THIRD WORLD
Economics
TRENDS & ANALYSIS

Published by the Third World Network KDN: PP 6946/07/2013(032707) ISSN: 0128-4134 Issue No 586 1 – 15 February 2015

WTO members to accord preferences to LDC services

Several developed and developing nations have pledged to provide preferential treatment to services and service suppliers from the least developed countries (LDCs). They announced their intention to do so at a high-level WTO meeting on 5 February which was described as being marked by a "very high level of engagement".

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THIRD WORLD ECONOMICS
is published fortnightly by the Third World Network, a grouping of organisations and individuals involved in Third World and development issues.

Publisher: S.M. Mohamed Idris; **Editor:** Chakravarthi Raghavan; **Editorial Assistants:** Lean Ka-Min, T. Rajamoorthy; **Contributing Editors:** Roberto Bissio, Charles Abugre; **Staff:** Linda Ooi (Administration), Susila Vangar (Design), Evelyne Hong & Lim Jee Yuan (Advisors).

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Printed by Jutaprint, No. 2, Solok Sungei Pinang 3, Sungai Pinang, 11600 Penang, Malaysia.

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High-level meeting on operationalizing LDC services waiver

A high-level meeting was held at the WTO on 5 February in which over 30 member states announced their intent to grant preferential treatment to service suppliers from the least developed countries. *Kanaga Raja* reports.

GENEVA: The WTO Council for Trade in Services convened a high-level meeting on 5 February where a number of developed-country members and developing-country members in a position to do so indicated the services sectors and modes of supply where they intend to provide preferential treatment to the least developed countries (LDCs).

Under the Bali Ministerial Decision of 7 December 2013, the Council for Trade in Services had been instructed to initiate a process aimed at promoting the expeditious and effective operationalization of the LDC services waiver.

According to the Decision: "With a view to accelerating the process of securing meaningful preferences for LDCs' services and service suppliers, the Council for Trade in Services shall convene a high-level meeting six months after the submission of an LDC collective request identifying the sectors and modes of supply of particular export interest to them. At that meeting, developed and developing Members, in a position to do so, shall indicate sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers."

"Members, in their individual capacities, are encouraged at any time to extend preferences to LDCs' services and service suppliers, consistent with the waiver Decision, which have commercial value and promote economic benefits to LDCs. These preferences may accord, inter alia, improved market access, including through the elimination of economic needs tests and other quantitative limitations," the Decision further said.

According to trade officials, the non-LDC members on 5 February made their announcements based on the collective request that the LDCs had submitted in July 2014 indicating the services sectors and modes of supply of key interest to the LDC group.

In their collective request, the LDCs said that due to a number of barriers and encumbrances, it is clear that LDC services suppliers are experiencing difficulties in being able to supply services sought by existing and potential consumers and clients in a number of WTO members, both developed and developing countries.

"Underpinning such difficulties are, for example, obstacles to recognition of LDC educational institutions, diplomas, and professional skills; imposition of transit taxes and other fees on tourists travelling to LDCs; and onerous application fees for visas, licences, and residence and work permits, which for many LDCs are tantamount to one month's salary for their families – a detriment, but also a severe loss if the visa is not granted and when the fees are not returned. Visa denials stamped on passports, or similar stamps with the same implication, and other measures, serve to stigmatize qualified LDC suppliers who have been presented with offers or are contracted abroad," the LDCs had said in the collective request.

The collective request had further noted that other barriers range across several sectors impacting Modes 1, 2, 3 and 4, market access and national treatment. But the most staggering market access, administrative and other barriers are in Mode 4, where LDC services suppliers indeed have secured customers abroad. Some LDC companies willing to enter markets and establish under Mode 3 are also facing barriers similar to those they face, as natural persons, under Mode 4.

At the high-level meeting on 5 February, trade officials said, the non-LDC members covered in their indications most, if not all, sectors in Modes 1, 2 and 3, including professional services, IT and computer services, other business services, construction, distribution, financial services, transport and logistics, tourism, and sporting and other recreational services.

Some members made specific indications, with Canada, for example, saying that it would respond to 75% of the requested sectors.

In Mode 4, some members re-

sponded to the request concerning contractual services suppliers, independent services suppliers and intra-corporate transfers. According to trade officials, these included India, which made a specific offer to train 1,000 persons from the LDCs each year; China, which said that it would train 1,200 LDC professionals in 2015 and organize 19 training sessions on various sectors; Japan, which said that it would waive resident permit fees and not impose economic needs tests and labour market tests; and Korea, which made offers in Mode 4.

Many members made their offers based on their market access offers in the Doha Round context. For example, the US said that it could immediately grant preferential treatment in the translation and interpretation services.

According to trade officials, many members including Mexico, Norway, Australia, Iceland and the EU went further by using their most liberal free trade agreements as a basis.

Mexico and the US proposed to extend the outcomes of the Trade in Services Agreement (TISA), which is being negotiated outside the WTO, specifically to the LDCs.

Many members including Australia, the US, Switzerland, New Zealand, Chinese Taipei, Iceland, Hong Kong-China, Liechtenstein and Russia also said that their markets are already open.

