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SDGs adopted, MDGs see limited gains

After some 18 months of talks often marked by sharp differences between member states, a UN working group has adopted a set of sustainable development goals (SDGs) for the international community which span economic, social and environmental issue areas. This decision came as the UN announced some progress in realizing the existing Millennium Development Goals (MDGs), although civil society observers say the MDG effort has failed to address many of the structural barriers to development.

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Sustainable development goals adopted amidst differences

Overcoming deep divisions among its membership, an intergovernmental UN working group has adopted a set of goals to be pursued by the international community in the quest for sustainable development.

by Bhumika Muchhala and Ranja Sengupta

NEW YORK: A set of 17 sustainable development goals has been adopted after over one and a half years of discussions and negotiations.

The Open Working Group (OWG) on Sustainable Development Goals (SDGs) concluded its 13th session (14-19 July) at the United Nations headquarters in New York following long-drawn negotiations that stretched through the night of 18 July, finally leading to the adoption of the final document on 19 July.

After almost six days of razor-sharp disputes between member states on various themes and language across the 17 SDGs, the OWG Co-Chairs, Ambassadors Macharia Kamau of Kenya and Csaba Korosi of Hungary, nervously sought agreement from the members of the working group.

The OWG consists of 70 countries that speak either independently or as part of country groupings.

The adopted text of the SDGs contains a set of 17 goals that span the three pillars of sustainable development, viz., economic, social and environmental issue areas.

Each goal is accompanied by a set of targets and means of implementation (MOI). One of the goals is an MOI thematic goal divided into the structural areas of trade, finance, technology, capacity building, multi-stakeholder partnerships, and data, monitoring and accountability.

The other 16 goals, encompassing fundamental issues in economic, social and environmental policies, are as follows:

(1) End poverty in all its forms everywhere;

(2) End hunger, achieve food security and improved nutrition, and promote sustainable agriculture;

(3) Ensure healthy lives and promote well-being for all at all ages;

(4) Ensure inclusive and equitable quality education and promote life-long learning opportunities for all;

(5) Achieve gender equality and empower all women and girls;

(6) Ensure availability and sustainable management of water and sanitation for all;

(7) Ensure access to affordable, reliable, sustainable, and modern energy for all;

(8) Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;

(9) Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;

(10) Reduce inequality within and among countries;

(11) Make cities and human settlements inclusive, safe, resilient and sustainable;

(12) Ensure sustainable consumption and production patterns;

(13) Take urgent action to combat climate change and its impacts (with the following words preceding the targets: "Acknowledging that the UNFCCC [UN Framework Convention on Climate Change] is the primary international, intergovernmental forum for negotiating the global response to climate change ...");

(14) Conserve and sustainably use the oceans, seas and marine resources for sustainable development;

(15) Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;

(16) Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

(The text can be accessed at: http://sustainabledevelopment.un.org/focussdgs.html)

The next step is for this text to be presented to the UN General Assembly in September, after which intergovernmental negotiations among all the countries in the UN will take place in the context of the post-2015 development agenda, with the current text serving as the basis on which to work.

The post-2015 development agenda is the successor of the Millennium Development Goals, and will be the official global template informing international development policy and, to some extent, national development planning.

Heated conflicts along key faultlines

Co-Chair Kamau's announcement of the final adoption of the text was a rather groundbreaking moment that concluded a tense battle of conflicting positions among member states. The reactions of member states to the final text of the SDGs were divided along well-known faultlines.

The Group of 77 (G77) and China, comprising 131 developing countries, had persisted in their position that urgent language on colonial and foreign occupation must be included, not only in the chapeau (introductory narrative of the SDGs) but also as a target under goal 16 on peace and justice.

The specific language they called for was: "Rio+20 reiterated the commitment to take further effective measures and actions, in conformity with international law, to remove the obstacles to the full realization of the right of self-determination of peoples living under colonial and foreign occupation, which continue to adversely affect their economic and social development as well as their environment, are incompatible with the dignity and worth of the human person and must be combated and eliminated."

Meanwhile, many Arab, Persian and African countries, including North African countries, vociferously opposed the specific target that calls for ensuring "universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences".

As expected, most Western/Northern countries and some developing countries supported the contentious inclusion of reproductive rights, while key Western countries strongly opposed the inclusion of the issue of foreign occupation as a target.

The final adopted text of the SDGs currently includes reproductive rights in target 5.6 and foreign occupation in the 15th paragraph of the chapeau.

Discontent was also expressed by member states on a lengthy array of issues in the final document, ranging from the content and scope of the MOI themes to the language on oceans, the reference to UN review conferences, the paucity and weakness of the MOI targets specific to the goals, the inclusion of the principle of common but differentiated responsibilities (CBDR), and the longstanding battle over disputed goals such as peace and justice, sustainable consumption and production, and climate change.

However, the fact that the overwhelming number of member states decided to seal the deal on the final text, despite their wide-ranging displeasures, was regarded as a noteworthy achievement.

Reopening the text would have been an extremely complex, fraught and time-consuming process that the Co-Chairs simply could not afford. The outcome would have been unpredictable, and member states themselves dreaded the thought of extending the already lengthy process they had been embroiled in.

India reassured the Co-Chairs that in the context of deep divides between member states, the outcome was a good one overall, as well as "complex, with things we deeply dislike and things we deeply like".

Countries such as Colombia concluded that "this is a package deal worth approving, even if there are things we are not happy with". Romania emphasized that "this process has exhausted its means. The text before us is not for reopening, and we should all adopt the document and send it to the General Assembly."

Ethiopia summed up the ethos of the majority of member states, saying that while they had "not been completely satisfied, in the spirit of give and take, we are willing to go ahead with the Co-Chairs' proposed final text". *(SUNS7849)* ❐

Amid scepticism, UN trumpets successes in cutting poverty

A UN report points to some progress towards attaining the Millennium Development Goals but, say civil society observers, neglects structural barriers to development that can negate any success achieved.

by Thalif Deen

NEW YORK: With 17 months before the Millennium Development Goals (MDGs) reach their targets by the December 2015 deadline, the United Nations is trumpeting its limited successes – but with guarded optimism.

"Global poverty has been halved five years ahead of the 2015 time-frame," says UN Secretary-General Ban Ki-moon in the latest status report released on 7 July.

In 1990, almost half of the population in developing regions lived on less than $1.25 a day. "This rate dropped to 22 percent by 2010, reducing the number of people living in extreme poverty by 700 million," the study claims.

Still, the overwhelming majority of people living in extreme poverty belong to two regions: Southern Asia and sub-Saharan Africa, according to the 56-page *Millennium Development Goals Report 2014*.

But some of the non-governmental organizations (NGOs) closely tracking trends in social and economic development in the developing world are sceptical of the claims.

Roberto Bissio, director of the Uruguay-based Social Watch, told Inter Press Service (IPS) the global average the United Nations celebrates is almost exclusively due to China – and most of that poverty reduction in China happened before the year 2000.

"Thus the MDGs are credited with outcomes that happened before they existed," he said. "This is because the target is defined as lowering to half the 1990 global poverty line, not the 2000 figure …," Bissio added.

The study singles out the increased access to drinking water sources, an improvement in the lives of slum dwellers and the achievement of gender parity in primary schools.

"If trends continue," says the report, "the world will surpass MDG targets on malaria, tuberculosis and access to HIV treatment [while] the hunger target looks within reach."

Other targets, such as access to technologies, reduction of average tariffs, debt relief and growing political participation by women, "show great progress".

Over the past 20 years, the likelihood of a child dying before age five has been nearly cut in half, which means about 17,000 children are saved every day, according to the report.

