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WTO's MC13 fails to deliver outcomes for South

Widely regarded as a failure, the recently-concluded World Trade Organization's 13th ministerial conference (MC13) missed a golden opportunity to get more tangible results for the developing countries, including a permanent solution for public stockholding programs for food security. MC13 also witnessed major setbacks on agriculture in general and on fisheries subsidies.

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MC13 fails to deliver development-oriented outcomes for South

The World Trade Organization's 13th ministerial conference (MC13), which ended on a rather chaotic note on 2 March, failed to deliver credible outcomes for the developing countries, including a permanent solution for public stockholding programs for food security.

by D. Ravi Kanth

ABU DHABI: The 13th ministerial conference (MC13) of the World Trade Organization is unlikely to be remembered for having failed to deliver credible development-oriented outcomes for developing countries and ended as a chaotic meeting amidst several hair-raising developments in the final hours of the closing ceremony, said several trade ministers familiar with the development.

In contrast, another ministerial meeting held in West Asia, namely, the WTO's fourth ministerial conference in Doha, Qatar, in 2001, came to be regarded as a "landmark" in the WTO's ministerial conferences for having produced the Doha Development Agenda that continues to be referred/mentioned by participating members at MC13.

It is now commonplace knowledge that the Doha work program has been successfully stymied by the industrialized countries since the WTO's tenth ministerial conference in Nairobi, Kenya, in December 2015, after the conclusion of the Trade Facilitation Agreement, a "jewel in the crown" for the United States and other industrialized countries, said trade ministers, who asked not to be quoted.

Chaotic developments

MC13 witnessed several hair-raising moments at the closing ceremony between the WTO Director-General Ms Ngozi Okonjo-Iweala and the Indian Commerce Minister Mr Piyush Goyal over alleged attempts to cast India in a bad light over its refusal to agree to the fisheries subsidies agreement, said ministers familiar with the development.

Minutes before the final closing session, the Indian minister learned from Fiji's Deputy Prime Minister and Minister for Trade, Manoa Kamikamica, that he is making a statement on fisheries subsidies after India opposed the fisheries subsidies agreement, said trade ministers who asked not to be quoted.

The Fijian minister is understood to have told India that the DG had asked him to issue the statement on fisheries subsidies, following which Mr Goyal rushed to the podium to tell the DG about what he had heard from his Fijian counterpart.

Seemingly enraged at the development, the Indian minister appears to have told the DG that India would withdraw its approval on extending the E-commerce moratorium on alleged grounds that she advised the Fijian deputy prime minister to make the statement on fisheries subsidies after it was agreed that there will be no statement on fisheries subsidies, said trade ministers familiar with the development.

That created a panic and a visibly shaken DG tried to convince Mr Goyal that she did not ask the Fijian minister.

Ms Okonjo-Iweala appears to have challenged the Fijian minister over whether she had told him to deliver the statement on fisheries subsidies.

The DG appears to have said, "Piyush you know me, why would I do that," according to ministers who heard the conversation.

When asked whether the DG had asked Fiji to make the statement on fisheries subsidies in an attempt to single out India at the meeting on fisheries subsidies, the WTO spokesperson referred this reporter to check with the Fijian deputy prime minister.

"As the spokesperson for the WTO, I highly recommend reaching out to the Fijian delegation for exact information concerning any statements made or not made. It is our customary practice to refrain from addressing or commenting on unfounded rumours or hearsay," said Ismail Dieng, the WTO's spokesperson.

Nevertheless, the tense exchange between the DG and the Indian minister seems to have vitiated the overall climate during MC13, said ministers familiar with the differences between an international civil servant and a trade minister of a sovereign country.

IF & PSH

There have been growing doubts and concerns over the alleged promotion of the controversial plurilateral agreement on Investment Facilitation for Development (IFD) by the DG and her alleged indifference to the permanent solution for public stockholding (PSH) programs for food security, said trade ministers who asked not to be quoted.

During the meeting of eight trade ministers comprising the US, the European Union, China, India, Indonesia, Brazil, and South Africa among others, the Indian minister seems to have told the DG, "You could have helped us on the PSH."

In response, the DG said, "I have no role to intervene and negotiate, it is for you to negotiate with members," according to trade ministers who asked not to be quoted.

MC13 marks a turning point in the conduct of the Director-General under paragraph 4 of Article VI of the Marrakesh Agreement, who as an international civil servant, appears to have breached her mandate by openly aligning with controversial initiatives like Investment Facilitation for Development, and trade and climate change, among others.

Paragraph 4 of Article VI of the Marrakesh Agreement that established the WTO 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." *(SUNS 9959)*

US secures E-commerce moratorium while blocking PSH at MC13

The United States and the European Union appear to be the two biggest winners of the World Trade Organization's 13th ministerial conference (MC13), having secured an extension of the moratorium on customs duties on electronic transmissions.

by D. Ravi Kanth

ABU DHABI: Amidst acrimonious developments, the World Trade Organization's 13th ministerial conference (MC13) concluded in Abu Dhabi on 2 March with significant gains for the industrialized countries, including the extension of the E-commerce moratorium, with the United States and the European Union being the two biggest beneficiaries of the conference.

Though the US Trade Representative (USTR) Ambassador Katherine Tai left on 1 March before the proceedings ended, her representatives appear to have ensured that things went as per the US plan, said a participant, who preferred not to be quoted.

For the US, the moratorium on customs duties on electronic transmissions appears to have trumped all other issues.

Moreover, the failure to agree on a work program for agriculture as well as a permanent solution for public stockholding (PSH) programs for food security is a preferred alternative for Washington, said a South American trade minister, who asked not to be quoted.

E-com moratorium

Indonesia fought hard for the termination of the E-commerce moratorium till the last minute before the adoption of the MC13 decisions/declarations.

India, however, merely agreed to the extension of the moratorium as "a friendly gesture" and in deference to the request from the chair of MC13, Dr Thani bin Ahmed Al Zeyoudi, the United Arab Emirates minister-of-state for foreign affairs, said trade ministers, who asked not to be quoted.

Due to the sustained efforts of Colombia, the moratorium on TRIPS non-violation and situation complaints was also extended for developing countries for another two years, a quid pro quo for the E-commerce moratorium, said trade ministers familiar with the outcomes.

In fact, MC13 appears to have missed the opportunity to get more tangible results for developing countries, but no agreement on the controversial plurilateral agreement on Investment Facilitation for Development (IFD) is the "best result", said a trade minister, who asked not to be quoted.

The US and the EU along with their allies were unable to secure an outcome on fisheries subsidies to tackle subsidies contributing to overcapacity and overfishing (OCOF) based on a draft text that is replete with carve-outs for the big subsidizers to continue with their subsidies.

For the US, no outcome in agriculture appears to be a preferred alternative in a year of elections where its farm lobbies are already "breathing fire" on the existing interim solution for public stockholding programs, said trade ministers who preferred not to be quoted.

In contrast, the EU seemingly put up a show of support for both PSH options such as the adoption of the permanent solution for public stockholding programs for food security or continuing with a work program on the permanent solution, said trade ministers who asked not to be quoted.

Development

Even on the central issues in the development dossier, particularly the proposals to improve special and differential treatment, the post-graduation transition at MC13 for LDCs on two existing provisions is too short.

The LDCs expected that it will be longer than 3 years on the remaining provisions listed in Annex 2 on LDC graduation, said a LDC trade minister, who asked not to be quoted.

The other LDC-specific issues agreed at MC13 are just the continuation of the current work in several WTO bodies, the minister said.

"LDCs expect that post-MC13 discussions will provide some concrete results in their favour," the minister added.

The Declaration on Development is a best endeavour outcome that is rarely respected in the WTO.

With a rather misleading title, "Declaration on the Precise, Effective and Operational Implementation of Special and Differential Treatment Provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade", it merely "instruct(s) officials to continue work in the CTD Special Session, the SPS Committee and the TBT Committee."

However, the WTO Director-General, Ms Ngozi Okonjo-Iweala, who seems prone to make some rather hyperbolic claims, said that the decision was a "win for development, one that will help enable developing countries, especially LDCs, fulfill their WTO commitment, exercise their rights and better integrate into global trade."

The DG attempted to downplay the major setbacks suffered at MC13 on agriculture and fisheries subsidies, suggesting that the work will continue based on the current texts in Geneva.

She said that in the face of a lot of headwinds, it is difficult to secure outcomes. She claimed that there are meaningful results with the agreement on the E-commerce moratorium.

On fisheries subsidies, "we came close but on one or two issues there was no agreement," she said.

The DG praised the US for its constructive engagement in the dispute settlement system (DSS) reform discussions.

On the e-commerce moratorium, which will come to an end on the first day of the 14th ministerial conference, countries that want to continue with the moratorium can do so, she said.

Later, on a question from a reporter about her statement that countries could continue with the moratorium after MC14, the DG gave a different answer.

She said, "I think that the membership just agreed to extend the moratorium with very firm dates for its conclusion and I think that's where the membership wants to go. So I have to abide by what the membership has just decided."

She mentioned the agreement on Investment Facilitation for Development, suggesting that despite the failure to approve the plurilateral agreement at MC13, the work will continue on this issue at the WTO.

The EU trade commissioner Valdis Dombrovskis said that the continuation of the E-commerce moratorium for another two years is a significant outcome, adding that discussions will continue on IFDA and other issues.

The EU, which is the main demandeur of the fisheries subsidies agreement, expressed its disappointment over India blocking the agreement.

On the failure to secure the permanent solution for public stockholding (PSH) programs for food security, the Indian commerce minister Mr Piyush Goyal blamed the developed countries for their opposition to deliver on a mandated issue and for their opposition against changing the external reference price that is currently based on 1986-88 prices.

They also provided subsidies that contributed to overcapacity and overfishing for the past 50 years resulting in the depletion of their fish stocks, he added.

He said that India could not accept a repeat of the Uruguay Round agriculture agreement in OCOF subsidies, Mr Goyal told reporters.

However, as a friendly gesture and in deference to the UAE minister and chair of MC13, he agreed to the continuation of the e-commerce moratorium.

He said that "the UAE minister requested it personally and he's a friend, so out of friendship India agreed."

Surprisingly, India did not link the e-commerce moratorium with the moratorium on TRIPS non-violation and situation complaints.

At the informal Heads of Delegation meeting, Colombia's trade minister Mr German Umana asked for extending the TRIPS moratorium, following which it was adopted, the chair of MC13 declared at the meeting.

The US, the EU, China, Japan, Korea, and Chinese Taipei seem to be the big losers for failing to conclude the second phase of the fisheries subsidies agreement concerning OCOF subsidies, given the exemptions that were forced in the draft facilitator's text in order to continue with their OCOF subsidies based on weak provisions.

Part of the blame for the collapse of the meeting on the "big-ticket" items and new issues, especially the IFDA was seemingly levied on the Director-General, who was allegedly promoting new issues while paying little attention to the mandated issues like the permanent solution for PSH, said a South Asian delegate, who asked not to be quoted.

However, there were some agreements on technical barriers to trade (TBT) and the Dispute Settlement Understanding (DSU), areas in which there are agreed texts.

The Abu Dhabi Ministerial Outcome Document is bereft of the new issues, a loss of face for the EU, the United States, and other industrialized countries as well as the DG, said a developing country delegate who asked not to be quoted.

The lack of consensus on agriculture is not the first time in the WTO's trade negotiations, as it had happened at the third ministerial conference in Seattle in 1999, the fifth ministerial conference in Cancun, Mexico, in 2003, the eleventh ministerial meeting in Buenos Aires, Argentina, in 2017, and at the 12th ministerial conference in Geneva in 2022.

Discussions on PSH

In a series of parallel meetings on the above issues as well as on the E-commerce moratorium in various configurations, including heads of delegation (HoD) meetings, the revised draft texts in agriculture and fisheries subsidies issued on 1 March morning brought little or no change, said several delegates who asked not to be quoted.

Given the entrenched positions, the HoD meeting on agriculture was shifted to a post-lunch session.

To overcome the differences, the chair of MC13, Dr Thani bin Ahmed Al Zeyoudi, the minister of state of foreign trade of the United Arab Emirates, and the WTO Director-General, Ms Ngozi Okonjo-Iweala, held a meeting with eight trade ministers/deputies, said delegates familiar with the discussions.