Others touched upon the supply-side constraints faced by the LDCs, saying that these should be addressed through technical assistance activities, with the US, for example, mentioning one of its USAID programmes.

According to trade officials, all members expressed hope for a prompt domestic process so that they could notify their preferences for the LDCs to the WTO as soon as possible.

Members agreed to set 31 July 2015 as the deadline for the submission of the preferences, but preferably before that, trade officials added.

As to the next steps, members will assess this high-level meeting at the next meeting of the Council for Trade in Services on 19 March.

According to the WTO website, in a video message, WTO Director-General Roberto Azevedo said that it was vital to "implement all the elements of the Bali Package, and particularly the decisions on LDC issues, without delay."

He also urged potential preference-granting members "to indicate where they intend to provide preferential treatment to LDC services and service suppliers."

Test of credibility

Speaking on behalf of the LDC Group, Amelia Anne Kyambadde, Ugandan Minister of Trade, Industry and Cooperatives, said that Bali was a significant Ministerial Conference for the WTO in that many members lauded the results on trade facilitation as the first agreement from the Doha Development Round in WTO history. Of the decisions taken for LDCs in Bali, the decision to operationalize the 2011 LDC services waiver decision came with promises of concrete results after the LDC Group could examine its interests and table a collective request.

"In Bali, we recognized that the promise to grant preferential treatment to LDCs services and services suppliers in the form of a waiver, was suffering from attrition. That waiver decision has a shelf life of only 15 years. Three years have slipped away with no notifications of commitments from any Member in favour of services preferences to LDCs," said the Minister.

As far as the sectors and modes of supply are concerned, Uganda said that the LDCs' request has provided specificity, priorities and flexibility. "We reduced our ambition on the supply of services through the movement of natural persons (Mode 4). In the collective request, aside from what we have asked about market access and quotas, we actually focused our attention on preferences in administrative areas such as reducing procedures, reducing fees and paperwork for visas, work permits, residents permits and the like where LDC services suppliers have an offer or obtained a contract in your country."

According to Uganda, onerous application fees for visas, licences and residence and work permits are tantamount for many LDCs to one month's family salaries, and would also constitute a severe loss if the visa is not granted and the fees not returned.

"We believe that Members can provide preferences to LDC suppliers in the form of reduced application procedures and reduced fees, whether or not the granting Member is providing market access preferences or bindings."

In Mode 3, the supply of services through commercial presence, Uganda said that LDC small and medium-sized enterprises have suffered similar barriers that they found in Mode 4, in terms of burdensome paperwork, restrictions and requirements that render the ability to form a presence impossible.

"Some Members have informed us that their markets are already open and that they are considering assistance initiatives to help LDC suppliers avail themselves of such openness. However, we remind Members that in WTO we speak of market access bindings and certainty," said Uganda.

Uganda underlined that the high-level meeting would be a decisive test on the credibility of the WTO. "A successful outcome of this meeting will greatly impact the lives and livelihoods of millions of our poor people."

The Commerce Minister of Bangladesh, Tofail Ahmed, told the high-level meeting that the issue of preferential market access in services is a longstanding one. It is a well-recognized fact that the LDCs need preferential market access to better integrate them into the multilateral trading system.

With this spirit, he noted, the WTO's General Agreement on Trade in Services (GATS) contains a specific provision for providing special priority to LDCs in the case of services. "However, we had to negotiate year after year to develop a mechanism for providing special priority to LDCs. Finally, we ended up with a Waiver Decision in 2011 though the GATS came into force in 1995 along with the WTO. But, the Waiver Decision is not yet operationalized."

The Minister said that to achieve the goal of becoming a middle-income country by 2021, "we need faster growth of economy. We are trying to have faster growth by utilizing trade opportunities evolving in international trade. In fact, we are doing better in trade in goods. One of the reasons of our better performance is DFQF [duty-free, quota-free] market access we are enjoying in various markets of our friendly countries."

However, he said, "our trade in services still remains very poor though 50% of our GDP comes from services. We have enormous potential in services. Being a home of 160 million people, Bangladesh has a large pool of human resources. We are capable of providing many kinds of services based on our human resources, if proper market access opportunities are provided."

According to trade officials, in its remarks, the US acknowledged and appreciated the efforts made and the fact that the WTO has now moved to a more

tangible phase with regard to this decision on the LDCs. It has the potential to produce meaningful outcomes.

The US said that it has a very open market for services with few restrictions, including an open market in tourism, education, information and communications technology (ICT) services and the creative services industries. It does not impose work permit and residence permit requirements and its Mode 4 commitments are among the best in the WTO.

The US said that it believes that the most useful focus of the effort is to examine and address export capacity constraint issues, and it remains committed to working with the LDCs in this regard.

The US also mentioned its ambition to liberalize the services trade including through the TISA negotiations. It is ready to extend the outcomes of the TISA to the LDCs.

It also said that it could immediately provide access to LDCs to its translation and interpretation services, which is a revised offer that it made under the Doha Round.