"Over-optimistic"

Chee Yoke Ling of the Malaysia-based Third World Network told IPS the MDG report is "over-optimistic" and avoids the systemic obstacles that continue to deprive large parts of the world of their right to development.

"A much-needed orderly sovereign debt workout mechanism is still rejected by rich countries and we see Argentina on the verge of another crisis because of the greed of 'vulture funds'," she said.

Failure to deal with structural barriers can negate any success made over the past two decades. "Unfortunately," she pointed out, "the trend in the UN Secretary-General's office and many developed countries is to place hopes in private corporations and 'multi-stakeholder partnerships' that fudge the massive problems caused by many corporations.

"The vote on 26 June at the Human Rights Council to start a process for a treaty to regulate transnational corporations is a clear signal that if we are to make development a reality, corporations cannot be the deliverer," she added.

In a statement released on 7 July, the London-based WaterAid said the UN report is a reminder of a terrible truth: that there are still 2.5 billion people in the world without access to basic toilets. Of the 2.5 billion, 644 million are in sub-Saharan Africa and more than 1.0 billion in South Asia.

"Going without this right is compromising the health, safety, security and dignity of billions of people," said Fleur Anderson, global head of campaigns at WaterAid.

As the UN works on a renewed set of development goals, it is critical that sanitation be made a central priority in development, activists say.

For the first time in history, bringing safe water and basic sanitation to

(continued on page 16)

Process set up to elaborate legal instrument on TNCs

The UN's rights body has initiated a process for drawing up a legally binding international treaty to address the human rights obligations of transnational corporations.

by Kinda Mohamadieh

GENEVA: The United Nations Human Rights Council (HRC) has adopted, through a vote, a historic and significant resolution to start a process for an international legally binding instrument on transnational corporations (TNCs).

Officially entitled "Elaboration of an international legally binding instrument on transnational corporations and other business enterprises with respect to human rights", the resolution was adopted on 26 June at the 26th session of the HRC.

The resolution was co-sponsored by Ecuador and South Africa, and also supported by Bolivia, Cuba and Venezuela. In the vote on the resolution, 20 members of the HRC supported the resolution, while 13 members abstained and 14 members voted against it.

Countries that supported the resolution were Algeria, Benin, Burkina Faso, China, Congo, Cote d'Ivoire, Cuba, Ethiopia, India, Indonesia, Kazakhstan, Kenya, Morocco, Namibia, Pakistan, the Philippines, the Russian Federation, South Africa, Venezuela and Vietnam.

Countries that abstained were Argentina, Botswana, Brazil, Chile, Costa Rica, Gabon, Kuwait, Maldives, Mexico, Peru, Saudi Arabia, Sierra Leone and the United Arab Emirates.

Countries that voted against the resolution were Austria, the Czech Republic, Estonia, France, Germany, Ireland, Italy, Japan, Macedonia, Montenegro, Republic of Korea, Romania, the United Kingdom and the United States.

The resolution provides for the establishment of an open-ended intergovernmental working group (IWG) that is mandated with elaborating an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises.

The resolution provides that the IWG shall hold its first session for five working days in 2015, before the 30th session of the HRC. The resolution also provides that the first two sessions of the working group shall be dedicated to conducting constructive deliberations on the content, scope, nature and form of the future international instrument.

The resolution mandates the Chairperson-Rapporteur of the IWG to prepare elements for the draft legally binding instrument for substantive negotiations at the commencement of the third session of the working group, taking into consideration the discussions held at its first two sessions. It recommends that the first meeting of the IWG serve to collect inputs, including written inputs, from states and relevant stakeholders on possible principles and elements of such an international legally binding instrument.

The resolution requests the IWG to submit a report on progress made to the HRC for consideration at its 31st session.

The resolution explains in a footnote that the reference to "other business enterprises" denotes all business enterprises that have a transnational character in their operational activities, while it does not apply to local businesses registered in terms of relevant domestic law.

The resolution also makes reference to the important role of civil society actors in promoting corporate social responsibility and in preventing, mitigating and seeking remedy for adverse human rights impacts of TNCs and other business enterprises.

Presentations by co-sponsors

In presenting the resolution to the HRC, Ambassador Luis Gallegos Chiriboga of Ecuador had stressed that the Council owes its existence to those who tirelessly fight to protect human rights and the victims of human rights violation, including those that are most in need of protection and support.

He called upon the Council to correct injustices, including the lack of protection for victims of violations of human rights carried out by TNCs. He noted that these corporations benefit from binding international protections. However, victims of harmful corporate activities lack access to legal protection, while only having available voluntary norms.

Ambassador Gallegos Chiriboga focused on the importance of protecting victims, noting that victims of disasters caused by Union Carbide in Bhopal (India), Shell in the Niger Delta (Nigeria) and Chevron in Ecuador, among others, are still waiting for remedy and fair compensation.

He underlined the support of more than 500 civil society organizations from around the world, European Parliamentarians and the Vatican to the initiative towards elaborating a legally binding instrument on TNCs and other business enterprises with respect to human rights.

Ambassador Gallegos Chiriboga also stressed Ecuador's support for implementation of the United Nations Guiding Principles on Business and Human Rights.

(The Guiding Principles, proposed by UN Special Representative John Ruggie, had been endorsed by consensus by the HRC on 16 June 2011. At its 17th session, the HRC decided, in resolution 17/4, to establish a working group on the issue of human rights and TNCs and other business enterprises, consisting of five independent experts, with the mandate to promote the dissemination and implementation of the Guiding Principles.

(In a statement at the 17th session, the delegation of Ecuador had voiced its conviction that the UN should continue to work on the issue of establishing binding international standards on the activities of TNCs. Ecuador's statement underlined that the Guiding Principles are "not binding standards", "are just a guide" and thus "are not mandatory".

(At the September 2013 session of the HRC, the delegation of Ecuador delivered a statement on behalf of more than 85 countries stressing the need for a legally binding framework to regulate the work of TNCs. More on this statement is provided below.)

Speaking on behalf of South Africa, co-sponsor of the resolution, Ambassador Abdul Samad Minty noted that the government of South Africa accords special priority to issues of TNCs, business and human rights. He highlighted that the government holds a strong view that these entities, which are the primary drivers of globalization, cannot operate in a void.

He added that TNCs and other business enterprises often operate in an environment where appropriate national legislation to effectively regulate their operations, or mitigate the propensity for their violation of human rights, is either absent or very weak. Experience shows that in countries of the North, where there are strong binding laws and regulations promulgated by national parliaments, the violations of human rights by corporations are significantly minimized, according to Ambassador Minty.

He stressed that a universal regulatory framework in the form of a binding instrument to provide legal protections, effective remedies, as well as a range of other measures in the quest for protection of victims, is desirable and imperative. He also recalled the global mass mobilizations by over 500 civil society organizations calling for such an instrument.

Countries take the floor to explain their vote

China expressed its support for joined efforts by the international community to promote better protection and respect of human rights. It added that it is in favour of pursuing dialogue and cooperation to implement the Guiding Principles on Business and Human Rights and to ensure their actual effects. China noted that the formulation of an international legal instrument is a complex issue, highlighting the disparities among countries in terms of economic development, judicial systems, systems of enterprise, as well as historical and cultural backgrounds. China underlined the importance of being gradual towards gathering consensus.

India noted that the issue of TNCs and other business enterprises is an area where the international community must work together, not only to encourage businesses to respect human rights but also to hold them accountable for violations arising out of their business operations. India added that the work of the existing expert working group on the issue of human rights and TNCs and other business enterprises during the last three years provided guidance to states and businesses and shed light on glaring gaps in available protections.

