labour Organization (ILO), of the 2 billion informal workers worldwide, over 740 million are women. However, there is a higher share of women than men in informal employment in many of the world's poorest regions: in more than 90% of countries in sub-Saharan Africa, 89% of southern Asian countries, and almost 75% of Latin American countries.

These women also often have jobs most likely to be associated with poor conditions, limited or non-existent labour rights and social protection, and low pay.

The FTC report points out that while the COVID-19 pandemic has had a huge impact on women's employment, working hours, and increases in unpaid domestic and care work duties, it found that women received half the funds men received as most money provided to corporates and also smaller companies predominantly went to men (representing over 59% of funds).

Klelia Guerrero, an economist at the Latin American Network for Economic and Social Justice (LATINDADD), who helped with research into the FTC report, said that just doing work collecting data on the distribution of recovery funds underlined how little thought had been given to women in COVID-19 response policies.

It was only in a handful of the countries surveyed (Guatemala, Honduras, Bangladesh, Brazil and Costa Rica) that partial gender-disaggregated data on COVID-19 grants were made available to analyze COVID-19 support.

"Most countries did not have disaggregated gender data; it was only partial. This in itself should be a red flag – it shows that the people who were implementing these support schemes did not think of women as a priority," Guerrero told IPS.

And while the report shows that women did receive the majority of social protection funds in the countries surveyed, even some of those programmes "had discriminative aspects".

"For example, here in Ecuador, we had a scheme where people had to register online and then go at certain times to receive their aid products. This was difficult for a lot of women who had to be in the home at those times, or there was no public transport to get to the places to receive aid. So, women were disadvantaged," she said.

"Some groups of the population did benefit from COVID relief measures, but the most vulnerable not as much. It was difficult for them to access the aid. The criteria under which aid is given out should include a gender perspective," she added.

Other equality campaigners agree.

"Numerous research has shown how, especially in Africa, women make up the majority of the informal sector. One of the big takeaways of the report is the poor targeting of women in the support response. Programmes going forward need to take into account the gender dimension of any policy," Ishmael Zulu, Tax and Policy Officer at the Tax Justice Network Africa (TJNA), told IPS.

Strings attached

Groups like the FTC and its members, including the TJNA, say the report's findings are important not just in terms of the post-pandemic recovery but in highlighting the need to change how support is given to the most vulnerable communities in developing countries in the long-term future.

"Informal sector and women workers really pulled us through the pandemic, and it is wrong to now impose austerity on them."

Ishmael pointed out that in one scheme in Zambia, the government introduced stimulus to help SMEs and informal workers, but the money was channelled through commercial banks that set specific requirements to access that money, including the need to provide bank statements.

"Of course, that is very difficult for many informal workers. They just couldn't provide those documents. So, in the end, even money meant for vulnerable groups ended up in the hands of big corporations, which are the ones that can provide those documents," he explained. "It speaks of the weakness of the system."

The FTC report has also warned that policies pursued by international financial institutions, such as the International Monetary Fund (IMF), of pushing countries to introduce austerity measures and cut funding for basic public services in return for debt restructuring are making things worse.

It cites the example of the cuts in public spending and rises in value-added taxes (VAT) being imposed as part of an IMF loan programme in Zambia, saying this will have the greatest impact on the poor.

Ishmael said: "Our current financial structures have perpetuated inequality in the way, for instance, financial institutions give loans: several countries have had to reform their tax systems … and these financial institutions say subsidies and spending should be channelled into some areas and not others, and it ends up that money is targeted towards large corporates, and vulnerable communities are left behind."

He added: "We saw growing inequality [before the pandemic], and so when COVID-19 hit, we saw how these vulnerable communities were left behind without safety nets. Governments must put in place sustainable social protection systems providing safety nets to help lift people out of poverty and which won't just respond to a pandemic or an emergency, but respond to fighting poverty and inequality."

The FTC's report calls for all countries and international institutions, including the IMF and the World Bank, to implement what it describes as "alternative policies to bring a people-centred recovery instead of austerity". These include taxing excess windfall corporate profits, introducing progressive levels of income and wealth taxes, and increasing social security contributions and coverage.