The US also said that it needs more time to process what it had heard at the high-level meeting before it can maybe make more offers by the 31 July 2015 deadline.

The EU said that its preferences will include both a significant sectoral scope and market access in specific sectors and modes of supply. The indications or signals presented at the high-level meeting will be followed by a formal notification with a specification of these unilateral preferences, once a formal internal legal decision is taken.

For Mode 4, the EU is prepared to offer preferences that constitute a comprehensive improvement over existing GATS commitments. These will include key elements of the improvements made in its Doha Round offers, such as the expansion of categories, sectoral scope and periods of stay, and benefits found in its recent preferential agreements, such as a broadening of the sectors covered by commitments.

The EU said it has progressively improved its Doha Round offers, for example, by adding new commitments for graduate trainees, doubling the period of stay for contractual services suppliers, or adding the categories of Independent Professionals and Graduate Trainees. Further, such consolidated benefits now apply on an EU-wide basis in the enlarged Union, subject to specific limitations. In this context, the EU mentioned preferences relating to intra-corporate transfers, business visitors and contractual service suppliers.

The EU said that it is preparing preferences, in addition to the Mode 4 elements, within all groups of sectors identified in the LDC collective requests. The EU is prepared to offer preferences going beyond the extensive offers already presented as part of the Doha Round, in a number of sectors including travel and tourism services (including also convention services); financial services, possibly also including payment services; transport and logistics services; ICT and outsourcing services.

The collective requests also cover an extensive ("catch-all") list of sectors in addition to the groups mentioned above, the EU noted, saying that it welcomes this approach and is prepared to offer preferences for a majority of these.

This would imply market access and national treatment commitments that build on the EU's Doha Round offer supplemented with further improvements found in recent development-oriented free trade agreements. Examples of this include professional services such as auditing and taxation services, business services like real estate, design, rental and leasing services, management consulting, repair and maintenance services and several more, it said.

New improvements

India proposed to grant preferential treatment in the areas of market access, technical assistance and capacity building and visa-related offers. In Mode 4, these include engineering services, integrated engineering services, computer services, management consulting, project management services other than for construction, hotel and lodging, travel agency and tour operator services, and tour guide services other than in the English language.

It suggested new improvements in its commitments in the category of installer of services, which was requested by the LDCs. Offers in Mode 3 will be without any foreign equity limitations, it said.

In the area of technical assistance, India proposed to earmark 25% of all technical assistance and capacity-building opportunities to LDC members. It will be providing preferential treatment to services suppliers providing consultancy services in training programmes in financial services, as well as consultancy courses for LDC professionals.

It would accord priority in training of LDC professionals and is also committed to promoting tourism, which is an important services sector for the LDCs. It will be providing free space for the LDCs during the Indian edition of the Global Exhibition on Services and every year thereafter, as well as for other events. It is also proposing to waive visa fees for LDC applicants.

According to trade officials, China announced three categories where it would be granting preferential treatment to the LDCs – market access, domestic regulation, and capacity building and assistance.

Under market access, in the area of Mode 4, China said that it will grant business visitors the possibility to stay in the country for up to six months, applicable to all the 100 services sectors and subsectors that have been included in China's services schedule.

In air transportation, China said that there will be the possibility of establishing joint-venture enterprises with Chinese partners under Mode 3. It also mentioned building and cleaning services, and printing and packaging material services.

On domestic regulation, China said it will provide preferential treatment in tourism, whereby it will simplify and streamline the procedures for the LDCs and shorten the timeframe for the processing of applications.

On capacity building, China said that within the framework of South-South cooperation, it is offering to reinforce capacity building. It will invite 1,200 professionals from the LDCs to visit China and will organize 19 training sessions and will invite around 500 persons from the LDCs to attend those sessions. The sessions will cover tourism services.

China said that it will assist further in the construction of infrastructure in the tourism sector, as well as the construction of services facilities such as hospitals, schools, stadiums and theatres.

High engagement

In some closing remarks at the end of the high-level meeting, the Chair of the Council for Trade in Services, Ambassador Choi Seokyoung of the Republic of Korea, noted the "very high level

of engagement" from the preference-granting countries.

More than 30 members intervened under this agenda item with indications of preferences that they would grant to sectors and modes of interest to LDC services and service suppliers. Their willingness to contribute substantially to the process through their indications is a positive development, said the Chair.

Most developed members and developing members in a position to do so have indicated a willingness to grant access on the basis of their Doha Round offers to LDCs. Some of them have gone further and consider granting access to LDCs on the basis of their most liberal preferential agreements.

With regard to specific sectors and modes of supply, the Chair said that the meeting has heard from numerous delegations that they are willing to provide improved market access in Modes 1, 2 and 3, with few, if any, restrictions in a range of services sectors, such as professional services, information technology and computer services, other business services, construction services, distribution services, financial services, transport and logistics services, tourism services, and recreational and sporting services.

The Chair noted that some members have foreshadowed preferences in more quantitative terms. One member, for example, indicated that it would respond to some 75% of requested sectors with the granting of either full access or access with very limited restrictions.