However, India underlined, the Guiding Principles on Business and Human Rights have their own limitations and carry little impact in the case of victims whose human rights have been violated by operations of TNCs. India added that the resolution sought to open an opportunity for states to discuss, in a focused manner, the issues of TNCs, and provided an acceptable roadmap to move forward in this direction. As states promote the integration of the world economy and capital flows across borders, it is important to plug possible protection gaps that may arise due to business operations, it said.

When states are unable to enforce national law with respect to gross violations committed by businesses, or to hold them accountable due to the sheer size and clout of TNCs, the international community must come together to seek justice for the victims of violations committed by TNCs, India stressed.

The United States, the European Union, the United Kingdom, Japan and Ireland spoke against the resolution.

The United States focused its remarks on the Guiding Principles on Business and Human Rights, saying it considers them a success despite the limited three years since they were endorsed.

While agreeing that more needed to be done to improve access to remedy for victims of business-related human rights abuses, the United States raised concern that the resolution on a legally binding instrument was not complementary to the work on promoting the implementation of the Guiding Principles. The United States perceived that the proposed intergovernmental working group would create a competing initiative that would undermine efforts to implement the Guiding Principles. It expected that focus would turn to the new instrument while companies, states and other actors would unlikely invest significant time and money in implementing the Guiding Principles.

The United States cautioned that a one-size-fits-all instrument would be unlikely to be able to address concerns related to the complex issues of regulating business, noting that such an instrument would be binding only on states that became party to it. It also raised some practical questions concerning the application of the proposed international instrument to corporations, which were not subject to international law. The United States expressed its unwillingness to participate in the proposed intergovernmental working group.

Italy, speaking on behalf of the European Union member states, focused on the efforts undertaken since 2011 to disseminate and implement the Guiding Principles on Business and Human Rights. Italy referred to national action plans elaborated by several EU member states to reflect the Guiding Principles. It added that the Guiding Principles do not exclude further legal developments, while reaffirming its understanding that what has been done so far is not enough to prevent abuses and enable access to remedy when abuses occur.

The EU stressed that no international mechanism could replace robust domestic legislation and processes involving all stakeholders, calling for additional focus on implementation of the Guiding Principles. The EU also noted that the resolution focused on TNCs, while many abuses were committed by enterprises at the domestic level.

The United Kingdom was of the opinion that issues of business and human rights should be addressed through national rule of law at individual state level, and through the application of fair, just and independent legal systems that can protect victims and ensure that business activity can thrive. The UK added that focusing on the Guiding Principles would be the best way forward in dealing with these important issues.

Japan underlined its commitment to the Guiding Principles, noting that the resolution could undermine efforts undertaken with regard to their implementation. The Guiding Principles provide guidance on how states could fulfil their obligations in the area of human rights while respecting business-related international legal obligations, according to Japan. The international community could deepen its understanding on an international legally binding instrument through examining best practices in this regard in the course of implementing the Guiding Principles, Japan added.

Ireland aligned itself with the views expressed by the EU, underlining its commitment to the Guiding Principles while noting that the resolution could undermine the process of their implementation. While noting the importance of addressing barriers to access to judicial and non-judicial remedies, Ireland was of the opinion that an intergovernmental working group would not be the appropriate forum for such a discussion.

The 26th session of the HRC also adopted, by consensus, another resolution entitled "Human rights and transnational corporations and other business enterprises", which was co-sponsored by Norway, Russia and Argentina. The resolution extends for a period of three years the mandate of the existing expert working group on the issue of human rights and TNCs and other business enterprises, as set out in HRC resolution 17/4.

Background on the moves towards a binding instrument

In a statement delivered at the 24th session of the HRC in September 2013, the delegation of Ecuador, speaking on behalf of more than 85 countries, including the African Group, the Arab Group, Pakistan, Sri Lanka, Kyrgyzstan, Cuba, Nicaragua, Bolivia, Venezuela and Peru, had underlined the need for a legally binding instrument.

States subscribing to the statement stressed that "the increasing cases of human rights violations and abuses by some TNCs remind us of the necessity of moving forward towards a legally binding framework to regulate the work of transnational corporations and to provide appropriate protection, justice and remedy to the victims of human rights abuses directly resulting from or related to the activities of some transnational corporations and other businesses enterprises".

The statement noted that an "international legally binding instrument, concluded within the UN system, would clarify the obligations of transnational corporations in the field of human rights, as well as of corporations in relation to States, and provide for the establishment of effective remedies for victims in cases where domestic jurisdiction is clearly unable to prosecute effectively those companies".

In pursuit of the discussion on TNCs, human rights and a legally binding instrument, the Permanent Missions of Ecuador and South Africa to the United Nations in Geneva co-organized a workshop during the week of the 25th session of the HRC to explore this issue.

The workshop aimed at contributing to clarifying the ways in which a legally binding instrument on business and human rights would provide a framework for enhanced state action to protect rights and prevent the occurrence of human rights abuses. It also aimed at discussing the difficulties faced by developing countries when trying to hold transnational corporations accountable, as well as the gaps under the current soft law framework.

In this regard, the discussion tackled the extraterritorial duties of states, obstacles that victims of human rights violations face when trying to access justice and adequate remedies, including national, regional and international courts and non-judicial mechanisms.

According to the report resulting from the meeting, some of the main elements highlighted during the discussion focused on the importance of recognizing that there are gaps in the international legal framework related to the duty to protect human rights in respect of business activities, and the concentration of related instruments in soft law.

The report noted as well the recognition of the asymmetry between rights and obligations of TNCs: while TNCs are offered rights through hard law instruments, such as bilateral investment treaties and investment rules in free trade agreements, and have access to a system of investor-state dispute settlement, there are no hard law instruments that address the obligations of corporations to respect human rights.

Furthermore, the report noted, the obligation of states to regulate business activities within their territorial jurisdiction is clear, but their obligation regarding corporate conduct abroad is not clear.

The report noted as well the importance that participants accorded to building on lessons learnt from the history of addressing the issues of business and human rights, including the experience of discussing the "Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights".

Mobilization by civil society groups

The months before the 26th session of the HRC witnessed mobilization by international networks, organizations and social movements from various regions organized under the umbrella of an alliance calling for binding international regulation to address corporate human rights abuse.

A statement calling for an international legally binding instrument has been signed by 610 civil society organizations and social movements as well as 400 individuals from 95 countries (see treatymovement.com).

The signatories call upon states to elaborate an international treaty that "affirms the applicability of human rights obligations to the operations of transnational corporations and other business enterprises".

They add that the treaty should "require States Parties to monitor and regulate the operations of business enterprises under their jurisdiction, including when acting outside their national territory, with a view to prevent the occurrence of abuses of human rights in the course of those operations".

They underline that the treaty should "require States Parties to provide for legal liability for business enterprises for acts or omissions that infringe human rights and to provide for access to an effective remedy by any State concerned, including access to justice for foreign victims that suffered harm from acts or omissions of a business enterprise in situations where there are bases for the States involved to exercise their territorial or extraterritorial protect-obligations".

The statement stresses as well the importance of providing for "an international monitoring and accountability mechanism" and for "protection of victims, whistle-blowers and human rights defenders that seek to prevent, expose or ensure accountability in cases of corporate abuse and guarantees their right to access to information relevant in this context".

In a press release commenting on the HRC's adoption of the resolution initiating a process to develop a legally binding instrument, the Treaty Alliance of civil society groups emphasized that "the establishment of a binding instrument is complementary to the implementation of the Guiding Principles and necessary to ensure glaring gaps in protection are addressed".

The Alliance explained that "some States opposing the resolution made attempts to come to a compromise, but were not willing to provide a concrete path towards the drafting of a binding instrument to prevent human rights abuses by TNCs and other business enterprises and allow for the provision of remedy to victims".