At the meeting of the eight countries, India is understood to have said that without a permanent solution for PSH, there would not be any outcome on agriculture for the next 100 years.

India also subtly reminded the DG that she could have helped with resolving the issue of the permanent solution for PSH, said delegates who asked not to be quoted.

The DG, who visibly took an active role in promoting the controversial plurilateral agreement on Investment Facilitation for Development, said that it is not for her to negotiate on PSH, suggesting that it is for India and other members to resolve the issue, said delegates who asked not to be quoted.

The EU trade commissioner, Mr Valdis Dombrovskis, indicated that Brussels is open to option one on the permanent solution for PSH, said delegates familiar with the discussions.

At the meeting, the DG seems to have asked the South African minister to see if he can talk to India and Brazil to break the ice.

Brazil said that the real difficulties are with the developed countries on domestic support, suggesting that Brazil understands India's position, said delegates who asked not to be identified.

The US Trade Representative Ambassador Katherine Tai, who left Abu Dhabi early morning on 1 March, seems to have opposed the permanent solution, while suggesting continuing work on a permanent solution along with other issues, said delegates who asked not to be quoted.

On the tough stance adopted by India on PSH, a US official seems to have suggested that MC13 is an "India party", implying that India is dominating the proceedings on every issue, according to delegates familiar with the discussions.

However, several developing countries pointed the finger at the US for blocking an agreement on PSH, which led to an all-around negative impact on other issues, said a developing country delegate, who asked not to be quoted.

In a strong statement, representatives of civil society said: "A ministerial marked by unprecedented repression of civil society has ended in paralysis as it fails to address the multiple economic, climate, and food crises facing billions of the world's people." *(SUNS 9959)*

MC13 Abu Dhabi Ministerial Declaration drops new issues

Due to the opposition of the developing countries, several new issues failed to become part of the final Abu Dhabi Ministerial Declaration adopted at the conclusion of the World Trade Organization's 13th ministerial conference (MC13).

by D. Ravi Kanth

ABU DHABI: After the fierce showdowns on agriculture and fisheries subsidies at the World Trade Organization's 13th ministerial conference (MC13) that ended on 2 March, the battle over the Abu Dhabi Ministerial Outcome Document seemingly resulted in the deletion of the new issues, a setback to the European Union, the United States, and other allies, said delegates familiar with the discussions.

Several new issues such as a possible change in the WTO's negotiating function based on "responsible consensus", "flexible negotiating approaches", and "constructive consensus" along with "trade and industrial policy," "trade and environment", "policy space for industrial development," and "trade and environment" among others failed to become part of the final Outcome Document because of opposition from developing countries, said delegates who asked not to be quoted.

However, the ministers stressed "the importance of implementation of the WTO agreements, Ministerial Decisions and Declarations and take note of the progress on some issues reflected in the reports from the General Council and its subsidiary bodies. We instruct the relevant WTO bodies to expedite further work."

Yet, all the past mandated issues, including the Doha work program, seem to be placed in "cold storage" due to opposition from the industrialized and several developing countries, said delegates who asked not to be quoted.

The controversial "reform by doing" seems to be reflected in the Outcome Document.

"We note and value the work done to date to improve the daily functioning of WTO Councils, Committees and Negotiating Groups with a view to enhancing the WTO's efficiency, effectiveness, and facilitation of Members' participation in WTO work. We instruct the General Council and its subsidiary bodies to continue to conduct this work and report progress as appropriate to the next Ministerial Conference."

It calls for preserving and strengthening "the ability of the multilateral trading system, with the WTO at its core, to provide meaningful impetus to respond to current trade challenges, take advantage of available opportunities, and ensure the WTO's proper functioning."

The Outcome Document reiterated "the centrality of the development dimension in the work of the WTO. We recognise that the full integration of developing Members, including least-developed countries (LDCs), in the multilateral trading system is important for their economic development and stress the need to make positive efforts so that the gains from trade benefit them in accordance with the Marrakesh Agreement."

It also reaffirmed "the provisions of special and differential treatment for developing Members and LDCs as an integral part of the WTO and its agreements. Special and differential treatment in WTO agreements should be precise, effective and operational. In addition, we recall that trade is to be conducted with a view to raising standards of living, ensuring full employment, pursuing sustainable development of Members, and enhancing the means for doing so in a manner consistent with Members' respective needs and concerns at different levels of economic development. We instruct officials to continue to work on improving the application of S&DT in the CTD SS and other relevant venues in the WTO, as agreed and report on progress to the General Council before MC14."

The other provisions of the Outcome Document are as follows:

"1. We recognise the role of the Working Group on Trade and Technology Transfer in coordinating discussions within the WTO and encourage their continuation, including by continuing to work with other relevant international organizations.

2. We recognise the particular vulnerability and special needs of LDCs. In this regard, we underscore that their interests should be given due priority for them to secure meaningful integration into the multilateral trading system. We note our instructions in Paragraph 8 of the MC12 Outcome Document concerning operationalisation of decisions taken in favour of the LDCs and acknowledge the work done so far. We instruct the relevant bodies to continue their work, and the General Council to report back to our next Session on progress.

3. Recalling that, at our Twelfth Session, we recognised the role that certain measures in the WTO can play to facilitate smooth and sustainable transition for Members after their graduation from LDC Category, we welcome the Decision adopted by the General Council in WT/L/1172.

4. We recognise the importance of the Aid for Trade Initiative for developing Members, including LDCs, for trade-related capacity building, and for contributing to their integration into the multilateral trading system. We recognise the contributions made by the WTO's Institute for Training and Technical Cooperation (ITTC) in this regard and by the contributors to the range of extra budgetary funds managed by the WTO that support training and capacity building for developing Members. We look forward to the outcomes of the 9th Global Review and recognise the continuing need for this initiative. We also note the efforts and discussions underway among certain Members to continue extra budgetary trade-related technical assistance dedicated to LDCs.

5. We reaffirm our commitment to the Work Programme on Small Economies and to facilitate the integration of small, vulnerable economies (SVEs) into the multilateral trading system by continuing to highlight their priorities and seek solutions in all aspects of the work of the WTO.

6. We acknowledge the importance of dedicated sessions on transit at the Committee on Trade Facilitation. We instruct the Committee on Trade and Development to hold focused sessions, to assess trade-related challenges identified for the fuller integration of Landlocked Developing Countries (LLDCs) into the multilateral trading system. The Committee on Trade and Development shall report to the General Council and propose recommendations, if any, to the Fourteenth Session of the Ministerial Conference.

7. In recalling the objectives in the Marrakesh Agreement and in recognizing the role that the multilateral trading system can play in contributing towards the achievement of the UN 2030 Agenda and its Sustainable Development Goals, in so far as they relate to the WTO mandate, we underscore the importance of trade and sustainable development in its three pillars - economic, social, and environmental.

8. We recognise that women's economic empowerment and women's participation in trade contributes to economic growth and sustainable development. We take note of WTO work, including in collaboration with other relevant international organizations, through activities such as capacity building initiatives and sharing experience to facilitate women's participation in trade.

9. We recognise the important role that Micro, Small and Medium-sized Enterprises (MSMEs) play in economic growth, sustainable development, and poverty reduction in all WTO Members, while noting the differences in context, challenges, and capabilities of MSMEs among Members. We take note of the WTO work, including in collaboration with other relevant international organizations through activities such as capacity-building initiatives, sharing of experience, and relevant tools and platforms to facilitate MSMEs' participation in international trade.

10. Members recognise the role and importance of services to the global economy as it generates more than two-thirds of global economic output and accounts for over half of all jobs. Services play a critical role in providing a stable environment for economic growth and development and tackling global challenges. We acknowledge the need to facilitate the increased participation of developing Members, including LDCs, in global services trade paying particular attention to sectors and modes of supply of export interest to them. We acknowledge the importance of the work undertaken in the Council for Trade in Services (in regular and special session) and its subsidiary bodies and commit to reinvigorate work on trade in services within the mandate of the GATS and other existing mandates including through further thematic, evidence-based discussions.

11. We celebrate the enlargement of the Organization in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization. We note with satisfaction that this Conference has completed the accession procedures for two least-developed countries, Comoros and Timor-Leste. We recognise the contribution of accessions to strengthening the multilateral trading system and recall our commitments at our Twelfth Session.

12. We recognise the special situation of the Members that acceded in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization who have undertaken extensive commitments at the time of accession, including in market access. This situation shall be taken into account in negotiations.

13. We recognise the short-term challenges faced by Members, in particular developing Members, including LDCs, confronting global and domestic crises including disasters caused by natural hazards. We encourage relevant WTO bodies to continue Member-driven work, aimed at supporting resilience and disaster preparedness. Discussions may focus on how the WTO agreements can support crisis management frameworks, as well as how they contribute to preventing new risks, reducing existing risks, and increasing resilience. Discussions may include other relevant international organizations to promote coherence. A report of work undertaken and any recommendations for future action, as appropriate, based on Member's suggestions, shall be presented to the General Council ahead of MC14.

14. We recall the Declaration in MC12 on the "WTO Response to the

COVID-19 Pandemic and Preparedness for Future Pandemics" and take note of the work done in relevant WTO Councils and Committees, as reflected in the General Council report in document WT/MIN(24)/8. We encourage the relevant WTO bodies to continue their work as directed by the Declaration, based on Members' submissions, to review and build on all the lessons learned and the challenges experienced during the COVID-19 pandemic, to build effective solutions in case of future pandemics in an expeditious manner. We also note the work of the WTO Secretariat in supporting this work with data, analysis, and technical cooperation, including through trilateral cooperation with the World Health Organization (WHO) and the World Intellectual Property Organization (WIPO), and cooperation with other relevant international organizations, and encourage it to continue doing so going forward, as appropriate.

15. We welcome the decisions or declarations adopted by Ministers as follows ..." *(SUNS 9959)*

Colombia brings TRIPS-related issues to centre-stage at MC13

The World Trade Organization's 13th ministerial conference (MC13) witnessed a group of developing countries led by Colombia bringing to the centre-stage several TRIPS-related issues.

by D. Ravi Kanth

ABU DHABI: A group of developing countries led by Colombia brought their protests to the centre-stage on issues arising from intellectual property (IP) barriers at the World Trade Organization's 13th ministerial conference (MC13) that concluded on 2 March amidst chaos, said delegates familiar with the development.

At the meeting, the 65 co-sponsors of the TRIPS waiver showed how the WTO lost its "human face" by failing to extend the MC12 Ministerial Decision on the TRIPS Agreement to COVID-19 diagnostics and therapeutics.

Further, for not including the issue of IP as part of the WTO's future work program, four countries pressed for a Review of the TRIPS Agreement plus the Convention on Biological Diversity, and transfer of technology.

In their declaration issued at the meeting, Colombia, India, Egypt, and Bangladesh urged the WTO's TRIPS Council to expedite "ongoing work to examine the relationship between the TRIPS Agreement and the Convention on Biological Diversity, and the protection of traditional knowledge and folklore", as mandated under paragraph 19 of the Doha work program.

The four countries asked the TRIPS Council "to examine the TRIPS Agreement, the Doha Declaration on the TRIPS Agreement and Public Health of 2001 and the Ministerial Decision on the TRIPS Agreement of 2022, to review and build on the lessons learned during COVID-19, with the aim to address the concerns of developing countries including LDCs in the context of health emergencies including pandemic."

Lastly, in their declaration, the four countries said "the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension and shall provide a report on the progress made, including any recommendations, to the Ministers at the 14th Ministerial Conference."

In another significant declaration, Argentina, Bangladesh, Barbados, Bolivia, Brazil, Cabo Verde, Colombia, Ecuador, Egypt, Honduras, Indonesia, Kazakhstan, Panama, Paraguay, Peru, South Africa, Uruguay, Venezuela, and the African Group called on "all Members to refrain from imposing unilateral trade-related environmental measures that create unnecessary obstacles to trade or arbitrary or unjustifiable discrimination between countries."

Without mentioning the European Union and the United States, the two main promoters of unilateral trade-related environmental measures, the large group of countries called for "enhanced transparency of trade-related environmental measures applied by Members."