With regard to the collective request on Mode 4, the Chair observed that a number of delegations have stated their willingness to respond specifically on the sought-after categories of contractual service suppliers and independent service suppliers for a range of professions and occupations, on which only very few commitments have been made at the multilateral level.

Additional commitments on other requested categories, such as graduate trainees and installers, have equally been indicated by several members. In addition, in other categories such as business visitors or intra-corporate transferees, GATS-plus preferences for LDCs have been detailed by many members.

Several members indicated that specific restrictions would not apply to LDC members, such as economic needs and labour market tests, and have indicated

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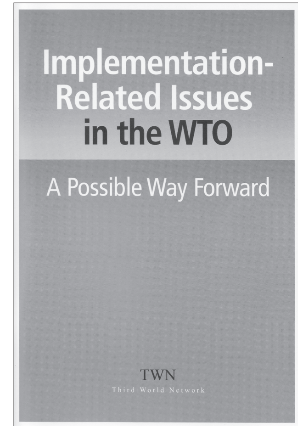
Implementation-Related Issues in the WTO: A Possible Way Forward



ISBN: 978-967-5412-03-5 64 pp

The set of multilateral agreements under the jurisdiction of the World Trade Organization (WTO) governs the conduct of international trade. Implementation of the commitments imposed by these agreements has, however, given rise to a host of problems for the WTO's developing-country members, ranging from non-realization of anticipated benefits to imbalances in the rules.

These implementation-related issues have been on the WTO agenda for over a decade, yet meaningful resolution is still proving elusive. This paper documents the progress – or, more appropriately, lack thereof – in the treatment of the implementation issues over the years. It looks at the various decisions adopted, to little effect thus far, by the WTO in this area, including the 2001 Doha Declaration which incorporates the implementation issues into the remit of the ongoing Doha round trade talks.

The paper exhorts the developing countries to draw upon the Doha mandate to bring the implementation issues back to the centrestage of negotiations. As a practical measure given the resource constraints developing-country negotiators face in the WTO, it is proposed that the implementation issues be taken up according to a suggested order of priority. Prioritization notwithstanding, the paper stresses that developing countries have every right to seek solutions to each of these longstanding, long-neglected issues.

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The US 2014 Farm Bill and developing-country cotton producers

Under its new agricultural law, the US will provide less support to its domestic cotton sector, thereby opening up greater competitive opportunities for producers and exporters from the developing world, according to a study by a UN development body.

by Kanaga Raja

GENEVA: Incentives to produce cotton in the United States will be weaker under the provisions of the 2014 Farm Bill and competing cotton-exporting developing and least developed countries will have greater opportunities than they would have had if the 2014 bill had continued to provide support as before, a report by the United Nations Conference on Trade and Development (UNCTAD) has suggested.

Nevertheless, US cotton production is likely to exceed domestic consumption during the lifetime of the present farm bill, and most of the production will be exported. The exports will remain in the range of 2.2 to 2.7 million tons a year, UNCTAD said. US cotton exports have averaged an annual 2.2 million tons over the last 25 years.

(This implies that though domestic incentives may be less, US cotton exports will remain on average the same as before.

(Meanwhile, according to a news report in the Indian publication Livemint, US cotton farmers are likely to cut their acreage to the smallest since 2009 on account of prices falling to a five-year low in January. Plantings will drop to 9.73 million acres in the season beginning 1 August, from 11.04 million a year earlier, as farmers switch to other crops, said the news report, which cited a Bloomberg News survey of traders and analysts.

(The Livemint report cited the International Cotton Advisory Committee as saying on 2 February that US farmers will join farmers in India and China in cutting their acreage, thus reducing the next global harvest by more than 6% to 24.6 million tonnes, the lowest in six years. – *SUNS*)

In a report titled "The 2014 US Farm Bill and its implications for cotton producers in low-income developing countries", UNCTAD said that the Farm Bill of 2014 (the United States Agricultural Act of 2014) will provide substantially less support to the cotton sector in the United States than has been provided under previous farm bills.

The report was commissioned by UNCTAD's Special Unit on Commodities, and was written by Terry Townsend, an independent consultant and a former Executive Director of the International Cotton Advisory Committee (ICAC).

Given that the United States government is mandating the use of biofuels in the country's fuel supply, prices for corn and soybeans will probably remain higher on average than they were in the past, said the report.

Accordingly, said UNCTAD, domestic cotton production is likely to trend downwards towards 3 million tons of lint per year over the next five years as harvested area in regions where cotton competes with corn and soybeans moves towards the production of biofuel crops.

"The increases in prices of corn and soybeans will also affect planting decisions in other major cotton-producing countries. Accordingly, there is likely to be a reduced supply of cotton from competing exporting countries, especially the United States, in the future."

With competitive pressures from other exporters weakening over the next five years, and the quantity of cotton being used in the textile industry rising as prices gradually decline, there will be opportunities for increased production and exports of cotton from Africa, the report underlined.

"Starting from a small base, there will also be opportunities for expanding textile industry activity in Africa."

UNCTAD said that the aim of the report is to provide an analysis of the US 2014 Farm Bill, focusing on its potential implications for cotton prices worldwide and especially its impacts on cotton producers in low-income developing countries and least developed countries (LDCs).