The Alliance added, "While companies must respect all human rights, as reaffirmed in the UN Guiding Principles on Business and Human Rights, they currently are not held accountable under international human rights law. Thus, the implementation of the Guiding Principles at the national level has been slow and the Guiding Principles remain insufficient to prevent human rights violations. In the meantime, many victims around the world continue to suffer without access to justice."

The Alliance further noted that "an intergovernmental process will contribute to addressing current imbalances under international law, particularly in light of protections companies can obtain under Bilateral Investment Treaties and Free Trade Agreements, which have allowed corporations to sue States". *(SUNS7834)* ❒

Kinda Mohamadieh is with the Arab NGO Network for Development.

BIS calls for reversal of loose money policy, hints at austerity

The Bank for International Settlements' policy proposals for invigorating the global economy address symptoms instead of causes and may bring about more harm than help, writes *Chakravarthi Raghavan*.

GENEVA: The Bank for International Settlements (BIS) has asked the world's central banks to change course and reverse their policies of monetary stimulus, warning, with an almost professorial admonishing finger, that the longer the policy continues on the same course as now, the more difficult it will be to change.

The Basel-based BIS – commonly called the central bank for the world's central banks – advocates this course in its 84th Annual Report published on 29 June.

The global economy, says the BIS, has shown encouraging signs over the past year. But its malaise persists, as the legacy of the "Great Financial Crisis" and the forces that led up to it remain unresolved, it says.

It is difficult to fault the BIS analysis that the longer the policy remains on the present course, the more difficult it will be to change.

This was demonstrated in the two episodes last year (cited in the report) of market turbulence (bond market sell-offs, short-term funds fleeing "emerging markets", and sharp currency fluctuations unrelated to underlying economic elements) at the hint of the US Federal Reserve's reversal of asset purchases (the unorthodox policy used by the Fed, which, having reached zero-interest lower limits, had to find other ways for monetary easing).

The BIS underscores the need for "longer-term perspectives", pointing out that financial cycles (financial fluctuations) are longer and cover 10-15 years while business cycles (output fluctuations), the normal focus of macroeconomists and policymakers, last a maximum of eight years.

(The business cycle, since US policies are dominant determinants, covers two terms of one President and four terms of a Congressman, and a financial cycle between three and four presidential terms and 5-8 terms of a Congressman. To state it in such language brings out the realities of politics and political economy that need to be factored in but seldom are.)

The US Fed's "merest hints" of easing and reversing asset purchases had such consequences on the economies of the developing countries that the Governor of the Reserve Bank of India, India's central bank, Raghuram Rajan, took the unusual step (for a central banker) of publicly criticizing and berating the Fed and the European Central Bank for taking or hinting at such actions without regard for the consequences on other economies.

At an annual Fed-hosted Jackson Hole gathering of central bankers before the financial crisis, Rajan, who was then Director of Research at the International Monetary Fund (IMF), had voiced some doubts over the Fed's then policies, but was laughed out of court by Fed chair Alan Greenspan and Larry Summers.

If BIS economists had issued cautions before the Great Financial Crisis (and rightly claim credit for it), so did Rajan – and, for that matter, economists like Dean Baker and a few others who had warned much earlier about the US housing market bubble that would bring the economy down, but were plain ignored.

The BIS shows some awareness of all this, as in its call for international co-operation, though the path to such "co-operation" is not easy in a one-size-fits-all solution (of raising interest rates and austerity all around).

Even the IMF, which used to prescribe uniform structural adjustment policies – budget-cutting, raising interest rates, currency devaluations etc – has come around to changing its views. Last year, in some coded language against austerity that was news to economists everywhere but little noticed by mainstream media, the IMF said that fiscal multipliers are typically greater than one.

This meant that the IMF researchers had found, and were saying it officially, that austerity didn't work, though this understanding came to them only when eurozone economies found themselves in trouble (and not earlier, when only developing countries suffered the consequences of the IMF's uniform policy advice and conditional lending).

Worsening the situation

The solutions suggested by the BIS – raising interest rates, structural reforms etc, with resort to plenty of code words like "budget balancing" and "fiscal consolidation", infrastructure spending matched by cutting expenditures elsewhere (on social sectors?) and "labour market flexibility" (meaning a greater ability to fire workers, void labour contracts and keep their wages down) to increase profitability etc – could, far from stimulating investments, in fact result in making the situation worse.

In a modern capitalist society, workers are also consumers, and when they are let go (through labour market flexibility and wage repression), to that extent consumption and demand also get reduced, and when there is no demand there will be no investment.

The BIS points with concern at rising debt-to-GDP ratios which, though true, have been caused by rising debt, caused by borrowing rather than raising taxes (in line with the prevailing dogma against taxation of incomes) to meet expenditures including rising defence spending, and would rise even more with austerity policies.

Despite a pickup in growth, the global economy has not shaken off its dependence on monetary stimulus, and monetary policy is still struggling to normalize after so many years of extraordinary accommodation, says the BIS.

In pointing to this situation, there is little recognition, however, that the US Fed with its monetary policy had to step in when faced with the refusal of the US Congress to undertake the necessary fiscal policies – amid entrenched economic policies favouring what has now come to be called the 1% of society, as well as the disconnect and even hostility in Washington between the Republican-controlled Congress and the White House and administration.

Despite the "euphoria in financial markets", investment remains weak, the BIS notes. Instead of adding to productive capacity, "large firms prefer to buy back shares or engage in mergers and acquisitions. And despite lacklustre long-term growth prospects, debt continues to rise. There is even talk of secular stagnation."

The BIS Annual Report also points to lagging productivity growth – though without a better share of benefits of productivity to the workers, it is difficult to see how investment can grow in a consumption-driven economy.

While thus laying its finger on the symptoms, the BIS economists stop short of pointing to the root causes. And in their advocacy (though not in plain language) of policies of austerity – such as balancing the budget, with government spending on ageing infrastructure by cutting back in other areas – the realities of a capitalist economy are not alluded to.

And the so-called "free market" functions not only on the basis of "risks" and "returns" but also on the certainty that criminality will result in punishment. There is little doubt left now that a great deal of the Great Financial Crisis was the result of criminality at big financial corporations where bosses turned a blind eye to what was going on in their firms on the trading floors and elsewhere, so long as it raked in obscene take-home emoluments for themselves. But while some minor traders and some external players have been jailed, none of the bosses of major firms rescued by public funding have been touched.

And underlying all this is the fact that finance, instead of oiling the wheels of the real economy, has now ended up financializing the economy (through speculative buying and trading etc), accounting for a substantial part of the national GDP. While the BIS warns about the dangers of protectionism in trade and investment, it does not focus on the drive for further financialization of the economy via trade in financial services (whether via the WTO's General Agreement on Trade in Services or the proposed Trade in Services Agreement). (Until the US Fed governor Daniel Tarullo recently, even the US Fed did not pay sufficient attention to what was being done on the trade front on financial liberalization.)

With the spread of "democracy" and governments having to face periodic elections, when public policy runs counter over long periods to the people's perception of wellbeing, either governments and policies change or there will be widespread social disorder, even if there is no revolutionary leadership in ruling classes to change course. *(SUNS7835)* ❐

From Havana to Bali, Third World gets the crumbs

They may have long gained political independence, but for many countries of the South, economic success has proven more elusive in a world of inequitable trade and financial regimes.

by Chakravarthi Raghavan

GENEVA: The world of today is considerably different from the one at the end of the Second World War; there are no more any colonies, though there are still some "dependent" territories.