The signatories said that WTO members should "intensify our collective work in the Committee on Trade and Environment to analyse the key principles of international environmental law that are relevant to the design and implementation of trade-related environmental measures, with the aim of enhancing coherence and mutual supportiveness between international environmental regimes and trade regimes in the design and implementation of trade-related environmental measures." *(SUNS 9959)*

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MC13 fails to deliver on COVID-19 diagnostics & therapeutics

The World Trade Organization's 13th ministerial conference (MC13) in Abu Dhabi failed to deliver a comprehensive solution relating to COVID-19 diagnostics and therapeutics.

by D. Ravi Kanth

ABU DHABI: The World Trade Organization's 13th ministerial conference (MC13) in Abu Dhabi on day four seemingly failed to show a "human face", after it failed to deliver on COVID-19 diagnostics and therapeutics as agreed at MC12 in Geneva.

"The WTO failed to deliver a comprehensive multilateral solution on the pandemic and even when it delivered on COVID-19 vaccines, this was too little, too late," said the 65 co-sponsors of the original TRIPS waiver proposal in a statement.

The co-sponsors, led by India and South Africa, in October 2020 proposed a waiver from implementing certain provisions of the WTO's TRIPS Agreement for scaling up the production of COVID-19 vaccines, diagnostics and therapeutics to address the pandemic.

"Rather than heed the call of the co-sponsors, non-proponents advocated for voluntary arrangements and donations as the only solution to equitable distribution," they argued in their statement.

The co-sponsors lamented that "in reality, however, an inconsequentially small number of voluntary licenses were availed with strict conditionalities that did not assist to respond to the global crisis. And there were no voluntary licenses or any licensing arrangements when it came to the most-used vaccines in developed countries."

They cautioned that "the COVID-19 virus is still with us, and the world needs therapeutics and diagnostics to ensure better management of its impact."

"If WTO Members were serious about providing an effective solution in the context of global solidarity, they needed to extend the TRIPS decision to diagnostics and therapeutics within six months as promised," according to the statement.

"However, over a year after the deadline, the non-proponents have stalled any possible outcome, ensuring that the world remains vulnerable not only to this pandemic but future pandemics."

The 65 co-sponsors cautioned that "failure to deliver on a multilateral outcome" to effectively address the growing concerns on "equitable and affordable access to health products, including diagnostics and therapeutics", casts "a dim light on the ability of the WTO to act in solidarity during an international emergency as recognized by the WHO."

Paragraph eight of the MC12 Ministerial Decision on the TRIPS Agreement mandated that "no later than six months from the date of this Decision, Members will decide on its extension to cover the production and supply of COVID-19 diagnostics and therapeutics."

That deadline ended on 17 December 2022.

Despite sustained efforts by the co-sponsors, major industrialized countries with huge pharmaceutical bases like the United States, the European Union, Switzerland, and the United Kingdom among others opposed extending the decision to COVID-19 diagnostics and therapeutics on one ground or the other during the past two years.

In an attempt to keep the issue alive for securing the waiver on COVID-19 diagnostics and therapeutics on a future day, the co-sponsors said: "The IP barriers that challenge equitable and affordable access have prolonged this pandemic and remain unaddressed, threatening us in the next pandemic."

The 65 co-sponsors said they "remain committed to addressing these concerns of developing countries including the LDCs in the context of health emergencies such as pandemics by advancing policy space for Members, along with full utilization of existing flexibilities in the TRIPS Agreement including Article 73."

Stressing that the "most solemn obligation of every government is to protect the life and health of its people," the co-sponsors underscored that the "need for scaled-up access to diagnostics, treatments, vaccines and personal protective equipment (PPE) ("health products") was manifest."

Explaining the background to their request for a waiver, the co-sponsors said that they approached Members of the World Trade Organization "to temporarily waive certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to support the global COVID-19 pandemic response."

They said the template for the statement shared with some countries suggests that the waiver request "was in recognition that the intellectual property system is meant to provide a balance between providing incentives for bringing about innovation and rewarding creativity and promoting the broader public interest."

The co-sponsors said that "in the area of public health, intellectual property objectives must also be balanced against realising the right to health, of which access to medicines and other health products is a central part."

Further, they said the waiver request sought to address the legal problems posed by monopolies through "disputes on infringement of intellectual property rights even at the height of the pandemic and that health products would be in global short supply drawing from the experience of previous pandemics and health emergencies."

While "pooling financial and scientific resources is the only option for accelerating progress towards new vaccines, treatments and diagnostics," the co-sponsors said: "Developing countries including the LDCs were gravely concerned. Much of the latest technology used to develop and manufacture necessary health products was owned and controlled by companies, governments and other institutions based in developed countries."

"Without access to this technology, the prospects for manufacturing and distributing health products would be restricted," the co-sponsors said.

They argued that "access to health products would be at the discretion of pharmaceutical companies from a handful of high-income countries."

Referring to the COVID-19 pandemic, which "offered WTO Members an opportunity to act in solidarity by adopting a multilateral solution to help bolster the capability of developing countries to respond to a health crisis," the co-sponsors advocated for a multilateral solution so as to restore faith in multilateralism and avoid Members adopting self-help measures, thereby fragmenting the intellectual property system, a undesirable outcome that a time-bound and limited waiver could have helped prevent more people from the COVID-19 virus. *(SUNS 9958)*

Membership of Comoros & Timor-Leste to the WTO approved at MC13

The World Trade Organization's 13th ministerial conference (MC13), at its opening ceremony on 26 February, approved the WTO membership terms of Comoros and Timor-Leste.

by Kanaga Raja

PENANG: The World Trade Organization's 13th ministerial conference (MC13) began in Abu Dhabi on 26 February, with ministers approving the WTO membership terms of Comoros and Timor-Leste, thus bringing the total number of WTO members to 166.

According to information posted on the WTO's website, the membership of both countries was approved at the MC13 opening ceremony attended by President Azali Assoumani of Comoros and President Jose Ramos-Horta of Timor-Leste.

The Minister of State for Foreign Trade of the UAE and MC13 Chair, Dr Thani bin Ahmed Al Zeyoudi, and WTO Director-General Ms Ngozi Okonjo-Iweala also attended the ceremony.

The Protocols of Accession of Comoros and Timor-Leste were officially signed at the end of the ceremony.

According to the WTO, the governments of Comoros and Timor-Leste will now have to submit their Protocols for ratification by their legislative assemblies.

In keeping with WTO rules, Comoros and Timor-Leste will become members of the WTO 30 days following the deposit of the respective instruments of acceptance of the Protocol.

According to the WTO, twenty-two more countries are seeking to accede to the WTO.

In her address to the trade ministers, the DG, Ms Okonjo-Iweala, paid special tribute to the governments of both countries for "this historic achievement" and for having undertaken an extensive programme of domestic reforms to accelerate economic growth despite very challenging circumstances.

"I am delighted to say that we are kicking off this meeting with some excellent news. Here at MC13, the WTO is welcoming its first new members in almost eight years: Timor-Leste and Comoros," she said.

"We celebrate the hard work they have put in, and the beneficial but challenging reforms they have implemented at home."

"Both countries are least developed countries, and we are excited to see them reap the gains of membership as they become new members of the WTO," she added.

According to the post on the WTO's website, President Assoumani of Comoros said: "Comoros' accession to the WTO will be immensely beneficial for our entire economy, for public and private enterprises, and for consumers.

"It will contribute to our country's trade diversification and partnership efforts, to its integration into regional, continental and global value chains. Through WTO accession, my country will achieve its objectives."

President Ramos-Horta of Timor-Leste said: "Being a WTO member is essential to unleash the potential of our economy in several sectors."

"We are committed to diversify our economy, become a part of the value chain of the global economy and to improve the life of our people through trade."

The MC13 chair, Dr Thani bin Ahmed Al Zeyoudi, said: "The decisions we have just taken on the accession of Comoros – an island LDC in Africa – and the accession of Timor-Leste - an island LDC in Asia – testify to the world's confidence in the WTO and the multilateral trading system."

"I strongly believe that through their future membership in the WTO, Comoros and Timor-Leste will have stable and predictable frameworks for economic engagement with other nations which will boost trade, growth and prosperity," he added.

Accession packages

Comoros' Working Party was established on 9 October 2007 and Members of the Working Party concluded the negotiations on 9 January 2024.

According to its terms of accession, Comoros undertook specific commitments in 11 services sectors and 107 sub-sectors.

Comoros undertook 35 accession-specific commitments in 27 sections of its Working Party Report.

Comoros' State-trading enterprises will function in a manner consistent with the WTO Agreement, and it will apply its pricing policy in a WTO-consistent fashion.

Full implementation of the Trade Facilitation Agreement will start from 31 December 2028 in accordance with a detailed action plan.

According to the terms of accession of Comoros, on the specific commitments on the import regime:

- Comoros will progressively phase out existing other duties and charges, and would not apply such duties and charges as of 1 April 2025.
- Comoros will implement tariff exemptions in conformity with the WTO provisions. Any tariff rate quotas, if introduced in the future, would be applied and administered in conformity with WTO rules.
- Comoros would not introduce or reintroduce any fees and charges for services rendered which would apply to

imports on an ad valorem basis.

- Laws, regulations and other measures relating to internal taxes and charges levied on imports will be applied in a non-discriminatory manner in full conformity with WTO rules. Internal taxes will be replaced by a value-added tax by January 2027.
- Comoros will eliminate, prior to accession, the use of the Brussels Definition of Value to calculate customs duties. Comoros will fully implement the Agreement on Customs Valuation by 1 July 2025.
- Comoros will implement trade defence measures in accordance with an action plan which runs up to the fourth quarter of 2024 and would apply anti-dumping, countervailing or safeguard measures only after notifying and implementing appropriate laws and regulations in conformity with WTO provisions.

On its export policies, Comoros will apply internal taxes on exports in a non-discriminatory manner regardless of whether goods are exported or sold domestically.

Export restrictions will be applied in conformity with the relevant provisions of the WTO Agreement.

As for its industrial policy, including subsidies, Comoros will administer any subsidy programmes in conformity with the SCM Agreement.

Comoros will accept the Fisheries Subsidies Agreement at the same time as it accepts its WTO Accession Protocol.

On technical barriers to trade (TBT), full implementation of the TBT Agreement will start from 1 January 2027.

During the transition period, existing TBT measures will be applied on a non-discriminatory basis. Any changes made in Comoros' laws, regulations and practice during the transition period will not result in a lesser degree of consistency with the TBT Agreement than existed at the date of accession.

Meanwhile, full implementation of the SPS Agreement will start from 1 January 2025, and Comoros' investment regime will be TRIMs-consistent.

On its agricultural policies, Comoros will bind agricultural export subsidies at zero.

As for TRIPS, full implementation of the TRIPS Agreement will start no later than 1 January 2026. Articles 3, 4 and 5 of the TRIPS Agreement will apply from the date of accession.

Any changes made in Comoros' laws, regulations and practice in the transitional period will not result in a lesser degree of consistency with the provisions of the TRIPS Agreement than existed on the date of accession.

According to its terms of accession, Comoros will also implement the GATS from the date of accession, and upon accession to the WTO, it will join the Declaration on the Conclusion of the Negotiations on Services Domestic Regulation.

As an LDC Member, Comoros will incorporate the disciplines on Services Domestic Regulation no later than six months in advance of graduation from LDC status, together with any required transitional periods.

On transparency, Comoros will implement the transparency provisions in the WTO Agreements requiring notification and publication.

Comoros will submit all initial notifications required by the WTO Agreement within six months of accession.

Timor-Leste's Working Party was established on 7 December 2016, and Members of the Working Party concluded the negotiations on 11 January 2024.

According to its terms of accession, the Goods Schedule of Timor-Leste (CLXXVIII) incorporates the ITA and ITA-II Schedules of Timor-Leste, verified and approved by the ITA Committee and the ITA Expansion Group, on 19 October 2023, thus enabling Timor-Leste to become a participant of the ITA and the ITA Expansion Agreement.

Timor-Leste will implement its ITA/ITA-II commitments upon accession, except for duties on products in 378 and 27 ITA tariff lines, which will be eliminated in 2027 and 2030, respectively.

According to its terms of accession, Timor-Leste undertook 31 accession-specific commitments, in 27 Sections of the Working Party Report.