"It does not attempt to determine whether the cotton provisions of this Act are compliant with WTO rules or explain the findings of the Brazil cotton case; rather, it seeks to examine whether the subsidies paid to United States cotton growers are likely to lead to increased or decreased United States cotton production by 2018," it added.

US cotton production and exports

The report noted that cotton is produced on a commercial scale by about 45 million households in about 80 countries, and provides annual incomes to an estimated 250 million people.

From the invention of the cotton gin in the 1790s to the present, the United States has always played a leading role in the world cotton industry because of trade relations with the United Kingdom, the major textile producer from the 1700s to the 1950s, and favourable agronomic conditions.

The most recent farm bill, passed by the US Congress and signed into law by President Barack Obama in February 2014, will affect the basic structure of agricultural programmes in the United States until 2018.

The bill authorizes $956 billion in spending over the 2014-23 period, including $756 billion on food and nutrition programmes, $89.8 billion on crop insurance, $56 billion on conservation programmes, $44.4 billion on commodity programmes, including for cotton, and $9.8 billion on other miscellaneous provisions.

The UNCTAD report noted that over the past 25 years, the United States has produced an annual average of 3.8 million tons of cotton. It has always ranked among the top five producers globally, and has been the largest exporter each season.

Its cotton production rose in an impressively strong trend from 2.4 million tons in 1980/81 to a record 5.2 million tons in 2005/06, but declined steadily thereafter to 3.8 million tons in 2012/13 and 2.9 million tons in 2013/14.

According to UNCTAD, this was partly due to competition from grains and soybeans as a result of mandates to grow crops for biofuel production. With competition from biofuels boosting grain prices, and with cotton yields rising slowly, United States cotton production may continue its downward trend until about 2020.

The cotton harvested area in the United States fell relative to the harvested area for corn and soybeans between 2005/06 and 2012/13. Between 1990 and 2013, the total area devoted to cotton, corn and soybeans together increased from 55 million hectares to 70 million, but the area under cotton fell during that period.

The share of cotton in the total area devoted to cotton, corn and soybeans during the 1990s ranged between 8% and 10% in most years, and was still 8.6% in 2005/06. However, between 2005/06 and 2013/14, that share fell by almost half, to 4.5%.

The report said that the data on harvested area indicate that, from farmers' perspectives, cotton is becoming less attractive than corn and soybeans. However, a major factor causing a sustained increase in prices of corn and soybeans relative to prices of cotton in the United States and on world markets is the increasing use of ethanol for biofuel. In 2006, ethanol accounted for less than 4% (by volume) of motor vehicle gasoline supplies in the country, but it grew to 10.6% in 2011. It is estimated that 43% of United States corn in 2013/14 was used in ethanol production.

Therefore, said the report, the increase in demand for feed grains resulting from increased biofuel production in the United States is not resulting in a proportionate increase in demand for cotton.

"As long as the United States Government mandates that ethanol be blended into domestic liquid fuel supply, this situation is not likely to change. Consequently, the shift in the relative competitiveness of cotton versus corn and soybeans for land in the United States is likely to persist."

The report further noted that the US mill use (consumption of cotton lint by textile mills) rose slightly to 784,000 tons in 2013/14, and there could be further moderate increases towards 800,000 tons over the next few years.

Nevertheless, cotton production is likely to exceed domestic consumption during the life of the 2014 Farm Bill, and consequently, most of United States cotton production will be exported.

For the past 25 years, the United States has exported, on average, 2.2 million tons of cotton per year, maintaining its role as the largest exporter of this commodity. Cotton exports were 1.5 million tons per year from 1990/91 to 1999/00, 2.8 million tons per year from 2000/01 to 2009/10, and 2.9 million tons from 2010/11 to 2012/13.

While changes in stock levels can affect export volumes in any given year, over several years United States cotton exports will equal production minus domestic mill use. If mill use is assumed to be 800,000 tons per year, and production is between 3 million tons and 3.5 million tons, United States exports will probably be between 2.2 and 2.7 million tons per year.

Thus, said UNCTAD, United States cotton exports during the second half of this decade will likely be about one-fifth lower than they were during the first half of the decade.

Programmes under the US 2014 Farm Bill

The report explained that under previous farm acts going back to the 1970s, 1980s and 1990s, cotton farmers and farmers of other "covered commodities" (wheat, feed grains, rice, oilseeds, peanuts and pulses) received three kinds of support from the US Department of Agriculture (USDA): (i) marketing loans, (ii) countercyclical payments and (iii) direct payments.

Of these, the countercyclical payments and the direct payments are being eliminated under the new act, but the marketing loan programme will continue.

"Across all the covered commodities, growers are facing significant programme changes, but in a unique development, cotton is being treated differently. This is most probably in response to the successful challenge of Brazil at the WTO to the treatment of cotton under the previous United States farm acts," the report suggested.