In the 1950s and 1960s, as the decolonization process unfolded, in most of the newly independent countries leaders emerged who had simply fought against foreign rule without much thought on their post-independence economic and social objectives and policies. Some naively thought that with political independence and power, economic well-being would be automatic.

By the late 1950s, the former colonies, and those early leaders within them who yearned for better conditions for their peoples, realized that something more than political independence was needed, and began looking at the international economic environment, organizations and institutions.

Financial and trade bodies

In the immediate postwar years, the focus of efforts to fashion new international economic institutions was on international moves for reconstruction and development in war-ravaged Europe.

As a result, in the sectors of money and finance, the Bretton Woods institutions [the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) or World Bank] were established – even ahead of agreeing on the United Nations Charter and its principle of sovereign equality of states (one nation, one vote in UN bodies) – on the basis of the "one dollar, one vote" principle.

In pursuing their wartime commercial policy agreements, the United Kingdom and the United States submitted proposals in 1946 to the UN Economic and Social Council (ECOSOC) for the establishment of an International Trade Organization (ITO).

ECOSOC convened the UN Conference on Trade and Employment to consider the proposals; the Preparatory Committee for the Conference drafted a Charter for the trade body, and it was discussed and approved in 1948 at the Conference in Havana.

Pending ratification of the Havana Charter, the commercial policy chapter of the planned international trade body was fashioned into the General Agreement on Tariffs and Trade (GATT) and brought into being through a protocol of provisional application, as a multilateral executive agreement to govern trade relations, i.e., governments agreeing to implement their commitments to reduce trade barriers and resume prewar trading relations through executive actions subject to their domestic laws.

At Havana, during the negotiations on the Charter, Brazil and India had expressed their dissatisfaction but had reluctantly agreed to the outcome and the provisional GATT.

The US Senate, as a result of corporate lobbying, was however unwilling to allow the United States to be subject to the disciplines of the Havana Charter and did not consent to an ITO Charter. The result was that the provisional GATT remained provisional for 47 years, until the Marrakesh Agreement which brought the World Trade Organization (WTO) into being in 1995.

Development needs sidelined

Meanwhile, within the Bretton Woods institutions, there was no direct focus on promoting "development" of the former colonies; what little happened was at best a side-effect of the lending policies of these institutions and the few crumbs that fell off the table here and there, often to further Cold War interests.

From about the early 1950s, to the extent that it provided any reconstruction and development loans to the developing world, the IBRD acted in the interests of the United States, its largest single shareholder, and favoured the private sector.

For example, early Indian efforts to obtain IBRD loans for the public sector to set up core industries like steel, which needed large infusions of equity capital that the Indian private sector was in no position to provide, were turned down, based purely on the ideological dogma of private-vs-public-enterprise.

It was only much later that a separate window, the International Development Association (IDA), was created at the World Bank to provide soft loans (with low interest and long repayment periods) to low-income countries.

But the IDA did not function as professed and did not provide loans to set up industries or promote development in poorer countries; in actual practice it acted to advance the interests of the developed countries in the Third World.

IDA loans came with conditionalities to promote structural adjustment programmes, such as unilateral trade liberalization, resulting in de-industrialization of the poorer African countries. Even worse, there were additional conditionalities to cater to the fads and fashions of the day and the concerns of Northern, in particular Washington-based, civil society.

The IDA "donor countries" dominated its governance and used their clout there to sway IDA lending. Initially, the IDA obtained funds from the United States and other developed countries, and there were two or three substantial replenishments thereafter. Subsequently, the funds from loan repayments and the profits of the World Bank (earned by lending at market rates to developing countries) were used to fund the IDA, with small new contributions from the "donors" at every replenishment.

Though developing countries borrowing from the IBRD at market rates thus turned out to be the funders of the IDA, they had no voice in IDA governance, and the developed countries, with very little new money, have maintained control over the IDA and IBRD policies, to promote their own policies and the interests of their corporations in developing countries.

On the trade front, in successive rounds of negotiations at the GATT, the group of major developed countries (the United States, Canada, Europe and later Japan) negotiated among themselves the exchange of tariff concessions, but paid little attention to the developing countries and their requests for tariff reduction in areas of export interest to them.

The only crumbs that fell the developing countries' way were the result of the multilateralization of the bilateral concessions exchanged in the negotiating rounds through the application of the "Most Favoured Nation" (MFN) principle. From the Dillon Round on (through the Kennedy and Tokyo Rounds), each saw new discriminatory arrangements against the Third World and its exports.

In the Uruguay Round (1986-94), which culminated in the Marrakesh Agreement, the developing countries undertook onerous advance commitments in goods trade and in new areas such as "services" trade and intellectual property protection, on the promise of commitment of developed countries to undertake a major reform of their subsidized trade in agriculture and other areas of export interest to developing countries.

These remain in the area of promises. After the December 2013 Bali Ministerial Conference of the WTO, the United States, Europe and the WTO leadership are attempting to put aside as "out of date" all past commitments, even as they pursue the "trade facilitation" agreement which would involve no concessions from them but result in the equivalent of a 10% tariff cut by developing countries.

In much of Africa, this will complete the de-industrialization process and ensure that the Third World will remain "hewers of wood and drawers of water". *(IPS Columnist Service)* ❐

The above is based on Chakravarthi Raghavan's recently published book The Third World in the Third Millennium CE: The Journey from Colonialism Towards Sovereign Equality and Justice.

BRICS announce NDB and CRA for $100 billion each

The BRICS emerging market bloc have set up two new financial initiatives: a bank for funding infrastructure projects in developing countries, and a currency reserve pool to be drawn upon in times of liquidity pressures.

by Kanaga Raja

GENEVA: The BRICS group of countries, at their Sixth Summit held in Fortaleza, Brazil, on 15 July, announced the establishment of a New Development Bank (NDB) that will be armed with a sizeable initial authorized capital of $100 billion.

Also announced was the signing of a treaty for a Contingent Reserve Arrangement (CRA) of $100 billion (in currency swaps) as a precautionary measure to help face short-term liquidity crunch, effectively bypassing the US dollar as the trading currency.

The headquarters of the NDB will be located in Shanghai, while the first President of the Bank shall be from India.

In their Fortaleza Declaration, the leaders of the BRICS countries – Brazil, Russia, India, China and South Africa – said that the purpose of the NDB will be to mobilize resources for infrastructure and sustainable development projects in the BRICS and other emerging and developing economies.

They cited the fact that the BRICS, as well as other emerging market economies and developing countries (EMDCs), continue to face significant financing constraints to address infrastructure gaps and sustainable development needs.

"Based on sound banking principles, the NDB will strengthen the cooperation among our countries and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to our collective commitments for achieving the goal of strong, sustainable and balanced growth," they said in their Declaration.

According to the document, the Bank shall have an initial authorized capital of $100 billion, and the initial subscribed capital shall be $50 billion, equally shared among the founding members.

The first chair of the Board of Governors is to be from Russia, while the first chair of the Board of Directors shall be from Brazil.

The BRICS leaders also announced the signing of the treaty for the establishment of the CRA with an initial size of

$100 billion. "This arrangement will have a positive precautionary effect, help countries forestall short-term liquidity pressures, promote further BRICS cooperation, strengthen the global financial safety net and complement existing international arrangements," they said.

The agreement is a framework for the provision of liquidity through currency swaps in response to actual or potential short-term balance-of-payments pressures, they underscored.

IMF reform process

The BRICS leaders also drew attention to the International Monetary Fund (IMF), saying that they "remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF's legitimacy, credibility and effectiveness".

(Those reforms were agreed to at the G20 Seoul Summit, but the US Congress has failed to act on them.)