Kohonen said informal workers and women should be at the heart of any such policies. "Informal sector and women workers really pulled us through the pandemic, and it is wrong to now impose austerity on them. Support needs to be in place for informal and women workers, people on the frontlines, before a pandemic so that support can be then scaled up if needed, in the form of loans, grants or other aid," he said. *(IPS)*

Central bank myths drag down world economy

Central banks' undue preoccupation with fighting inflation is darkening the economic outlook.

by Anis Chowdhury and Jomo Kwame Sundaram

The dogmatic obsession with and focus on fighting inflation in rich countries are pushing the world economy into recession, with many dire consequences, especially for poorer countries. This phobia is due to myths shared by most central bankers.

Myth 1: Inflation chokes growth

The common narrative is that inflation hurts growth. Major central banks (CBs), the Bretton Woods institutions (BWIs) and the Bank for International Settlements (BIS) all insist inflation harms growth despite all evidence to the contrary. The myth is based on a few, very exceptional cases.

"Once-in-a-generation inflation in the US and Europe could choke off global growth, with a global recession possible in 2023," claimed the World Economic Forum Chief Economist's Outlook under the headline "Inflation Will Lead Inexorably To Recession".

The Atlantic recently warned, "Inflation Is Bad… raising the prospect of a period of economic stagnation or even a recession." *The Economist* claims, "It hurts investment and makes most people poorer."

Without evidence, the narrative claims causation runs from inflation to growth, with inevitable "adverse" consequences. But serious economists have found no conclusive supporting evidence.

World Bank chief economist Michael Bruno and William Easterly asked, "Is inflation harmful to growth?" With data from 31 countries for 1961-94, they concluded, "The ratio of fervent beliefs to tangible evidence seems unusually high on this topic, despite extensive previous research."

OECD evidence for 1961-2021 (Figures 1a and 1b) updates Bruno and Easterly, again contradicting the "standard narrative" of major CBs, BWIs, BIS and others. The inflation-growth relationship is strongly positive when 1974-75 – severe oil spike recession years – are excluded.

The relationship does not become negative even when 1974-75 are included. Also, the "Great Inflation" of 1965-82 did not harm growth. Hence, there is no empirical basis for setting a particular threshold such as the now standard 2% inflation target – long acknowledged as "plucked from the air"!

Developing countries also have a positive inflation-growth relationship if extreme cases – e.g., inflation rates in excess of 20% or "excessively" impacted by commodity price volatilities, civil strife, war – are omitted. Figure 2a summarizes evidence for 82 developing countries during 1991-2021. Although slightly weakened, the positive relationship remained even if the 1981-90 debt crisis years are included (Figure 2b).

Myth 2: Inflation always accelerates

Another popular myth is that once inflation begins, it has an inherent tendency to accelerate. As inflation

Figure 1a. OECD: Inflation/per capita GDP growth, 1961-2021 (excluding 1974-75)