The innovative portion of the new Farm Bill is its increased emphasis on revenue insurance through the Stacked Income Protection Plan (STAX), which will provide revenue insurance to producers of upland cotton. Because of the administrative complexity of the new provisions, and because the bill was enacted after the deadline for implementation of the new provisions for 2014, STAX will not be available until 2015.

To provide support in the meantime, upland cotton producers will receive transition payments for crop year 2014 and also for crop year 2015 in any areas where STAX protection is not yet available. STAX can supplement insurance coverage available through the federal crop insurance programme, or be purchased as standalone protection. Federal government subsidies will cover 80% of producers' premiums. STAX, like traditional crop insurance, is not subject to payment limitations or to adjusted gross income eligibility limits.

UNCTAD underlined that under STAX, if revenue in a county falls below 90% of the estimated revenue at planting time, upland cotton farmers in that county who had paid the premiums to buy STAX insurance will receive indemnity payments equal to the difference but no more than 20% of expected revenue. STAX will be available for purchase on all acres planted with upland cotton.

In addition to STAX, there are numerous other provisions of the 2014 Farm Bill that will affect cotton production, the report said, noting that the Risk Management Agency (RMA) of the USDA provides a number of crop insurance products that United States farmers may choose, and these insurance programmes will continue under the 2014 Farm Bill.

Apart from the continued use of marketing loans, the report said that another programme that will continue under the new act, but with modifications, is the Short-Term Export Credit Guarantee Program (GSM-102).

Under GSM-102, the United States government does not provide loans, but guarantees payments by non-United States banks on loans extended by United States exporters (more commonly United States banks) for the financing of domestic agricultural commodity exports to selected destinations.

The duration or maximum term of the credit guarantees has been reduced from 36 to 24 months, and the new Farm Bill continues the requirement that the fees cover the programme's operating costs and losses over the long term. Federal budget estimates indicate that this requirement is being met.

The GSM-102 programme is limited to $5.5 billion per year for all commodities. During the four most recent complete fiscal years, 2010-13, the USDA guaranteed loans for imports of cotton amounting to an average of $275 million per year in exported value, or 7.5% of total GSM-102 activity.

At average prices, the GSM-102 guarantees would have covered exports of between 100,000 and 200,000 tons of cotton per year, or about 5% of total United States cotton exports.

During the cotton seasons 2010/11 to 2012/13, China was the biggest market for United States cotton exports, averaging 1.2 million tons per season, Tur-

key was a distant second, averaging 373,000 tons, and Mexico was the third at 231,000 tons per year on average.

The UNCTAD report said that the new Farm Bill also maintains the Economic Adjustment Assistance Program for textile mills in the United States using upland cotton. This is a subsidy of 3 cents/lb to those mills on each pound of upland cotton they consume. Assuming annual cotton consumption by textile mills in the United States of 800,000 tons, the annual cost to the government will be around $50 million.

According to the USDA, STAX is designed to meet United States obligations under the WTO Brazil cotton case. The United States government argues that STAX will reflect market conditions more rapidly than both previous cotton programmes and the programmes for other United States commodities under the new Farm Bill, because insurance indemnities will be based on current market prices at planting time, instead of a fixed target price of 71 cents/lb as existed under previous farm acts.

In addition to STAX, producers of all covered commodities, including upland cotton, will have a second revenue insurance option, the Supplemental Coverage Option (SCO). SCO will supplement traditional crop insurance and will provide coverage based on county average yields or revenue. The United States government will subsidize 65% of the premiums.

According to UNCTAD, the impacts of STAX on cotton production in the United States can be anticipated but they are hard for economists to quantify, because the programme is a drastic change from previous programmes and because STAX will not even be operational until 2015, so that there is no set of historical data to study.

Nevertheless, even with the 80% subsidy of the premiums offered under STAX, government outlays for upland cotton, as estimated by the Congressional Budget Office (CBO), will be lower than levels under the repealed Direct Payments and Counter-cyclical Payments (DCPs).

"This suggests that the incentives to produce cotton in the United States will be weaker than they were during previous decades. Accordingly, competing cotton-exporting countries, including developing countries and LDCs, will have greater opportunities, other things being equal, than they would have had if the 2014 Farm Bill had continued providing support as before," the report claims.

It also said that during the fiscal years from end-September 2003 through September 2008, corresponding to the 2002 Farm Bill, average expenditures on direct and countercyclical payments to upland cotton were $2.8 billion per year. During the fiscal years from end-September 2009 through September 2014, corresponding to the provisions of the 2008 Farm Bill, expenditures on upland cotton are estimated to have averaged $1.1 billion per year.

Based on USDA estimates of average farm prices and production during the life of the 2014 Farm Bill, the CBO estimates that outlays under STAX for upland cotton will average about $360 million per year.

"Thus, expenditures under STAX are estimated at about one eighth of the cotton subsidies paid under the 2002 Farm Bill and about one third of the subsidies paid under the 2008 Farm Bill. However, STAX subsidies will be of the same magnitude as subsidies paid in the early 1990s."

According to UNCTAD, the "baseline" of United States cotton production estimated by the USDA that was used by the CBO for the projections above assumes a harvested area of 3.4 million hectares per year and production of 3.1 million tons per year.