The IMF reform process is based on high-level commitments, which already strengthened the Fund's resources and must also lead to the modernization of its governance structure so as to better reflect the increasing weight of EMDCs in the world economy. The Fund must remain a quota-based institution, the BRICS leaders declared.

The BRICS leaders called on the membership of the IMF to find ways to implement the 14th General Review of Quotas without further delay.

"We reiterate our call on the IMF to develop options to move ahead with its reform process, with a view to ensuring increased voice and representation of EMDCs, in case the 2010 reforms are not entered into force by the end of the year. We also call on the membership of the IMF to reach a final agreement on a new quota formula together with the 15th General Review of Quotas so as not to further jeopardize the postponed deadline of January 2015."

They further called for an international financial architecture that is more conducive to overcoming development challenges.

"We have been very active in improving the international financial architecture through our multilateral coordination and through our financial cooperation initiatives, which will, in a complementary manner, increase the diversity and availability of resources for promoting development and ensuring stability in the global economy."

Crucial juncture

According to the Fortaleza Declaration, the Sixth Summit took place at a crucial juncture, as the international community assesses how to address the challenges of strong economic recovery from the global financial crises, sustainable development, including climate change, while also formulating the post-2015 development agenda.

"At the same time, we are confronted with persistent political instability and conflict in various global hotspots and non-conventional emerging threats."

On the other hand, said the BRICS, international governance structures designed within a different power configuration show increasingly evident signs of losing legitimacy and effectiveness, as transitional and ad hoc arrangements become increasingly prevalent, often at the expense of multilateralism.

The BRICS leaders said that the world economy has strengthened, with signs of improvement in some advanced economies. They, however, cautioned that significant downside risks to this recovery remain.

"Unemployment and debt levels are worryingly high and growth remains weak in many advanced economies. Emerging market economies and developing countries (EMDCs) continue to contribute significantly to global growth and will do so in the years to come."

Even as the global economy strengthens, monetary policy settings in some advanced economies may bring renewed stress and volatility to financial markets and changes in monetary stance need to be carefully calibrated and clearly communicated in order to minimize negative spillovers, they added.

Strong macroeconomic frameworks, well-regulated financial markets and robust levels of reserves have allowed EMDCs in general, and the BRICS in particular, to better deal with the risks and spillovers presented by the challenging economic conditions in the last few years, the Declaration noted.

"Nevertheless, further macroeconomic coordination amongst all major economies, in particular in the G20, remains a critical factor for strengthening the prospects for a vigorous and sustainable recovery worldwide."

On the Doha Round of trade negotiations at the WTO, the BRICS said: "In reaffirming our support for an open, inclusive, non-discriminatory, transparent and rule-based multilateral trading system, we will continue our efforts towards the successful conclusion of the Doha Round of the World Trade Organization (WTO), following the positive results of the Ninth Ministerial Conference (MC9), held in Bali, Indonesia, in December 2013."

In this context, they reaffirmed their commitment to establishing by the end of this year a post-Bali work programme for concluding the Doha Round, based on the progress already made and in keeping with the mandate established in the Doha Development Agenda.

"We affirm that this work programme should prioritize the issues where legally binding outcomes could not be achieved at MC9, including Public Stock-Holding for Food Security Purposes. We look forward to the implementation of the Agreement on Trade Facilitation. We call upon international partners to provide support to the poorest, most vulnerable WTO members to enable them to implement this Agreement, which should support their development objectives."

The BRICS leaders also reaffirmed the United Nations Conference on Trade and Development's (UNCTAD) mandate as the focal point in the UN system dedicated to considering the interrelated issues of trade, investment, finance and technology from a development perspective.

UNCTAD's mandate and work are unique and necessary to deal with the challenges of development and growth in the increasingly interdependent global economy, they said.

"In congratulating UNCTAD for the 50th anniversary of its foundation in 2014, which is also the anniversary of the establishment of the Group of 77, we further reaffirm the importance of strengthening UNCTAD's capacity to deliver on its programmes of consensus building, policy dialogue, research, technical cooperation and capacity building so that it is better equipped to deliver on its development mandate."

Trade ministers' meeting

Meanwhile, the ministers responsible for trade of the BRICS countries held their fourth meeting in Fortaleza on 14 July.

In a joint communique, the BRICS trade ministers noted the successful outcome of the WTO Ministerial Conference held in Bali in December 2013. They undertook to pursue vigorously the achievement of the objectives and timelines set out in the Bali Ministerial decisions.

They reaffirmed the importance of an open and rules-based multilateral trading system and underlined the central role of the WTO in setting rules for global trade.

The ministers emphasized that the conclusion of the Doha Round on the basis of its development mandate remains central to the objective of promoting the full integration of developing countries into the global trading system.

The ministers affirmed their commitment to coordinating efforts with a view to ensuring that the efforts to establish a work programme in the WTO will lead to a balanced, transparent, inclusive and development-oriented outcome in all pillars.

The ministers also reaffirmed that the work programme should reflect the centrality of agriculture and of the development dimension and the commitment to prioritizing the issues where legally binding outcomes could not be achieved at the Bali Ministerial Conference.

The ministers also noted the importance of non-agricultural market access (NAMA) and services and the need to work on the existing Doha texts. *(SUNS7846)* ❐

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TFA's entry must be conditioned on development outcomes

Civil society groups have urged that a WTO trade facilitation accord come into effect only once pro-development outcomes are concluded in the Doha Round talks.

by Kanaga Raja

GENEVA: Over 150 civil society organizations (CSOs) and trade unions worldwide have called on the member states of the World Trade Organization to condition the entry into force of the Trade Facilitation Agreement (TFA) on the conclusion and fulfilment of the development mandate of the Doha Round of trade negotiations.

This call came in a letter sent by the CSOs to trade ministers and WTO ambassadors on the eve of the G20 trade ministers' meeting held in Sydney, Australia, on 19 July.

In their 18 July letter, which was organized by the global CSO network Our World Is Not For Sale (OWINFS), the civil society groups said that throughout the Doha Round, they have witnessed the often successful efforts by developed countries to push aside key development-oriented proposals put forth by developing countries and least developed countries (LDCs) in favour of market access demands that benefit developed-country exporting and importing corporations.

"Developing country and LDC members of the WTO are correct to demand that the TFA only enter into force upon completion of the single undertaking under the Doha Work Programme, and particularly the fulfilment of its Development mandate," said the letter.

If allowed to enter into force as a standalone agreement irrespective of the rest of the issues of concern to developing countries and LDCs, the TFA would severely tilt the trade rules in the WTO even more in favour of developed countries and their multinational corporations, the letter underlined.

According to an OWINFS media release accompanying the CSO letter, news reports had cited pressure from WTO Director-General Roberto Azevedo on G20 trade ministers, particularly from India and South Africa, to abandon their pro-development positions and agree in Sydney to the developed countries' position on negotiations that were ongoing in the WTO.

The CSOs, however, noted that the G20 only represents a small fraction of the 160 members of the WTO.

In particular, the OWINFS media release said, there is wide divergence of position regarding a protocol for the entry into force of the TFA. It added that it is well known that the TFA was a proposal of the developed countries.

(On 10 July, the WTO Preparatory Committee on Trade Facilitation had formally adopted the legal text of the TFA, but consensus still eluded members on the Protocol of Amendment that would bring to legal effect the TFA by inserting it into Annex 1A of the WTO Agreement. The previous week, the Preparatory Committee had held a two-day session that saw continued differences among members over the possible language for the Protocol that would reference paragraph 47 of the Doha Declaration, which outlines the principle of the single undertaking.)

The CSO letter released on 18 July was endorsed by a number of major international and regional networks, as well as numerous national organizations.