All Timor-Leste's SOEs/STEs will function in a manner consistent with the WTO Agreement. Timor-Leste will notify and provide information about their activities.

Timor-Leste will apply its pricing policy in a WTO-consistent fashion and will publish the list of goods and services subject to monitoring regimes.

Timor-Leste will apply the WTO Agreement on Trade Facilitation from the date of accession, using the categories of commitments it proposed, as an LDC.

According to its terms of accession, on specific commitments on the import regime:

- Timor-Leste will participate in the Information Technology Agreement (ITA) and the ITA Expansion when it becomes a WTO Member.
- Timor-Leste will bind other duties and charges at zero in its Schedule of Concessions and Commitments on Goods.
- Timor-Leste will apply and administer tariff rate quotas in conformity with WTO rules and will only implement tariff exemptions in conformity with WTO provisions.
- Timor-Leste will not introduce quantitative restrictions on imports or other non-tariff measures such as quotas, bans, permits, prior authorization requirements, licensing requirements or other restrictions having equivalent effect that could not be justified under the WTO Agreement. Its import licensing regime will fully comply with the WTO Agreement.
- Timor-Leste will apply the Agreement on Customs Valuation, Decision 3.1 of the Committee on Customs Valuation and paragraph 2 of Decision 4.1 on Valuation of Carrier Media Bearing Software for Data Processing Equipment. It will not use any form of minimum value or fixed valuation schedule for the customs valuation of goods.
- Timor-Leste's laws, regulations and other measures relating to internal taxes and charges levied on imports will be in full conformity with its WTO obligations by 1 July 2025.
- Timor-Leste will not apply any anti-dumping, countervailing or safeguard measures until it had implemented and notified to the WTO appropriate WTO-consistent laws. Timor-Leste will only apply such measures in full conformity with the relevant WTO provisions.

On its export policies, any subsidy programmes provided by Timor-Leste will be administered in conformity with the SCM Agreement.

All necessary information on Timor-Leste's export subsidies and other notifiable programmes will be notified to the respective WTO Committee.

As for its industrial policy, including subsidies, Timor-Leste will administer its subsidy programmes in full conformity with the SCM Agreement.

All necessary information on these subsidy programmes will be notified to the respective WTO Committee.

Unless the 2022 Agreement on Fisheries Subsidies or any subsequent comprehensive fisheries disciplines have already entered into force by the time of acceptance of its Accession Protocol, Timor-Leste will accept the Agreement on Fisheries Subsidies and any subsequent protocols establishing fisheries disciplines at the same time as it accepts its WTO Accession Protocol.

Full implementation of the TBT Agreement will start from 1 January 2026, while full implementation of the SPS Agreement will start from 1 January 2028.

Timor-Leste will not maintain any measures inconsistent with the TRIMs Agreement.

According to its terms of accession, free zones and special economic zones will be established, maintained and administered in conformity with the WTO Agreement.

Timor-Leste will ensure enforcement of its WTO obligations in those zones. The right of firms to register and operate in these zones will not be subject to export performance, trade balancing or local content requirements.

Goods imported into the free trade zones and goods produced in any free trade zones or areas under tax and tariff provisions that exempt imports and imported inputs from tariffs and certain taxes, will be subject to normal customs formalities when entering the rest of the territory of Timor-Leste.

Timor-Leste will become an observer to the Agreement on Government Procurement and submit an application for membership within one year following the accession.

On its agriculture policies, Timor-Leste will bind agricultural export subsidies at zero from the date of accession.

As for TRIPS, full implementation of the TRIPS Agreement will start no later than 1 January 2027. Articles 3, 4 and 5 of the TRIPS Agreement will apply from the date of accession.

Any changes made in Timor-Leste's laws, regulations and practice in the transitional period will not result in a lesser degree of consistency with the provisions of the TRIPS Agreement.

Timor-Leste will seek all available technical assistance to ensure its capacity to fully enforce its TRIPS-consistent legal regime upon the expiration of the transition period.

It will make TRIPS legislation (draft and promulgated) available to the WTO TRIPS Council for circulation to interested Members.

Timor-Leste will also become a participant of the Declaration on the Conclusion of Negotiations on Services Domestic Regulation.

On transparency, Timor-Leste will fully and promptly implement the transparency provisions in the WTO Agreements requiring notification and/ or publication.

Timor-Leste will submit all initial notifications required by the WTO Agreement, at the latest, within six months of the entry into force of the Protocol of Accession. *(SUNS 9955)*

CSOs voice concerns on being shut out of participation at MC13

Civil society organizations (CSOs) and social movements voiced serious concerns that their participants have faced "an escalation in repression" at the World Trade Organization's 13th Ministerial Conference (MC13) in Abu Dhabi.

by Kanaga Raja

PENANG: A global network of civil society organizations (CSOs) and social movements has voiced serious concerns that civil society participants have faced "an escalation in repression" at the World Trade Organization's 13th Ministerial Conference (MC13) currently taking place in Abu Dhabi despite fully complying with the WTO's guidelines for the conference.

According to a press release issued by the "Our World Is Not for Sale" (OWINFS) global network of CSOs at MC13 on 28 February, the WTO risks losing its legitimacy as affected communities, and CSOs are being shut out of normal participation at MC13.

The CSOs said that given the "unprecedented repression" of its participants, MC13 should not continue until historical and international standards and human rights for participation in global governance are restored.

"Participants, especially from developing countries, are fearful of even walking alone in the conference centre now, lest they be unjustly detained and possibly deported, and then unable to secure visas ever again. This climate of fear should not be the result of advocacy in an institution of global economic governance," said Rahmat Maulana Sidik, Executive Director of Indonesia for Global Justice.

"This is my 11th MC and I've never seen anything like this level of repression. The WTO Secretariat has insisted that it is working towards clarifying things with the host country. But we see no evidence that the DG – who is widely known as a person who, shall we say, can get her way when she wants – is insisting on our rights being restored," said Deborah James, facilitator of Our World Is Not for Sale (OWINFS) global civil society network.

"It was a long way to Abu Dhabi from my country. I came here to get work done, and I do not feel safe to do the normal activities that I always do in Ministerial Conferences. The uncertainty of not knowing if I will be detained just for giving away my research is paralyzing me from doing what I am supposed to do," said Sofia Scasserra, researcher from Argentina with the Transnational Institute.

The concerns voiced by the CSOs came a day after they had filed a complaint with the WTO Director-General, Ms Ngozi Okonzo-Iweala, "about several incidents of detainment, confiscation of materials, and heavy-handed restrictions on lobbying" by the CSOs at the conference.

The CSOs had pointed out that previous WTO ministerial conferences have allowed civil society participants to distribute information and analyses, take photos, display banners, and other forms of engagement.

In their letter to the DG on 26 February, the CSOs expressed serious concerns over their ability to effectively participate in the MC13 process.

"At other international governance organizations, NGO observers are welcomed into deliberations and permitted to make interventions on the record," they said.

"The WTO has long fallen short in this regard, but the silencing we have experienced thus far in Abu Dhabi is shocking even by the low bar the WTO has set," they added.

"We are representatives of people's movements, small-scale farmers, fisher-folk, union leaders. We have traveled here from Argentina, Australia, Bangladesh, Belgium, Bolivia, Gambia, Germany, Ghana, India, Indonesia, Kenya, Netherlands, Norway, New Zealand, Pakistan, Philippines, Spain, Uganda, and Zimbabwe to speak on behalf of millions of people at this meeting of the world's largest economic rule-making institution," the CSOs said in their letter to the DG.

The communities that will be affected by WTO decisions must be permitted to participate in this process, they emphasized.

"The WTO talks of inclusivity, yet what we have seen to date suggests our voices will be silenced throughout this ministerial. We expect you, as the Director-General, to ensure there is space for critical voices to be heard in the ministerial itself," said the CSOs.

In their complaint, the CSOs called on the WTO DG to address their concerns as a matter of urgency. (See separate article).

Meanwhile, in the press release issued on 28 February, the CSOs said two participants, who have been advised not to release their names publicly while still in the country, were detained, allegedly for "filming" within the convention centre.

This continues a disturbing trend for this Ministerial Conference, said the CSOs.

"The WTO has failed to ensure the safety and rights of participants that it has registered for this meeting."

According to the press release, this incident happened during a public civil society event where affected community groups – fishers from developing countries – were discussing the negotiations that would directly impact them.

If the WTO is currently unable or unwilling to ensure the safety and rights of the participants, then the meeting should not continue until that is the case, said the CSOs.

"As they stand, negotiations are proceeding on agenda items without possibilities of any democratic engagement from affected communities and civil society."

The CSOs noted that the DG has billed this Ministerial as the most "open, transparent and inclusive process" to date.

"Yet, her institution is failing to ensure participants that the guiding information communicated by the WTO, and the prevailing practice with regards to what civil society can do, actually holds for MC13," said the CSOs.

This is putting the safety of civil society participants at risk, and denying their rights, with little being done to substantively address this extremely urgent and serious issue, they added.

According to the press release, the CSOs have been told by several delegations, including from Norway, New Zealand, and the United States, that they have raised this issue with the WTO Secretariat, but there is no evidence that the WTO has taken action.

The inclusion of civil society has been mentioned frequently at this Ministerial as being central to the WTO, yet civil society members are being prevented from undertaking their work, advocating for communities affected by the outcomes of the Ministerial, on account of the participants being subject to repressive measures, the CSOs said.

"There should be nothing agreed about us at this Ministerial without us," they emphasized. *(SUNS 9956)*

NGOs call for "freedom of speech" to be restored at MC13

Non-governmental organisations (NGOs) submitted formal complaints on the first day of the WTO's 13th ministerial conference (MC13) in Abu Dhabi on 26 February, over the removal of their rights to "freedom of speech and political expression" at the conference.

by Kanaga Raja

PENANG: A number of non-governmental organisations (NGOs) have submitted formal complaints with World Trade Organization officials and key WTO members on the first day of the WTO's 13th Ministerial Conference (MC13) in Abu Dhabi, over the "unannounced and unprecedented" removal of the civil society's rights to "freedom of speech and political expression" at the conference.

The NGOs pointed out that previous WTO ministerial conferences have allowed civil society participants to distribute information and analyses, take photos, display banners, and other forms of engagement.

However, according to the NGOs, the Abu Dhabi conference has so far seen that on opening day of MC13, civil society groups were told that they could not take photos inside or outside of the conference venue, even though the WTO's own informational PowerPoint presentation had said that filming and photography in public areas of the conference are allowed.

Furthermore, they said security officials on 25 February took away posters without explanation, and that people were stopped from handing out press releases.

The NGOs also pointed out that Ms Deborah James, the facilitator of the civil society network "Our World Is Not For Sale (OWINFS)", was told by the Head of

External Relations of the WTO that the Emirates security officials have said that banners and protests are banned, and anyone leafleting will be subject to arrest.

However, the NGOs said it is not clear what "leafleting" includes: distribution of articles, press releases, reports, or flyers?

The NGOs noted that at previous WTO activities, civil society groups have never been told what not to say and what not to do.

"I have been to many WTO ministerials and have never encountered such a determination to silence critical voices. The WTO must and will be held accountable for its decision to hold the MC13 here without securing guarantees that independent civil society can be heard. It exposes the presence of "inclusivity" for what it is - a public relations sham to gloss over the reality of power politics in the WTO, both inside and out," said Professor Emeritus Jane Kelsey.

Rodolfo Lahoy from IBON International, said: "Economic rights cannot be fulfilled without the active voices of civil society and social movements. Any rhetoric of development or sustainability by the WTO is fundamentally incoherent and impossible if civil society voices, especially from the South, cannot even raise the concerns and narratives of their peoples and constituencies. No development for us, without us."

Victor Menotti, from Demand Climate Justice, said: "The UAE hosted UNFCCC's COP28 only three months ago and so is very, very familiar with the international standards of civil society participation, freedom of speech and political expression established at global summits for rule-making, yet Abu Dhabi appears to be paranoid about any critical analyses of proposed WTO decisions that will impact millions of people's lives beyond its borders."

Against this backdrop, the NGOs sent a letter to the WTO Director-General, Ms Ngozi Okonjo-Iweala, on 26 February, calling on her to address these issues as a matter of urgency.

However, the NGOs said that they have yet to receive a response.