Accordingly, the premium subsidies under STAX in the 2014 Farm Bill will amount to about $100 per hectare, or about 5 cents/lb of production. To put this in perspective, a farmer could achieve the same degree of price protection (but not yield protection) by purchasing a put on the December cotton contract at a strike price 10% out of the money.

In mid-April 2014 (many farmers plant in April), the December futures contract was trading at about 82 cents, and a 74-cent put (the right to sell at 74 cents) cost a little less than 2 cents/lb.

In comparison, United States government outlays for upland cotton averaged $525 per hectare or 28 cents/lb of production during fiscal years 2001-08, and outlays are estimated to be an average of $325 per hectare and 16 cents/lb of production between fiscal years 2009 and 2014.

"Therefore, upland cotton will be receiving much less under the 2014 Farm Bill than was received under the two previous farm bills. This suggests that United States cotton production is more likely to remain constant or decline in the years ahead, rather than increase, and therefore its share of world cotton exports is likely to follow a downward trend as well."

The report however said that while the 2014 Farm Bill provides less support to cotton than did previous farm bills, it nevertheless still provides support.

In years of very low market prices, such as those in which the A Index is below 57 cents/lb, United States farmers will still produce cotton as if the A Index were 57 cents.

However, since the countercyclical payments that were contained in previous farm bills have been eliminated in the 2014 Farm Bill, domestic cotton production would likely fall sharply at these price levels, since costs of production for most farmers are substantially higher.

Trends in the world cotton market

Despite prices well above the long-term average, world cotton production fell during both 2012/13 and 2013/14, and production in 2013/14 at 25.7 million tons is no higher than it was eight seasons earlier.

According to the report, the world cotton industry is going through an era of stagnation in production, similar to the situation that prevailed from the mid-1980s to the end of the 1990s. As was the case from the mid-1980s to about 1999/00, and as has been occurring again since 2007/08, world cotton yields are not rising because no new fundamental breakthroughs in production technology have been commercialized since biotechnology-induced improvements in 1996.

World cotton production essentially quadrupled from 7 million tons in 1950/51 to 27 million tons in 2004/05, and then amidst much price volatility, it climbed to a record high of 28 million tons in 2011/12. The average annual rate of growth in world production over the last six decades has been 2.5%, or about 290,000 tons.

However, during 2012/13 and 2013/14, world production declined because of lower cotton prices, both in absolute terms and relative to the prices of competing crops. The world cotton-growing area fell from 36 million hectares in 2011/12 to 33.8 million in 2012/13, and then to 33.1 million in 2013/14.

According to the report, yields are estimated to have declined to about 780 kilograms per hectare in 2013/14, the sixth consecutive year in which world cotton yields have not risen.

With yields flat, at least for the rest of this decade, and with the world area

for cotton under growing pressure from competition with grains and oilseeds, world cotton production is not likely to rise substantially from its current level of between 25 and 30 million tons per year.

As a consequence, almost all the gain in world fibre use is accruing to polyester, not cotton. Consequently, even though fibre use is rising, world cotton use has fallen every season since its peak of 27 million tons in 2007/08.

World trade in cotton is estimated at 8 million tons in 2014/15, compared with 8.6 million tons in 2013/14 and 9.7 million in 2012/13.

Opportunities for African cotton producers

UNCTAD said that over the 40 years between 1973/74 and 2012/13, the Cotlook A Index averaged 73 cents/lb. The average index during the current season will be about 92 cents/lb, and any realistic appraisal of market opportunities must acknowledge that the current level of cotton prices cannot be maintained.

China supported prices in the world cotton market during 2011/12 through 2013/14 through purchases for the State Reserve, and these purchases are likely to be reduced. The Chinese government will probably pursue a slow and managed liquidation of the reserve over many years, allowing prices to gradually move lower towards the long-run average of the Cotlook A Index of 73 cents/lb.

As the State Reserve in China is gradually reduced over the next several years, there is a strong likelihood that international cotton prices will decline. Nevertheless, prices lower than the current above-average levels can still be remunerative if the costs of production are below the level of prices received, said the report.

The costs of production per kilogram of lint in many African countries are below the world average, and they are below average costs in the United States and China. This indicates that even if the Cotlook A Index declines towards the long-run average over the next several years, African producers will still earn positive margins from cotton production.

In addition, biofuel mandates in developed countries, combined with world income and population growth and the resulting pressures on food prices, will probably keep prices of grains and oilseeds above the average levels that prevailed prior to the mid-2000s.

Consequently, the area devoted to cotton in Brazil, China, Turkey, the United States and other countries is more likely to fall rather than rise during the remainder of this decade.

Accordingly, there will be competitive space in the world cotton market for expanded production and exports from developing countries and LDCs, said the report. Because sub-Saharan Africa accounts for just 6% of world cotton production, expanded production in Africa will not exert significant downward pressure on world cotton prices to levels lower than they would be anyway.

Further, agricultural technology is in a phase of consolidation so that no major breakthrough is likely during the rest of this decade. This will give African producers an opportunity to close the gap between the world and African yields.