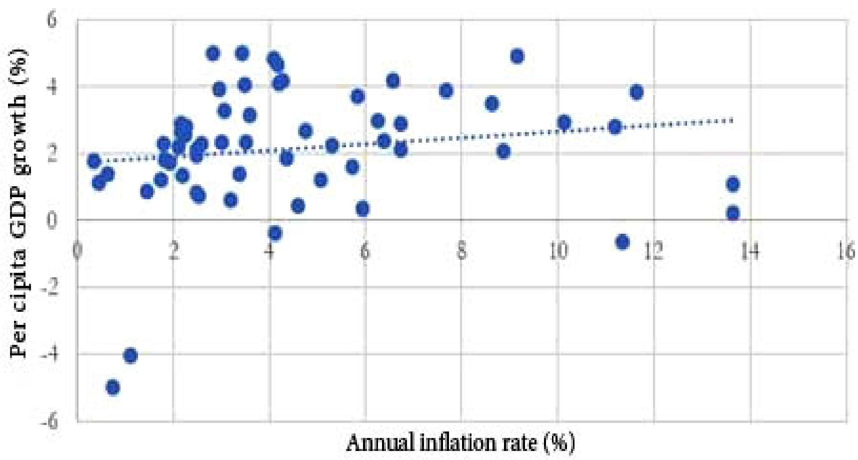


Figure 1b. OECD inflation/ per capita GDP growth, 1961-2021

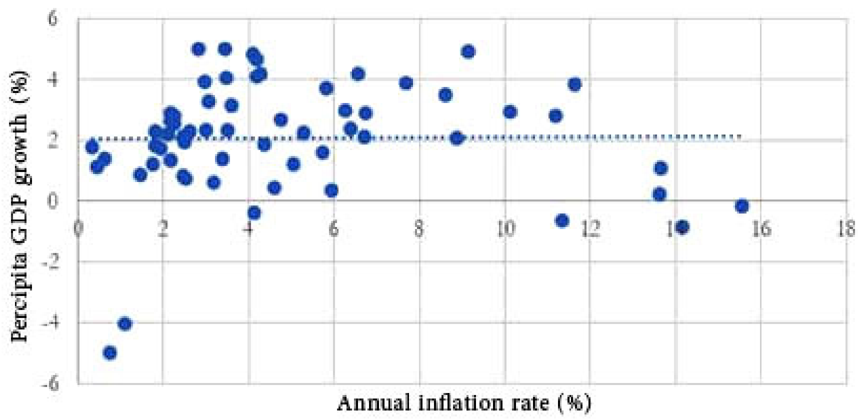


Figure 2a. 82 developing countries: Average inflation & per capita GDP growth, 1991-2021

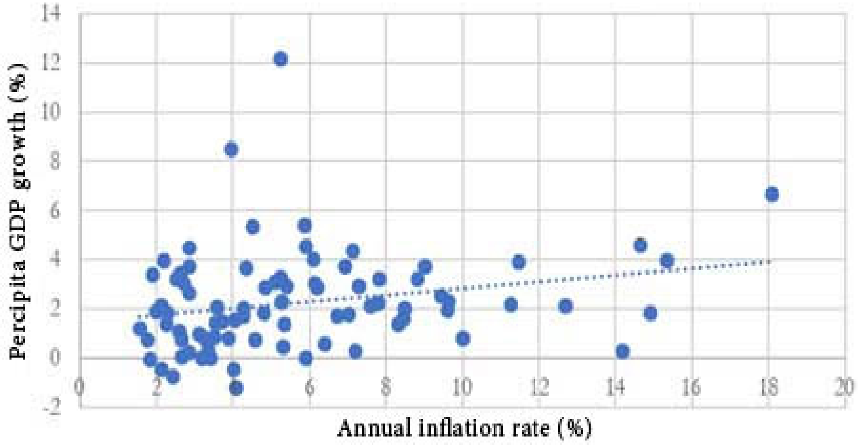
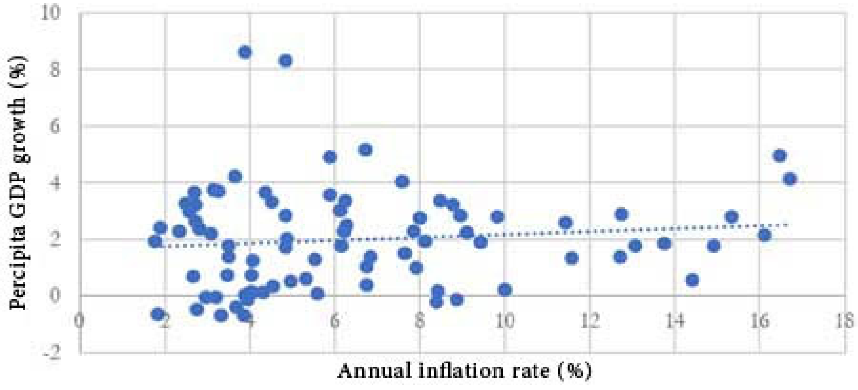


Figure 2b. 82 developing countries: Average inflation & per capita GDP growth, 1981-2021



supposedly tends to speed up, not acting decisively to nip it in the bud is deemed dangerous. So, the International Monetary Fund (IMF) chief economist advises, "Don't let inflation 'genie' out of the bottle." Hence, inflation has to be "nipped in the bud".

But, in fact, OECD inflation has never exceeded 16% in the past six decades, including the 1970s' oil shock years. Inflation does not accelerate easily, even when labour has more bargaining power or wages are indexed to consumer prices as in some countries.

Bruno and Easterly found a high likelihood of inflation accelerating only when inflation exceeded 40%. Two MIT economists – Rüdiger Dornbusch and Stanley Fischer, later IMF Deputy Managing Director – came to a similar conclusion, describing 15-30% inflation as "moderate".