In their letter to the WTO DG, the NGOs expressed serious concerns over their ability to effectively participate in the MC13 process.

"At other international governance organizations, NGO observers are welcomed into deliberations and permitted to make interventions on the record."

"The WTO has long fallen short in this regard, but the silencing we have experienced thus far in Abu Dhabi is shocking even by the low bar the WTO has set," they said.

In their letter, the NGOs said on 25 February, several accredited NGO representatives entered the Abu Dhabi National Exhibition Centre (ADNEC) to distribute information to delegates outside the Investment Facilitation event.

But immediately after being permitted through security, they were stopped and searched by local police. Their papers were taken away, they were detained and then escorted off the premises. A separate group distributing a press release was similarly asked to leave, said the letter.

"I have been to many WTO ministerials and have never encountered such a determination to silence critical voices."

Another colleague was prevented from entering the conference due to a traditional piece of clothing that was rejected as politically sensitive and potentially affecting the security of the conference, even though the official invitation sent to participants invites them to wear their national dress.

"On 26 February, NGOs were not permitted to attend the opening ceremony. It seems that reporters were held in the restricted area and thus unable to attend our scheduled press event," the NGOs said.

"The imposition of restricted areas has also prevented us from meeting with reporters in the press area and using WTO facilities usually available, such as photocopiers," said the letter.

"We are representatives of people's movements, small-scale farmers, fisher-folk, union leaders. We have traveled here from Argentina, Australia, Bangladesh, Belgium, Bolivia, Gambia, Germany, Ghana, India, Indonesia, Kenya, Netherlands, Norway, New Zealand, Pakistan, Philippines, Spain, Uganda, and Zimbabwe to speak on behalf of millions of people at this meeting of the world's largest economic rule-making institution," the NGOs said.

The communities that will be affected by WTO decisions must be permitted to participate in this process, they emphasized.

"The WTO talks of inclusivity, yet what we have seen to date suggests our voices will be silenced throughout this ministerial. We expect you, as the Director-General, to ensure there is space for critical voices to be heard in the ministerial itself," said the NGOs.

The NGOs noted that this continues a concerning pattern of suppression of free speech at WTO ministerial conferences.

"You will be aware of the damage that was caused to the WTO's credibility when dozens of registered NGOs had their visas rescinded, and others were turned away at the airport at the MC11 in Buenos Aires. At MC12, registered NGOs were harassed by Geneva police and WTO security for simply wearing t-shirts with peaceful messages."

"There is a risk that the situation at MC13 will be even more controversial and damaging to the organization's credibility and to your credibility as the Director-General unless this matter is addressed and resolved now," said the NGOs.

Moreover, they said, "it is totally unacceptable for the WTO and UAE to invite people to this conference without any clear guidelines of what is going to be permissible. That not only wastes our time and money, but more importantly puts people at significant risk of violating rules they are not forewarned of, with potentially serious personal consequences."

"It is the organization's responsibility in allocating this ministerial to Abu Dhabi to ensure that participants' rights will be respected. We call on you to address these issues as a matter of urgency," said the letter addressed to the WTO DG. *(SUNS 9955)*

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Shipping disruptions posing major challenges to global trade– UNCTAD

A new report by the UN Conference on Trade and Development (UNCTAD) has warned that disruptions to shipping that began in the Red Sea and Suez Canal in November 2023 and continue to unfold in 2024, are causing an exceptionally challenging operating landscape for shipping and trade.

by Kanaga Raja

PENANG: Two months into 2024, the Red Sea and Suez Canal disruption that began in November 2023 continues to unfold, putting at risk the free movement of goods and interwoven global supply chains, according to the UN Conference on Trade and Development (UNCTAD).

In a new report released on 22 February, UNCTAD said the Red Sea disruption comes on top of disruptions that are already constraining vessel crossing in the Panama Canal and the war in Ukraine affecting activity in the Black Sea.

"The current overlapping disruptions to international shipping routes and maritime choke points are causing an exceptionally challenging operating landscape for shipping and trade."

Two major maritime trade waterways face disruptions at the same time. In addition, these waterways are also still adjusting to network configurations and trade pattern shifts caused by the earlier disruption in the Black Sea, the report said.

It said developing countries are particularly vulnerable to disruptions in shipping networks and to shifts in trade patterns that drive up costs, alter their connectivity and access to the marketplace.

According to the report, the drop in monthly transits underscores the magnitude of overlapping disruptions and their impact on both the Suez Canal and the Panama Canal.

In both canals, transits are currently down by more than 40 per cent – almost 50 per cent for Panama – compared to their peaks.

In the Suez Canal, most of the decline in transits occurred over the last two months, while transits through the Panama Canal have been decreasing over the last two years, it said.

The Suez Canal is one of the most important global choke points and maritime waterways. It enables the passage of energy, commodities, consumer goods and components to and from the Indian Ocean and to the Mediterranean and the Atlantic, the report said.

"Trade exposure to the Suez Canal disruptions depends on the extent of its reliance on this strategic maritime passage."

As container trade flows dominate the Canal's traffic, the response has been immediate, with container ships shunning the Suez and re-routing around the Cape of Good Hope. By the first half of February 2024, container tonnage crossing the Canal fell by 82 per cent, said the report.

It said in 2023, around 26,000 vessels crossed the Suez Canal. Bulk carriers accounted for 28 per cent of the total traffic, followed by oil tankers (24 per cent) and container ships (23 per cent per cent).

In terms of gross tonnage, container ships accounted for the largest share at 43 per cent, followed by oil tankers (23 per cent) and bulk carriers (19 per cent).

In 2023, 22 per cent of global seaborne container trade is estimated to have transited through the Canal.

The report said that volumes carried by liquified natural gas carriers, oil tankers, liquified petroleum gas carriers and bulkers amounted to 10 per cent, 9 per cent, 7 per cent and 4 per cent, respectively. Car carriers are also main users of the Suez Canal.

Today, there is no ideal alternative to the Suez Canal, especially for Asia-Europe and Asia-North Africa trade, the report said, adding that for Asia-East Coast of North America, the Suez Canal competes with the Panama Canal.

Attacks on shipping

The drop in transits reflects the response by many shipping companies to the new security threat. Many have opted to divert ships to alternative routes, notably around the Cape of Good Hope, the report noted.

Ship tonnage entering the Gulf of Eden declined by over 70 per cent between the first half of December 2023 and the first half of February 2024.

Meanwhile, vessel tonnage passing through the Cape of Good Hope increased by 60 per cent. By 18 February 2024, some 621 container ships have been re-routing through the Cape of Good Hope.

Current developments in the Red Sea come at a time when Panama Canal transits are also under pressure, said the report.

"The Panama Canal has been facing low water levels caused by drought. To save on water, the Panama Canal Authority has reduced the number of vessels that can transit."

Container shipping dominates Panama Canal traffic both in terms of number of crossings and net ship tonnage.

Other important traffic, in descending order, includes dry bulk carriers, gas and chemical carriers. The car carrier segment is also an important client, said UNCTAD.

The Canal normally sees more than 13,000 transits per year and accounts for almost 5 per cent of global trade.

Yet, the number of transits across the Panama Canal were reduced from a daily average of 36 transits, to 22 transits.

At the end of October 2023, it was announced that the number of transits would be reduced in stages to 18 per day by February 2024, around half of the average, said the report.

To avoid long waiting times, vessels were re-routed through the Suez Canal when cargo originates from Asia.

As a result, Suez transits increased

while Panama Canal transits declined – until end of 2023 when the Red Sea disruption started to take hold.

The disruption in the Panama Canal affects large and smaller economies that depend on this waterway, said the report.

The United States is the largest client of the Panama Canal, accounting for 72 per cent of the volume of cargo transiting through the Canal in 2021.

This volume corresponds to approximately 12 per cent of the country's total trade volume in tons (21.3 per cent of exports, and 5.7 per cent of imports). The second most important Panama Canal user is China, accounting for 22.5 per cent of the Canal's cargo volumes.

The report said for China, this represents 3 per cent of exports and 1.5 per cent of imports, and a total of 1.7 per cent of all Chinese foreign trade in tons.

It also said the Panama Canal is particularly important for the foreign trade of countries on the West Coast of South America.

Approximately 22 per cent of total Chilean foreign trade volumes depend on the Canal (19 per cent of imports and 24 per cent of exports). For Peru, almost 22 per cent of total foreign trade volumes are channelled through the Panama Canal (14 per cent of exports and 32 per cent of imports).

Ecuador is relatively more dependent on the Canal with 26 per cent of its foreign trade volumes crossing the Canal (18 per cent of its exports and almost 39 per cent of its imports).

The report said in the United States, demand for rail transport services has surged as a result in recent weeks, as shippers no longer have the option of going through the Suez Canal as an alternative to the Panama Canal.

The land bridge, which connects the ports of Los Angeles and Long Beach in the United States by rail with the wider North American hinterland, is the other main competitor for the Panama Canal, it added.

Interruption of trade

The Red Sea crisis is largely affecting cargo moving on routes between Asia and Europe, which has the potential to disrupt supply chains of industries, such as construction, automotive, chemicals and machinery, that rely on intermediate imports from the Asia-Pacific region, said the report.

The disruption could also affect energy supply and security, food security and environmental sustainability, the report added.

The Suez Canal is a large source of foreign currency revenue for Egypt, contributing $9.4 billion in the previous fiscal year, equivalent to 2.3 per cent of GDP in 2023, it said.

"The Red Sea crisis has reportedly triggered a 40 per cent drop in Suez Canal revenues. A deteriorating situation in Egypt could have negative spillover effects for other countries in the region, such as Ethiopia and the Sudan."

Foreign trade for several East African countries is highly dependent on the Suez Canal. Approximately 31 per cent of foreign trade by volume for Djibouti is channelled through the Suez Canal (6 per cent of exports and 31 per cent of the country's exports).

Equivalent shares for Kenya and the United Republic of Tanzania are, respectively, around 15 per cent (12 per cent of exports and above 15 per cent for imports) and 10 per cent (8 per cent of exports, and 11 per cent of imports).

Among East African countries, foreign trade for the Sudan depends the most on the Suez Canal, with about 34 per cent of trade volume crossing the Canal (28 per cent of exports and almost 36 per cent of imports).

The report said by comparison, although more important in absolute terms, only 7 per cent of foreign trade by volume for Germany is channelled through the Suez Canal.

According to the report, the Suez Canal saves considerable time and distance to ships. For example, an oil tanker going from the port of Ras Tanura in Saudi Arabia to Rotterdam in the Kingdom of the Netherlands will have to travel 10,358 km through the Suez Canal. The alternative journey via the Cape of Good Hope would be 17,975 km.

This cuts the journey length by 42 per cent. Similarly, a container shipped from Singapore to Rotterdam sees the journey cut by 29 per cent when using the Suez instead of the Cape of Good Hope.

"The re-routing involving longer distances also increases the requirement for more vessels and ship carrying capacity. A round trip between India and Europe, for instance, takes 56 days and 8 vessels. If the trip extends to 63 days, an extra vessel will be required."

Distances travelled by maritime cargo increased over the years, with shifts in the global geography of trade and evolving globalization trends, said UNCTAD.

Current events in the Red Sea are expected to reinforce this trend, which has also been exacerbated by the war in Ukraine as regards particularly oil and grain trade, said the report.

For example, grain to Egypt is now sourced from Brazil or the United States instead of Ukraine, while Russian oil shipments are destined for India and China instead of Europe.

Re-routing vessels away from the Suez Canal and around the Cape of Good Hope has affected container ships the most. By the second week of February 2024, 586 container vessels had been re-routed, said UNCTAD.

The extra miles and days translate into additional costs such as fuel costs and lost value of time-sensitive cargo.

Other additional costs arise from the prevailing security considerations, including the risk of piracy (off the Horn of Africa).

The report said these conditions generate a surge in insurance and legal claims from companies whose vessels are delayed, shipments are disrupted, ships damaged and cargo spoiled.

Increased distances lead to significant additional ton-mile demand. For example, for container shipping and in a scenario in which 100 per cent of container trade on a Far East/Middle East/Indian sub-continent and Europe route (in both directions) was diverted away from the Suez Canal, this could add 10 per cent to global container TEU-mile trade. This means that more container ships and more carrying capacity will be required, it added.