Among the international and regional networks that signed on to the letter are ACP Civil Society Forum, African Forum and Network on Debt and Development (AFRODAD), Arab NGO Network for Development (ANND), Association for Women's Rights in Development (AWID), LDC Watch-Africa, Plataforma Interamericana de Derechos Humanos, Democracia y Desarrollo (PIDHDD), Public Services International (PSI), Southern and Eastern African Trade Information and Negotiations Institute (SEATINI), and Third World Network.

Pushed aside

In their letter, the CSOs noted that since the inception of the WTO, developing countries have made positive proposals seeking to improve the rules of the global trade system in favour of development.

"Lamentably, throughout the Doha Round, we have witnessed the often successful efforts by developed countries to push aside key development-oriented proposals put forth by developing countries and Least Developed Countries (LDCs) in favour of market access demands that benefit developed-country exporting and importing corporations."

The CSOs further said that the outcomes of the ninth WTO Ministerial Conference in Bali were similarly imbalanced.

The issues of urgency for developing countries, such as the G33 proposal to allow developing countries to invest in food security, were sidelined, and the LDC proposals were concluded only in "best endeavour" language.

"However, the developed country agenda, reflected in the Trade Facilitation Agreement (TFA), was concluded with binding rules that carry extensive regulatory, capital and recurring cost implications, which could divert limited resources away from priority development needs such as health, education, and domestic infrastructure investments in LDCs and developing countries."

At the same time, said the letter, there has been a gaping lack of enforceable commitment from the developed countries in terms of concrete additional and long-term financial contributions to support implementation of the Agreement, although this was promised at the onset of the trade facilitation negotiations.

"Developing country and LDC members of the WTO are correct to demand that the TFA only enter into force upon completion of the single undertaking under the Doha Work Programme, and particularly the fulfilment of its Development mandate."

Recalling that developing countries only agreed to initiate the Doha Round on the basis that development issues would form the core of the mandate, the CSOs said: "It would be unconscionable for the liberalization demands of the developed countries to form an 'Early Harvest' at the expense of concluding binding rules on Food Security, LDCs issues, and other urgent development-focused proposals which require the full and immediate attention of WTO members."

The letter further noted that developing countries and LDCs have made concrete proposals regarding the development mandate, including implementation issues, strengthening and operationalizing special and differential treatment (SDT), agriculture, and LDC issues.

It is these issues which must be reprioritized in the agenda, the CSOs stressed. In particular, agriculture rules must be changed to ensure that developing countries have the policy space to invest in increasing agricultural production, particularly among small farmers, to achieve food security.

"Thus, we urge WTO Members to condition the entry into force of the TFA to the conclusion and fulfilment of the Development mandate and further negotiations necessary for the transformation of the global trade regime."

In addition, the CSOs said that they have been extremely dismayed to witness the pressuring discourse adopted by Director-General Azevedo in his address to WTO members in regard to the TFA, specifically witnessed in his speech to the latest Trade Negotiations Committee meeting on 25 June.

"We strongly urge WTO members to ensure a proper functioning of the WTO secretariat in a manner that respects the member-driven nature of the organization," the letter concluded. *(SUNS7848)* ❐

Public stockholding programmes for food security face uphill struggle

Even as they shell out huge subsidies to their own farmers, developed countries are throwing up obstacles to the stockholding schemes run by developing-country governments to promote food security.

by Ravi Kanth Devarakonda

GENEVA: Framing rules at the World Trade Organization for maintaining public stockholding programmes for food security in developing countries is not an easy task, and for Ambassador Jayant Dasgupta, former Indian trade envoy to the WTO, "this is even more so when countries refuse to acknowledge the real problem and hide behind legal texts and interpretations in a slanted way to suit their interests".

"The major problem is that the WTO's Agreement on Agriculture (AoA) was negotiated in the early 1990s and there are many issues which were not taken into account then," says Ambassador Dasgupta, who played a prominent role in articulating the developing countries' position on food security in the run-up to the WTO's ninth ministerial meeting in Bali, Indonesia, last year.

"If the WTO has to carry on as an institution catering for international trade and its member states, especially the developing and least developed countries, the rules have to be modified to ensure food security and livelihood security for hundreds of millions of poor farmers," Ambassador Dasgupta told Inter Press Service (IPS) on 17 July.

Ironically, the rich countries – which continue to provide tens of billions of dollars for subsidies to their farmers – are insisting on inflexible disciplines for public stockholding programmes in the developing world.

The United States, a major subsidizer of farm programmes in the world and charged for distorting global cotton trade by the WTO's Appellate Body, has called for a thorough review of farm policies of developing countries seeking a permanent solution for public stockholding programmes to address food security.

"Food security is an enormously complex topic affected by a number of policies, including trade-distorting domestic support, export subsidies, export restrictions, and high tariffs," says a United States proposal circulated at the WTO on 14 July.

"These policies [in the developing countries]," continues the proposal, "can impede the food security of food insecure peoples throughout the world." The United States insists that food security policies must be consistent with the rules framed in the Uruguay Round of trade negotiations that came into effect in 1995.

"Public stockholding is only one tool used to address food security, and disciplines regarding its application are already addressed in the Agreement on Agriculture," the United States maintains.

The agriculture agreement of the trade body was largely based on the understandings reached between the two largest subsidizers – the European Union and the United States – which culminated in what is called the Blair House Agreement in 1992. The major subsidizers were provided a "peace clause" for 10 years (1995-2005) which shielded them from challenges to their farm subsidy programmes at the WTO.

The AoA also includes complex rules regarding how its members, especially industrialized countries, must reduce their most-distorting farm subsidies.

In the face of increased legal challenges at the WTO and also demands raised for steep cuts in subsidies during the current Doha Round trade negotiations, several industrialized countries shifted their subsidies from what are called most trade-distorting "Amber Box" measures to "Green Box" payments which are exempted from disputes.

Jacques Berthelot, a French civil society activist, says that the United States has placed some of its illegal subsidies into the Green Box.

"Frustrating"

When it comes to disciplines on food security, however, the United States says it is important to ensure that "[food security] programmes do not distort trade or adversely affect the food security of other members".

The United States has suggested several "elements" for a work programme on food security, including the issue of public stockholding programmes, for arriving at a permanent solution. Washington wants a thorough review of how countries have implemented food security in developing countries.

The US proposal, says a South American farm trade official, is aimed at "frustrating" the developing countries from arriving at a simple and effective solution that would enable them to continue their public stockholding programmes without many hurdles.

"The United States is interested in preserving the Uruguay Round rules but not address the issues raised by the developing countries in the Doha Round of trade negotiations," the official adds.

The G33 group – with over 45 developing and least developed countries – has brought the food security issue to the centrestage at the WTO.

Over the last two years, the G33, led by Indonesia with China, India, Pakistan, the Philippines, Kenya, Nigeria, Zimbabwe, Bolivia, Cuba and Peru among others, has called for updating the external reference price based on 1986-88 prices to ensure that they can continue with their public stockholding programmes under what is called *de minimis* support for developing countries.

Following the G33's insistence on a solution for public stockholding programmes for food security, which became a make-or-break issue at the WTO's Bali ministerial meeting, trade ministers had agreed on a decision "with the aim of making recommendations for a permanent solution". The ministers directed their negotiators to arrive at a solution in four years.

Over the last six months, there has been little progress in addressing the core issues in the Bali package raised by developing countries, including food security. "We are deeply concerned that the Ministerial Decision on Public Stockholding for Food Security Purposes is getting sidelined," India told members at the WTO on 2 July.

"In this and other areas, instead of engaging in meaningful discussion, certain members have been attempting to divert attention to the policies and programmes of selected developing country members," says New Delhi, emphasizing that "the issues raised are in no way relevant to the core mandate that we have been provided in the Bali Decisions".