Dornbusch and Fischer also stressed, "Most episodes of moderate inflation were triggered by commodity price shocks and were brief; very few ended in higher inflation." Importantly, they warned, "such [moderate] inflations can be reduced only at a substantial … cost to growth".

Myth 3: Hyperinflation threatens

Although hyperinflation is extremely rare, avoiding it has become the pretext for central bankers prioritizing inflation prevention. Hyperinflation – at rates over 50% for at least a month – is undoubtedly harmful for growth. But as IMF research shows, "Since 1947, hyperinflations in market economies have been rare."

Many of the worst hyperinflation episodes in history were after World War Two and the Soviet demise. Bruno and Easterly also mention breakdowns of economic and political systems – as in Iran or Nicaragua, following revolutions overthrowing corrupt despotic regimes.

A White House staff blog noted, "The inflationary period after World War II is likely a better comparison for the current economic situation than the 1970s and suggests that inflation could quickly decline once supply chains are fully online and pent-up demand levels off."

Myth 4: Evidence-based policymaking

Central bankers love to claim their policymaking is evidence-based. They cite one another and famous economists to enhance the aura of CB "credibility".

Unsurprisingly, the Reserve Bank of New Zealand promoted its arbitrary 2% inflation target mainly by endless repetition – not strong evidence or superior logic. They simply "devoted a huge amount of effort" to preaching the new mantra "to everybody who would listen – and some who were reluctant to listen".

The narrative also suited those concerned about wage pressures. Fighting inflation has provided an excuse to further weaken workers' working conditions and pay. Thus, labour's share of income has been declining since the 1970s.

Greater central bank independence (from the executive) has enhanced the influence and power of financial interests – largely at the expense of the real economy. Output and employment growth weakened as a result, worsening the lot of the many, especially in the Global South.

Fact: Central banks induce recessions

Inappropriate CB policies have often slowed economic growth without mitigating inflation. Hawkish CB responses to inflation can become self-fulfilling prophecies, with high inflation seemingly associated with recessions or growth collapses.

Before becoming US Federal Reserve 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".

Thus, central bank interventions have

caused contractions without reducing inflation. The longest US recession after the Great Depression – in the early 1980s – was due to Fed chair Paul Volcker's 1979-81 interest rate hikes.

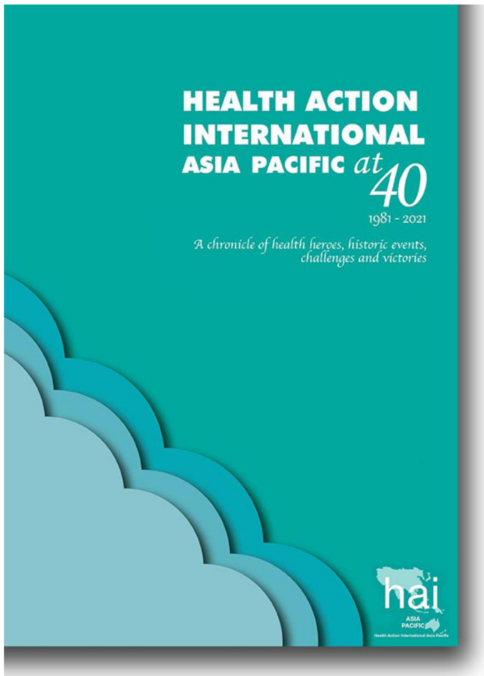
A *New York Times* opinion-editorial recently warned, "The Powell pivot to tighter money in 2021 is the equivalent of Mr. Volcker's 1981 move", and "the 2020s economy could resemble the 1980s".

Fearing an "extremely severe" world recession, Columbia University history professor Adam Tooze has summed up the current CBs' interest rate hike frenzy as "the single most dramatic simultaneous tightening of monetary policy ever".

Phobias, especially if based on unfounded beliefs, never offer good bases for sound policymaking. *(IPS)*

***Anis Chowdhury**, Adjunct Professor at Western Sydney University (Australia), held senior United Nations positions in New York and Bangkok. **Jomo Kwame Sundaram**, a former economics professor, was UN Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

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

Published by Third World Network, Health Action International Asia Pacific, International Islamic University Malaysia, Gonoshasthaya Kendra, and Drug System Monitoring and Development Centre

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