The report said as regards other shipping markets, more oil tankers are now also re-routing around the Cape of Good Hope. Practically no liquified natural gas carrying vessels are using the Suez Canal at present, as all have been diverted away from the Red Sea.

It said bulk trade, which is not that dependent on the Suez route and has low exposure to its disruptions, has seen limited market impacts so far, although bulker ship capacity has also been diverted. Grain and soyabean flows especially have been affected by re-routing.

The number of specialized car-carrying ships using the Red Sea was cut by more than half in December 2023, as compared with December 2022, it noted.

"Other impacts include growing complexities regarding the repositioning of vessels and equipment. Vessel prices and charter rates have also begun to increase since December 2023."

The report said for over a decade, the shipping industry had adopted reduced sailing speeds to cut fuel costs and curb greenhouse gas emissions from ships.

Since January 2023, compliance with new technical and operational measures adopted under the auspices of the International Maritime Organization and aiming to cut the shipping sector's emissions has become mandatory for ships operating in international shipping.

The disruption in the Red Sea and Suez Canal, combined with factors linked to the Panama Canal and the Black Sea and leading to re-routing vessels through longer routes are causing vessel sailing speeds to increase, said the report.

"This is a means for ship operators to ensure schedule integrity and manage the fleet capacity. Speed among container ships has increased since the onset of the Red Sea disruption."

Yet, it said that ship fuel consumption also increases with rapid sailing speed and longer distances. For a large container ship, a 1 per cent speed increase typically results in 2.2 per cent rise in fuel consumption. An increase from 14 to 16 knots, for example, would increase ship consumption per mile by 31 per cent.

In this context, longer distances travelled due to re-routing away from the Suez and through the Cape of Good Hope imply that GHG emissions for a round trip (from Singapore to Northern Europe) would rise by over 70 per cent per trip.

These trends could erode the environmental gains that had been achieved through slow steaming, said UNCTAD.

Impacts on freight rates varied by market segments with the container shipping market handling consumer and manufactured goods being affected the most, said the report.

In February 2024, the impact on bulk freight rates was mixed, with tanker rates rising sharply over the second half of January, while dry bulk, liquified natural gas and liquified petroleum gas freight rates were less affected.

Container rates on Asia-Pacific to Europe routes increased significantly since November 2023. In the last week of December 2023, average container spot freight rates surged by $500.

This was the highest ever weekly increase. Average container spot rates from Shanghai more than doubled (+122 per cent) between early December 2023 and early February 2024, said the report.

The rates from Shanghai to Europe jumped by 256 per cent, i.e. more than tripling. Spot freight rates as captured by the Shanghai Container Freight Index (SCFI) for Shanghai-Northern Europe route stood at $2,648 per TEU on 9 February 2024, three and a half times the early November 2023 figure.

Container rates on Asia-Pacific to Europe routes increased significantly since November 2023.

While the rise in freight rates is relatively more significant on routes crossing the Suez, ripple effects were felt in distant locations such as Asia to the United States West Coast routes, said the report.

Rates to the United States West Coast increased by 130 per cent since early November 2023, although the route does not go through Suez.

"Spot freight rates from/to the West Coast of North America surged as the West Coast provides a land bridge (rail) alternative for cargo destined to locations in central and eastern United States."

However, the report said that freight rates from Shanghai to other destinations have seen lower increases.

War risk premiums for vessels transiting through the Red Sea have increased while the Joint War Committee on 18 December 2023 expanded its listed areas in the Indian Ocean, Gulf of Aden and Southern Red Sea region, it added.

(The Joint War Committee comprises the underwriting representatives from both Lloyd's and the International Underwriting Association company markets and the interests of those who write marine hull war business in the London market.)

According to some sources, war prices jumped in the final weeks of 2023, with a transit through the Red Sea now attracting a premium of above 0.3 per cent of a ship's value, double what was being charged in mid-October and higher than before 7 October.

The report said by early February 2024, some reports indicate premiums rising from around 0.7 per cent to 1 per cent of a vessel's value, from under 0.1 per cent.

It said by early January 2024, it was reported that there were still many players in the sector willing to provide coverage.

Inflationary pressures

There are dangers posed by a prolonged interruption to the Suez gateway, particularly in container shipping, the report said.

These pose a direct threat to global supply chains, potentially leading to delayed deliveries, heightened costs and inflation, it added.

It said while current container freight rates are approximately half the peak recorded during the COVID crisis, sustained increases in shipping costs can drive up inflation (consumer prices) as shown during the 2021-2022 logistics logjam.

"The crisis is also reverberating in global food prices, with longer distances and higher freight rates potentially cascading into increased costs."

It said disruptions in grain shipments from the Russian Federation, Ukraine and Europe pose risks to global food security, affecting consumers and lowering the prices paid to producers.

The war in Ukraine had already shown the impact of longer distances and freight rates on food prices, it added.

UNCTAD estimated that about half of the increase in food prices observed in 2022 was due to higher transport costs, which was a combination of longer distances and higher freight rates. *(SUNS 9953)*

Global debt architecture needs urgent reforms, says UNCTAD

Against the backdrop of mounting debt levels in developing countries, the UN Conference on Trade and Development (UNCTAD) has called for urgent reforms to the global debt architecture.

by Kanaga Raja

PENANG, 9 February (Kanaga Raja) – Urgent reforms are needed to the global debt architecture to avert a widespread debt crisis among developing countries, according to the United Nations Conference on Trade and Development (UNCTAD).

In a post on its website on 7 February, UNCTAD said that in the wake of the COVID-19 pandemic, developing countries' external sovereign debt - funds borrowed in foreign currency - increased by 15.7% to $11.4 trillion by the end of 2022.

The mounting debt levels are further complicated by the diversity of lenders and financial instruments, it noted.

It said equally alarming is the surge in debt servicing costs.

"Low-income and lower-middle-income countries – also referred to as frontier markets – that borrowed when interest rates were low and investors keen are now spending around 23% and 13% of their export revenues, respectively, to repay their external debt."

"To put this in perspective, after World War II, the share of export revenue going into debt servicing for Germany was capped at 5% to aid West Germany's recovery," said Anastasia Nesvetailova, head of UNCTAD's macroeconomic and development policies branch.

According to UNCTAD, the rising debt costs are draining vital public resources needed for development.

About 3.3 billion people - almost half of humanity – now live in countries that spend more money paying interest on their debts than on education or health.

"This situation is clearly unsustainable," said Ms. Nesvetailova.

"While a systemic debt crisis, in which a growing number of developing countries move from distress to default, looms on the horizon, a development crisis is already underway."

According to a UN report released in July 2023, global public debt – comprising general government domestic and external debt – reached a record USD 92 trillion in 2022, with developing countries owing almost 30% of the total.

The report, titled "A world of debt. A growing burden to global prosperity", was jointly prepared by the United Nations Global Crisis Response Group established in March 2022 by UN Secretary-General Antonio Guterres, the UN Conference on Trade and Development (UNCTAD), and five UN Regional Economic Commissions: the Economic Commission for Africa, the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific, and the Economic and Social Commission for Western Asia.

According to the report, developing countries also pay much more for their borrowing.

"Countries in Africa borrow on average at rates that are four times higher than those of the United States and even eight times higher than those of Germany."

Developing countries are dealing with an international financial architecture that exacerbates the negative impact of cascading crises on sustainable development, said the report.

"The burden of debt on development is intensified by a system that constrains developing countries' access to development finance and pushes them to borrow from more expensive sources, increasing their vulnerabilities and making it even harder to resolve debt crises," it added.

Development-centred approach

In the post on the UNCTAD website, Ms. Nesvetailova said that the mounting debt crisis stems not only from the wave of debt after the Global Financial Crisis (GFC) of 2008, the cascading crises since the pandemic and the aggressive monetary tightening in developed countries.

She pointed out that the main roots lie in the structural flaws of the global sovereign debt architecture, "which offers inadequate and delayed support to countries in debt distress."

UNCTAD's latest Trade and Development Report 2023 unpacks the current inequalities, inflexibilities and problems of the global sovereign debt architecture, outlining a strategy to address them.

"A development-centred approach to debt is needed," Ms. Nesvetailova emphasized.

She highlighted overlooked factors contributing to unsustainable sovereign debt, such as climate change.

According to the post on the UNCTAD website, the Trade and Development Report (TDR) 2023 advocates for a thorough re-evaluation of these factors, which encompass demographics, public health, global economic shifts, rising interest rates, geopolitical realignments, political instability, as well as the implications of sovereign debt on industrial policies in debtor states.

It proposes a five-stage life cycle for sovereign debt as a conceptual framework to analyse and improve the global debt architecture.

These include incurring debt, issuing debt instruments, such as bonds and loans, managing debt, tracking debt sustainability and, if necessary, restructuring or renegotiating the terms of debt.

"We're urging new creative thinking in all stages of the debt cycle, as well as new approaches to bridge the persistent divide between statutory and contractual solutions," said Penelope Hawkins, head of UNCTAD's debt and development finance branch.

According to the UNCTAD post, the TDR outlines a comprehensive set of recommendations to re-calibrate the global debt architecture in line with developing countries' needs.

It said a key recommendation is to boost concessional loans - characterized by lower interest rates and longer repayment terms – and grants.

This could be done by increasing the base capital of multilateral and regional banks to expand their lending capacity.

Another way to raise concessional finance involves issuing special drawing rights (SDRs), a type of international currency the IMF created for member countries to boost their monetary reserves by exchanging them for official currencies as needed.

Also important is more transparency in financing terms and conditions.

The TDR said that reducing resource and information asymmetry between borrowers and lenders, coupled with legislative measures in lender countries, can discourage predatory lending practices.

"But transparency goes beyond data disclosure," Ms. Hawkins said.

"It signifies a commitment to constructing a global financial architecture that is fair and accountable to all."

According to the UNCTAD post, further recommendations include expanding developing countries' access to foreign currencies through central bank swaps and enhancing their resilience during external crises through standstill rules on debtors' obligations, such as climate-resilient debt clauses.

This would allow a halt in debt repayments, providing some breathing space for crisis management.

"Greater use of contingent clauses in contracts is necessary for countries experiencing climate and other external shocks," said Ms. Hawkins.

The TDR also said that the global debt architecture requires well-developed rules for automatic restructuring and a better global financial safety net.

It also highlighted the urgent need to begin work on establishing a global debt authority to coordinate and guide sovereign debt restructurings.

"The time to act is now," Ms. Hawkins said. "The costs of inaction are too high."

Middle-income countries

Meanwhile, in a speech at a high-level conference in Rabat, Morocco on 6 February, Deputy Secretary-General of UNCTAD, Pedro Manuel Moreno, highlighted the challenges and potential of middle-income countries.

According to a post on the UNCTAD website on 8 February, Mr. Moreno said that these nations lack the global support they need, despite being home to about 75% of the global population and 62% of the world's poor and facing mounting debt and worsening climate vulnerabilities.

"If we are committed to a world of shared prosperity, these countries need our support," Mr. Moreno said.

Mr Moreno said few middle-income countries have managed to catch up with advanced economies over the decades. Some have even seen their per capita income decline.

This "daunting journey" to catch-up is hindered by the complexities of structural changes and growth, especially as the initial benefits of moving labour from agriculture to manufacturing wane.

As these economies expand, the availability of under-employed rural labour decreases.

To continue moving up the ladder and avoid the so-called "middle-income trap", they need to build the capacities to develop new products.

According to the UNCTAD post, Mr. Moreno highlighted the essential role of industrial policies in helping some nations avoid the trap, pointing to East Asian success stories like the Republic of Korea.

He said that these countries leveraged their existing industrial skills to develop and expand new production and export sectors, moving into more complex and high-value areas like steel and electronics.

"At the heart of these success stories were targeted industrial policies," Mr. Moreno said.

"While such policies became out of fashion a few years ago, there is renewed interest in them, and for good reasons."

However, Mr Moreno said that such strategies require fiscal space, which is currently constrained in middle-income countries by growing debt burdens and limited access to finance.

Today, 3.3 billion people live in countries that spend more on debt than on either health or education.