At a time when the industrialized countries want rapid implementation of the complex agreement on trade facilitation, their continued stonewalling tactics on the issues raised by developing countries has created serious doubts as to whether the food security issue will be addressed in a meaningful manner at all.

"Credible disciplines for food security are vital for the survival of poor farmers in the developing countries who cannot be left to the vagaries of market forces and extortion by middlemen," says Ambassador Dasgupta. "The delay in addressing food security will pose problems for millions of people below [the poverty line] who are dependent on public distribution programmes." *(IPS)*❐

Scepticism as "green goods" talks begin

Ecological protection may not be the real objective behind recently launched negotiations at the WTO to free up trade in so-called "environmental goods".

by Carey L. Biron

WASHINGTON: Formal negotiations have begun around the increasingly significant global trade in "environmental goods", those technologies seen as environmentally beneficial, including in combating climate change.

Attempts have been made to liberalize this market for years. But on 8 July, 13 countries, constituting nearly 90% of the current trade in green goods such as solar panels, wind turbines and wastewater treatment filters, came together in Geneva to try again to reach agreement.

Yet there remains significant confusion around the actual potential – or even broader aim – of the talks, towards what's being called the Environmental Goods Agreement. Green groups are expressing open scepticism of the process, which is taking place under the World Trade Organization (WTO).

"From our perspective, we think increasing trade in and use of environmentally beneficial products is incredibly important. But we have really serious concerns about the approach the WTO is taking," Ilana Solomon, the director of the Responsible Trade Program at the Sierra Club, a conservation and advocacy group, told Inter Press Service (IPS).

"This approach is about removing tariffs on a list of products that are supposedly beneficial to the environment. But there is no definition yet of what actually constitutes an 'environmental good', and many of the goods being considered are actually harmful to the environment."

The WTO talks are taking place between the United States, the European Union, China, Australia, Japan and others. Representatives are starting from a list of 54 product categories, agreed upon in 2012 among the Asia-Pacific Economic Cooperation (APEC) grouping.

The APEC countries are now working to reduce tariffs on these products to below 5% by 2015.

Yet the list includes many items that can be used in ways that could be either environmentally positive or negative. This includes, for instance, waste incinerators, centrifuges, gas turbines, sludge compactors and a variety of technical machinery.

The list would also seem to largely exclude poor countries. Currently, only Costa Rica has joined what are otherwise industrialized and middle-income economies in the talks.

"Poor countries are probably not producing these items," Kim Elliott, a senior researcher on trade at the Center for Global Development, a think-tank here, told IPS.

"If they don't participate in these talks they'll likely lose out around high tariffs, but they're probably not going to be doing much exporting."

While proponents tend to characterize the negotiations in terms of lowering overall prices for green goods, little is said of the potential impact on nascent domestic industries.

"There might well be reasons a developing country would want to develop its own industry in, say, solar panels or wind turbines," the Sierra Club's Solomon says. "But having low or no tariffs could impede the ability of these countries to develop their own domestic renewable energy industries."

Linking trade and the environment?

The WTO does not include climate change in its purview. Yet since the mid-1990s the multilateral organization says it has worked to establish "a clear link between sustainable development and disciplined trade liberalization – in order to ensure that market opening goes hand in hand with environmental and social objectives".

Momentum behind the new talks is in part due to a push from US President Barack Obama. Last year, as part of a major new focus on climate, the president announced that US officials would engage in the negotiations in order "to help more countries skip past the dirty phase of development and join a global low-carbon economy".

The administration's interest in the issue will also be shared by other proponents of expanded free trade.

Multilateral trade talks have seen little to no progress over the past two decades, after all, so proponents hope that linking these issues could give a fillip to the multilateral system.

"Everybody, at least on paper, wants to do something on climate change, so this is seen as an issue that might be able to move," the Center for Global Development's Elliott says. "The idea is regarded as something of a win-win, as useful for the trading system and also for the planet."

Of course, the US government's interest is also around strengthening US exports, and as political pressures have risen around the world around climate change, the trade in green goods has quickly become a major force.

According to official estimates, this market's value doubled between 2001 and 2007, and stood at around a trillion dollars last year. The US share has been growing by 8% per year since 2009, amounting to some $106 billion last year.

Certainly business interests, in the United States and industrialized countries around the world, are showing significant interest in the new talks.

On 8 July, nearly 50 major business groups and trade associations wrote to the WTO negotiators to "strongly endorse" their efforts. The industry groups also expressed hope that an accord around environmental goods could act as a catalyst for broader liberalization.

"An ambitious [agreement] will further increase global trade in environmental goods, lowering the cost of addressing environmental and climate challenges by removing tariffs that can be as high as 35 percent," the groups stated.

"In addition to its intrinsic commercial importance and desirability, a well-designed [agreement] can act as a stepping stone to lowering tariffs and other trade barriers in other sectors and associated value chains."

The US administration may share this view. The Sierra Club's Solomon points to a recent letter from Michael Froman, the United States' top trade official, requesting the US International Trade Commission to research the potential impact of trade liberalization around environmental goods.

"In the absence of a universally accepted definition of an 'environmental good'," Froman wrote, "I request that, for the purpose of its analysis, the Commission refer to the items contained in the list attached to this letter."

That list, which extends to 34 pages, contains hundreds of items not currently on the APEC list. These range from natural products (honey, palm oil, urea, coconut fibres, bamboo) to the technical (pipes and casings "of a kind used in drilling for oil and gas") to the seemingly random (vacuum cleaners, cameras).

"This appears to suggest that this exercise isn't about protecting the environment but rather about expanding the current model of free trade – a backdoor attempt to achieve liberalization on a broad range of goods," Solomon says.

"As this process moves forward, we'll need a full environmental impact assessment of everything on the list under consideration. And it can't just be the end uses that are examined, but rather the whole lifecycle of a product's impact that is taken into account." *(IPS)* ❐

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everyone, everywhere within a generation "is in our grasp", Anderson stressed. "But it will require political will and dedication to get there. Without these basic building blocks, there is no effective way to address extreme poverty," she added.

Bissio told IPS that by concentrating attention on extreme poverty, developed countries got off the hook and do not feel they have to report on their own commitments at home. Poverty in developed countries is ignored and inequalities are ignored everywhere, resulting in this being the major constraint now to economic growth (apart from all other considerations) as recognized even by the International Monetary Fund (IMF), he noted.

The study also points out that after two years of declines, official development assistance (ODA) hit a record high of $134.8 billion in 2013. "However, aid shifted away from the poorest countries where attainment of the MDGs often lags the most," it said.

Eighty percent of imports from developing countries entered developed countries duty-free, and tariffs remained at an all-time low.

The debt burden of developing countries remained stable at about 3.0% of export revenue, which was a near 75% drop since 2000, according to the report.

Despite considerable advancements in recent years, the report says reliable statistics for monitoring development remain inadequate in many countries, but better statistical reporting on the MDGs has led to real results.

Chee told IPS that the explosion of transnational corporations (TNCs) suing national governments in developing countries over environmental and health regulations by invoking corporate rights under bilateral investment agreements is sucking billions of dollars from those countries.

She also pointed out that developing countries that made some progress and continue to face huge challenges are increasingly excluded from the commitments of developed countries to provide climate finance, ensure access to affordable life-saving medicines and transfer technologies for sustainable development. This is because countries such as China and India are regarded as "competitors" by the US.

Meanwhile, European corporations assert undue influence over their home governments' development cooperation policies, which in turn undermines the key UN treaties on climate change and biodiversity, she said. *(IPS)* ❐