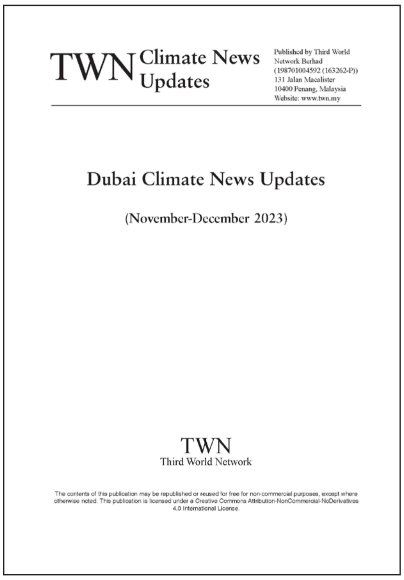
"And most of them live in middle-income countries, which are ineligible for debt relief through the G20's Common Framework."

According to the UNCTAD post, Mr. Moreno reiterated UNCTAD's call for an effective debt-relief mechanism that supports payment suspensions, longer lending terms and lower rates.

He also advocated for urgent action to provide affordable, long-term finance for investment in these countries, saying re-capitalizing multilateral development banks offers a good avenue. *(SUNS 9944)*

Dubai Climate News Updates

(November-December 2023)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Dubai Climate News Updates

(November-December 2023)

TWN
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This is a compilation of 27 News Updates prepared by the Third World Network for and during the United Nations Climate Change Conference – encompassing the 28th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 28), the 18th session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 18), the 5th session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 5), as well as the 59th sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA 59) and the Subsidiary Body for Implementation (SBI 59) – held in Dubai, United Arab Emirates, on 30 November-13 December 2023.

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Third World ECONOMICS No. 789-790, 16 February-15 March 2024

A "tug of war" between markets and central banks

According to a new report by the Basel-based Bank for International Settlements, a "tug of war" between markets and central banks has characterised the developments over the period from 25 November 2023 to 26 February 2024.

by Kanaga Raja

PENANG: The waxing and waning of financial markets' optimistic expectations over the monetary policy outlook was the central theme of the period from 25 November 2023 to 26 February 2024, the Bank for International Settlements (BIS) has said.

In its latest Quarterly Review, BIS said that a "tug of war" between markets and central banks characterised the developments over this review period.

Until late December, financial conditions continued to ease, driven by investors anticipating looser policy in the near term, it added.

It said that since January, financial conditions firmed and tightened, as central bank communication pushed back against such expectations and data releases pointed at more stubborn inflation pressures.

Sovereign bond yields declined on balance during the period, while valuations of risky assets generally rose, BIS added.

It said supported by resilient risk sentiment, emerging market economies (EMEs) experienced bond inflows, and (except China) their stock markets extended gains.

According to the Basel-based central bank for the world's central banks, expectations of policy rate trajectories set the tone for global fixed income markets.

It said that against a benign backdrop of declining inflation and surprisingly resilient economic activity, market participants' expectations initially drifted away from central bankers' projections, so they started pricing in early rate cuts.

"But then central bank officials repeatedly intervened to dispel excessive optimism, reaffirming that the fight to bring inflation back to target could not be declared won yet."

Their efforts to herd market expectations back in line with their projections succeeded and narrowed the daylight between markets' and central banks' expectations, said BIS.

These reassessments left an imprint in elevated bond volatility, which even surpassed that of equities, it added.

BIS said government bond yields in major economies broadly reflected these developments: they first continued to decline in December, and then they edged up again after central bank communications pushed back in January and a less benign inflation release in the United States came out in February.

"The overall optimistic mood also had a bearing on risky assets. Global stock indices rallied and credit spreads narrowed."

While still relatively tight, global financial conditions eased, reflecting expectations of a soft landing. That said, bond issuance and bank credit supply terms painted a less rosy picture, said BIS.

"Issuance remained rather subdued, as firms seemed less willing to tap the market at higher rates while banks' lending standards were still tight."

The foreign exchange market sent mixed signals: the dollar initially depreciated but then appreciated markedly from January onwards, in response to signs of later-than-expected rate cuts.

This pattern reflects exchange rate movements being associated mostly with revisions to the monetary policy outlook rather than being driven by risk sentiment, said BIS.

EMEs broadly followed the developments in advanced economies (AEs). Bond yields fell, driven by the outlook for policy easing, and equity markets rose across the board.

However, BIS said in China, equity markets plunged in response to persistent woes about the real estate sector, despite several support measures.

Bond markets

According to the Quarterly Review, in early December, market pricing indicated greater investor conviction in earlier and deeper rate cuts, largely in response to macroeconomic data releases.

"Yet, from early January onwards, central bank communication increasingly pushed back to dispel excessive market optimism."

Government bond yields declined, on balance, even though they underwent substantial gyrations. In December, long-term government bond yields in major AEs continued their descent from the late-October peaks, said BIS.

"In January, yields firmed and then increased, in part supported by central bank communication pushing back expectations of early rate cuts."

Evolving expectations over the timing and extent of policy rate cuts also drove changes in the overall shape of the yield curve: term spreads fluctuated, but overall the curve remained negatively sloped in most AEs.

As long-term inflation expectations remained roughly stable, changes in inflation-adjusted (real) yields matched most of the movement in nominal yields, BIS noted.

However, it said that Japan was an exception: real yields remained mostly flat, and the bulk of the movement in nominal yields reflected changing long-run inflation expectations.

Central bank communication conveyed a sense of patience and caution, but financial market participants eyed a much easier stance ahead, it added.

Market participants revised their policy expectations repeatedly, navigating between macroeconomic releases and central bank communication. Eventually though, their views converged towards central bankers' projections, it said.

According to the Quarterly Review, market-based measures of expected US policy rates for end-2024 declined substantially in December, moving well out of line with the Federal Open Market Committee (FOMC) members' projections, but reverted by February.

Similarly, while professional forecasters' prospects on US inflation were aligned with FOMC projections, they also reflected more dovish expectations on the policy rate trajectory. That said, the disagreement among different forecasters on the future course of monetary policy rose substantially, both in the United States and the euro area.

Reassessments of policy rate paths and the associated portfolio shifts kept bond yield volatility elevated, said BIS.

"Gauges of government bond volatility declined somewhat from the peak in October last year, but they remained high and, more unusually, well above those for equities."

Historically, such a pattern tends to occur around turning points in the policy cycle. For instance, the lift-off of policy rates at end-2015 also coincided with higher volatility in bonds than equities, BIS explained.

Risky assets pull ahead

BIS said equity markets posted substantial gains in the review period, as market participants anticipated rate cuts and earnings surprises on the upside supported risk sentiment.

The rally was common to most AEs and EMEs, with the notable exception of China, it added.

This time around, BIS said, it encompassed most stocks, rather than overwhelmingly the "magnificent 7" big tech companies, whose valuations nonetheless reached ever loftier levels.

"In addition to lower discount rates, positive earnings surprises buoyed prices. Japanese stocks, which under-performed in December, subsequently rallied, reaching all-time highs."

The dynamics of financial conditions reflected the waxing and waning of market participants' expectations of early rate cuts, said BIS.

While remaining, on balance, tight relative to historical averages, global financial conditions eased substantially from their late-October peak.

Corporate bond yields fell considerably until the end of December and then recovered somewhat as participants continuously re-evaluated how central bank actions would evolve, said BIS.

In contrast, credit spreads mostly followed the declining trajectory embarked on in mid-2022. They declined both in the investment grade and high-yield segments of the market and are now substantially below historical norms in the United States and Europe.

BIS said that the buoyant pricing in equity and credit markets stood in contrast with banks' cautious approach to lending, subdued bond issuance and rising corporate defaults.

"Survey responses showed that – on net - banks were still tightening standards, albeit less than in the previous quarter."

Furthermore, BIS said while bond issuance rose slightly, it remained substantially below pre-pandemic levels.

This probably reflected firms' overall limited refinancing needs, given the bulge in issuance in 2020 and 2021.

According to BIS, another factor could be timing decisions, as firms waited for rates to decline further.

"That said, the continued increase in defaults suggests that at least some firms may have been experiencing funding difficulties."

BIS said that different factors drove changes in the foreign exchange market over the review period.

Until late December, the US dollar depreciated while risky assets rallied, in line with the dollar functioning as a key barometer of risk-taking.

However, BIS said from January onwards, the dollar appreciated markedly, even as equity and credit markets continued to rally.

This pattern is at odds with typical risk-on phases of the period following the Great Financial Crisis (GFC), but it aligns with a more traditional channel of exchange rates reacting to interest rate differentials, it added.

Indeed, BIS said the behaviour of the dollar was closely linked with changing expectations of future policy rates.

"When markets' views on the prospects of early rate cuts waned and expectations realigned with central banks' projections, the dollar strengthened materially."

EMEs follow AEs

According to the Quarterly Review, with the exception of China, developments in EME fixed income markets were broadly in line with those in AEs.

Disinflation also remained well on track in EMEs, and most central banks were expected to either continue or begin cutting policy rates, it said.

"As a result, nominal government bond yields fell in the early part of the review period."

However, BIS said in contrast to AEs, and somewhat surprisingly given the appreciation of the dollar, they did not increase substantially afterwards.

It said in line with the general risk-on sentiment, equity markets in most EMEs rose, even though they broadly under-performed those in AEs, adding that Latin American markets increased slightly more than Asian ones.

Despite the recent rally, EME stock prices still entailed a heavy valuation discount, rendering their valuations more attractive on a forward-looking basis compared with those of AEs, it added.

In contrast to those of most other EMEs, Chinese stocks continued to slump. And this took place despite signs that the Chinese economy was stabilising, as official data showed it had met the government's 5% growth target.

BIS said that market participants shrugged off the support offered by the central bank and fiscal authorities in December.

Instead, they seemingly focused on inflation indicators and the persistent problems in the real estate sector.

It said that property sales and new home starts contracted, and property prices continued to decline. In addition, inflation gauges pointed to prices declining at their fastest pace since the GFC.

Reflecting this negative sentiment, Chinese equities extended losses: at one point the CSI 300 Index was 45% below its previous peak. In parallel, the Hang Seng Index fell in January, even reaching July 1997 levels.

The tide seemed to turn in February, when Chinese authorities unveiled a number of measures to ease financial conditions and stimulate credit, BIS noted.

It also said EME currencies depreciated mildly, with foreign exchange (FX) markets hinting at some localised pressure.

"Asian currencies depreciated less than Latin American ones on the back of improving interest rate differentials vis-a-vis the US dollar."

While EME spot markets remained

orderly, FX derivative segments for the Chinese renminbi showed signs of tension, said BIS.

Against the backdrop of sustained capital outflows, the cross-currency basis for the Chinese renminbi remained substantially large, indicating an elevated premium for Chinese borrowers to obtain dollar funding.

BIS said this contrasted with the dynamics of the basis for major currencies, which continued to narrow despite the appreciation of the US dollar.

"Prospects for yield differentials and equity valuations influenced capital flows to EMEs. Bond flows picked up in Latin America and Asia, given the mostly positive interest rate differentials with the United States."

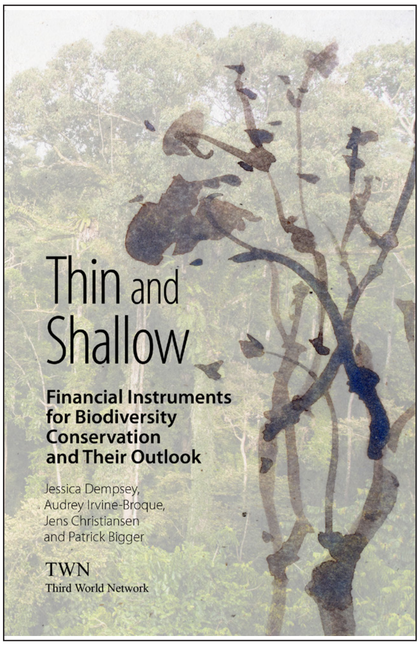
Equity flows diverged across jurisdictions: Latin American and EMEs in Europe, the Middle East and Africa saw pronounced outflows, whereas Asian EMEs experienced inflows. China was a notable exception, as equity funds saw sustained outflows, said BIS.

There are indications that the risk of moderate-to-large EME capital outflows has increased, which could bring vulnerabilities to the fore, it cautioned.

Specifically, compared with mid-2022, the estimated probability distribution of non-resident capital flows one year ahead shifted to the left, indicating a higher probability of outflows, it said. *(SUNS 9961)*

Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger



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This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.

Available at: https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf

Third World ECONOMICS No. 789-790, 16 February-15 March 2024

Global South stagnating under heavier debt burden

Jomo Kwame Sundaram has argued that the high interest rates instituted by central banks in the developed countries are causing prolonged debt distress and economic stagnation in the developing countries, especially the poorest amongst them.

KUALA LUMPUR: Much higher interest rates – due to Western central banks – are suffocating developing nations, especially the poorest, causing prolonged debt distress and economic stagnation.

After the greatest US Fed-led surge in international interest rates in more than four decades, developing countries spent $443.5 billion to service their external government and government-guaranteed debt in 2022.

The World Bank's last International Debt Report showed most of the poorest countries in debt distress as borrowing costs began to surge.

The increase has cut into scarce fiscal resources, reducing social spending on health and education.

Debt-servicing costs for all developing countries in 2022 increased by 5% over 2021.

The US Fed continued to raise interest rates through 2023, compounding debt distress, while the European Central Bank warns against "prematurely" lowering interest rates.

Poorest worst off

The 75 countries eligible to borrow from the World Bank's International Development Association (IDA) – which only lends to the world's poorest – paid $88.9 billion to service debt in 2022.

Over the last decade, the cumulative debt of IDA-eligible countries grew faster than their economies.

Their foreign debt stock reached $1.1 trillion in 2022 – more than twice that in 2012. During 2012-22, their external debt rose 134%, over twice the 53% increase in national income.

Interest payments by the poorest countries have quadrupled over the previous decade to $23.6 billion in 2022.

The Bank expects debt-servicing by the 24 poorest countries to jump by as much as 39% in 2023 and 2024.

Bank Chief Economist cum Senior Vice President Indermit Gill has warned, "Record debt levels and high- interest rates have set many countries on a path to crisis".

"Every quarter that interest rates stay high results in more developing countries becoming distressed ..."

Without "quick and coordinated action by debtor governments, private and official creditors, and multilateral financial institutions" and "better debt sustainability ... and swifter restructuring" arrangements, "another lost decade" seems unavoidable!

Higher interest rates have worsened debt distress in most developing countries. There have been 18 government debt defaults in ten developing countries in the last three years – more than in the previous two decades!

About three-fifths of low-income countries (LICs) are in or at high risk of debt distress. Debt service payments consume an increasingly large share of their export earnings.

Over a third of their external debt has variable interest rates, which have risen sharply over the last two years.

The Bank acknowledges, "Many of these countries face an additional burden: the accumulated principal, interest, and fees they incurred for the privilege of debt-service suspension under the G-20's Debt Service Suspension Initiative (DSSI)."

With higher Fed rates, the stronger US dollar worsens developing countries' difficulties, raising debt-servicing costs.

Besides high interest rates, falling export earnings – due to lower demand - are worsening things.

New financing for the global South has dried up with the flight of capital "uphill" to the North. New borrowing has been made harder by interest rate and debt-servicing cost increases.

New government and government-guaranteed foreign loan commitments to these countries fell by 23% to $371 billion in 2022 – the lowest in a decade.

Private creditors have been avoiding developing countries and got $185 billion more in principal repayments than they loaned in 2022.

It was the first year they received more than they loaned to developing countries since 2015.

New bonds issued by developing countries internationally dropped by over half in 2022!

New bond issues by IDA-eligible LICs and other countries fell by more than three-quarters to $3.1 billion.

With much less private financing, multilateral development banks, especially the World Bank, loaned much more.

Multilateral creditors provided $115 billion in new concessional financing to developing countries in 2022, with half from the Bank.

The Bank provided $16.9 billion more in such financing than it got in principal repayments - nearly thrice the amount a decade before.

The Bank also disbursed $6.1 billion in grants to these countries, three times the amount in 2012.

Wrong medicine

As the US Fed continued to hike interest rates through 2023 while the European Central Bank still warns against "prematurely" reversing the rate hikes, the prospects of early relief appear remote, threatening further devastation in the global South.

The excuse for higher interest rates remains inflation above the completely arbitrary two per cent inflation targeting rate now embraced by all too many central bankers as their "holy grail".

But most recent inflation has been due to often deliberate supply-side disruptions in recent years associated with the US-led new Cold War, COVID-19 pandemic disruptions and geopolitically driven economic sanctions, especially since the Russian invasion of Ukraine.

Core inflation has largely receded in much of the world since mid-2022. But meanwhile, imported inflation has been exacerbated by exchange rate depreciation due to financial flow-induced refluxes.

The 1980s' government debt crises caused a "lost decade" in Latin America and a quarter century of stagnation in Sub-Saharan Africa.

It took almost a decade for the George H W Bush administration to resolve the Latin American debt crises with compromises around the Brady bonds.

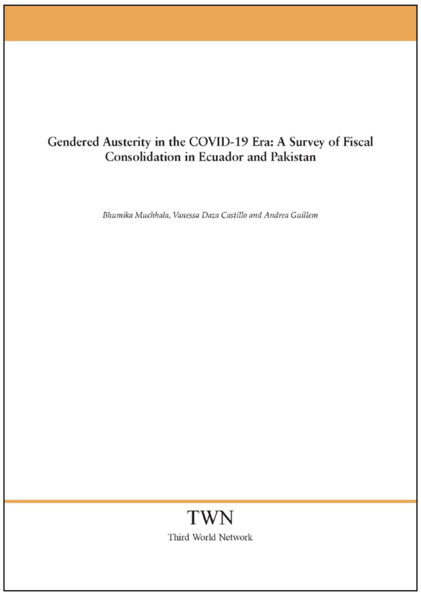
This time, a resolution will be much more difficult owing to the varied creditors and much larger debt involved.

Worse, there is little sense of responsibility in the West. Instead of seeking collective solutions, the evolving debt crisis is used to blame and isolate China in the fast-worsening geopolitical new Cold War. *(IPS)*

Jomo Kwame Sundaram, *a former economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

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



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

Third World ECONOMICS No. 789-790, 16 February-15 March 2024

Report finds the United Kingdom inflating climate finance

Celine Tan has argued that methodological changes to how the United Kingdom calculates its international climate finance are inflating the country's climate finance figures, thus calling into question its compliance with commitments under the United Nations Framework Convention on Climate Change (UNFCCC).

COVENTRY: Methodological changes to how the UK calculates international climate finance and retrospective incorporation of projects and programmes are inflating the country's climate finance figures.

These adjustments were undertaken to allow more aid expenditure to count as climate finance and does not result in additional resources to finance climate action in developing countries, calling into question the UK's compliance with commitments under the United Nations Framework Convention on Climate Change (UNFCCC).

A rapid review by the Independent Commission for Aid Impact (ICAI), a statutory body established to scrutinise the UK's overseas development assistance (ODA), found that the government "moved the goalposts" for measuring climate finance to developing countries to enable it to meet its pledged climate target of 11.6 billion by 2025-26.

Additionally, a "scrubbing exercise" was undertaken to retrospectively identify "climate-relevant components" within its current ODA portfolio to tag as climate finance but which did not entail any additional financing to developing countries.

According to ICAI's report, these accounting changes resulted in total reclassified climate finance amounting to GBP 1.724 billion or 15 percent of the total GBP 11.6 billion commitment but did not translate to increases in climate finance that were disbursed to developing countries.

All UK international climate finance is derived from its ODA budget as a starting point, which already calls into question the UK's compliance with its obligation under Article 4.3 of the UNFCCC that developed countries "shall provide new and additional financial resources to meet the agreed full costs" of climate action by developing countries.

However, the recent changes – implemented since 2023 – have compounded the problem of lack of additionality in international climate finance while also reducing the amount of ODA available for non-climate finance expenditure, including health, education and humanitarian expenditure.

The ICAI report outlines three main changes to the UK's climate finance accounting that is inflating total climate finance figures.

First, the UK now counts all "climate-relevant shares" of its core contributions to multilateral development banks (MDBs) as climate finance.

Previously, only ring-fenced climate finance, such as through specific climate funds or programmes such as the Global Environment Facility (GEF), channelled through MDBs were counted as climate finance.

This accounting change added GBP 746 million towards the UK's climate finance target.

The second change entailed applying "a fixed proportion" of 30 percent as climate finance to humanitarian programmes in the ten percent of countries classified as climate vulnerable.

This means that any humanitarian expenditure within those countries is automatically classed as climate finance and this accounting change is expected to add an additional GBP 497 million to climate finance figures between 2021-22 to 2025-26.

The third change is to adjust how the UK government calculates ODA contributions it makes to climate-related projects of British International Investment (BII), the UK's development finance institution (DFI).

The BII, like all DFIs, lends to the private sector in developing countries drawing on ODA and other official financing as capital.

This new accounting change involves calculating ODA-eligible core capital contributions to BII based on "actual BII investments" rather than assigning a fixed percentage of 30 percent as climate-related expenditure previously.

This change could add GBP 266 million to the UK's climate finance target.

The government argues that calculating BII's climate finance contributions in this way "more accurately reflects what core capital contributions are enabling BILL to deliver on climate finance".

These three changes have been complemented by the "scrubbing" of the existing ODA portfolio to identify climate finance programming which may have been missed to add to the overall climate finance figures.

This exercise is said to have identified an additional $215 million of climate finance in existing aid programmes.

According to ICAI, the government argues that these changes only bring it in alignment with approaches taken by other developed countries, including France, Germany, the Netherlands and Norway.

The ICAI report outlines several concerns with the aforementioned changes to the effectiveness, credibility and sustainability of UK climate finance.

There are serious concerns of "substantial trade-offs" between climate and non-climate ODA priorities within the context of "cumulative reductions and increased pressures" on the UK's existing ODA budget.

First, the UK government reduced its ODA target to 0.5 percent of gross national income (GNI) from its statutory 0.7 percent GNI target as a "temporary measure" in 2021 and is not expected to return to the 0.7 percent target spend until at least after 2027-28.

Second, almost a third of UK ODA expenditure is now spent within the UK on accommodation and support for asylum seekers and refugees, expenditure that can be classified as ODA under the OECD Development Committee's rules as "in-donor refugee support".

The ICAI report states that the UK government recognises

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that considering this climate finance as "new additional" funding "is difficult to defend in the face of reductions in the availability of ODA" and that the need to "significantly scale up [climate finance] with reduced headroom will mean that other areas such as education, health and humanitarian response will inevitably receive less funding".

The ICAI report also expresses concern that the type of climate finance instruments may not be appropriate for developing countries and many countries affected by the climate crisis, especially least developed countries (LDCs), fragile and conflict-affected states (FCAS) and small island developing states (SIDS), all priority areas identified in the UK's recent International Development White Paper.

In particular, the report highlights that the share of UK climate finance channelled through MDBs will be disbursed primarily through concessional loans rather than grants.

It reports that MDBs tend to disburse mitigation and adaptation finance less through grants than bilateral donors or multilateral climate funds but concessional loans "are not the preferred modality of LDCs and SIDS".

The report also found that there is "insufficient transparency about the accounting changes, making it hard to replicate the government's calculations and hold the UK to account for its climate finance commitments" and that climate finance programming did not sufficiently pay attention to gender in their design and implementation.

Additionally, the report criticised the UK government's domestic policy actions as damaging its "international climate leadership".

The ICAI found that changes to the UK's own domestic next zero commitments, such as support for new oil and gas exploration, "contributed to the decline in the UK's global leadership position" on climate action.

It argues that the government's International Climate Finance Strategy 2023 cross-references "domestic net-zero climate policies and achievements to bolster its international credibility on climate action and its commitment to [climate finance] to bolster its domestic net zero credentials" but "when domestic ambitions are reduced, this cross-referencing approach can contribute to lowering the UK's international reputation".

The report makes four recommendations, including producing a more comprehensive and detailed internal plan for climate finance expenditure and improving transparency of climate finance reporting to enable better tracking of climate finance commitments as well as integrating consideration of gender in climate programmes and tracking delivery of international climate finance to SIDS, FCAS and LDCs.

The UK government is expected to respond to the report in April 2024. *(SUNS 9966)*

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