"Meanwhile, across Africa, incomes are rising, better governance is apparent, and countries are welcoming private sector initiatives. To take advantage of these opportunities to increase cotton production African governments need to design and implement reforms in two key areas: increasing supplies of and access to inputs, and improving regulation of the sector."

The report noted that the biggest constraint on increased cotton production is the failure to provide inputs to farmers. Accordingly, in order to take advantage of the market opportunities available in the next five years, African governments need to improve systems of input delivery to farmers.

It said that a lesson of the past two decades, which even the most ardent advocate of deregulation would have to acknowledge, is that a highly regulated cotton sector in which input supply to farmers is linked with seed cotton procurement results in better outcomes than an unregulated sector.

It cited Cameroon as an example, in that in producing an average of more than 500 kilograms per hectare, it has the highest national yield in sub-Saharan Africa other than South Africa (which has produced only 10,000 tons of cotton in recent years).

Accordingly, in order to take advantage of the competitive opportunities that will be available to producers in developing countries over the next five years, it is recommended that African governments establish and enforce the regulatory frameworks used in countries with the highest yields, namely Cameroon and Uganda, it concluded. *(SUNS7955)* ❒

(continued from page 5)

the extension of timeframes for the duration of stay of natural persons engaged in Mode 4 movement.

According to the Chair, one member specifically indicated the waiving of visa fees for business and employment visas for LDC persons. Another member proposed waiving of residence permit fees. Several members reported on their efforts to streamline and rationalize their visa procedures which would benefit LDC service suppliers.

Compared to these substantive indications, the Chair said that the meeting heard fewer specifics on the area of recognition and professional accreditation.

The Chair further said that a large number of members emphasized the importance of targeted technical assistance to address supply-side constraints and to enhance the participation of LDCs in world trade services.

A number of concrete initiatives conceived to benefit LDC service suppliers were mentioned, many of them relating to training programmes to the benefit of LDC service suppliers and support in infrastructure upgrading.

According to the Chair, a number of members noted the large degree of openness that they are already extending on an MFN basis to all WTO members, including LDCs.

"I believe we would all agree that to the extent members are fully liberalized with regard to Article XVI measures, there is no scope for preferences under this Article. That said, numerous specific requests by the LDC Group relate to measures that go beyond Article XVI, and relate to positive measures that would further facilitate the supply of services by LDCs. Such measures require consideration by all Members, also those who are generally more 'open'," said the Chair.

The Chair underlined that it is crucial to follow up on the verbal indications delivered at the high-level meeting through concrete notifications to the Council for Trade in Services. *(SUNS7958)* ❒

Post-2015 and FfD3: Debates begin, political lines emerge

Negotiations at the UN are gathering pace in the run-up to two major events in 2015 that could shape development prospects for the international community for years to come. *Barbara Adams* and *Gretchen Luchsinger* outline some of the key areas of focus in the ongoing talks on the post-2015 development agenda and financing for development.

2015 is a pivotal year. The post-2015 sustainable development agenda currently being drafted is premised on the reality that the present model of development is not working, given worsening inequalities and straining planetary boundaries. All countries and peoples – and the planet on which we depend – have the right to live with a better model, one that is inclusive and sustainable.

An increasingly urgent imperative for change informs the two-track negotiations unfolding at the United Nations from now until September. One track involves the post-2015 sustainable development agenda; the second focuses on financing for development (FfD), an independent process that began at the 2002 Monterrey Conference. While the two talks are separate, the issues in each are deeply interlinked, and the success of any new model depends on the outcomes of both. The political stakes are high, but so are the opportunities – perhaps once-in-a-generation – for genuine transformation.

Post-2015: Taking stock

Meeting from 19-21 January, the post-2015 negotiating team, after more than a year of gathering a wide range of diverse inputs, began debating the final shape of a development agenda for the next 15 years, to be agreed at a UN summit on 25-27 September in New York.

Delegates outlined the four-section structure of the summit outcome document: a declaration; the Sustainable Development Goals (SDGs) and targets; the means of implementation and the global partnership for development; and follow-up and review. Future sessions will debate all of these, with a particular focus on the declaration and review. There will be some discussion on SDG indicators, with the goals themselves basically agreed. Joint sessions with the FfD negotiators will frame the means of implementation and global partnership section. Look for a post-2015 elements paper to be circulated before the next meetings from 17-20 February.

The January talks drew out some of the new dimensions of the post-2015 agenda. Delegates agreed the agenda should apply to all countries, not just those considered still "developing". This recognizes that no country in the world is sustainably developed. Yet political lines are already emerging around what universal means. Rich countries, for the most part, see it as not leaving anyone behind. But behind what, if the current development model is unsustainable? What does it mean to put money into assisting the poor to somehow enter the market economy, for example, without challenging the trade and economic policies that keep people deeply poor in the first place? Universality can also be seen simply as "every country is involved and taking care of itself". But given the world's enormous inequities, entrenched by global interconnectedness, no national interest can be promoted outside a framework of international cooperation. Further, if the idea is to achieve certain goals, universally, and some countries are far behind, there is a clear case for those who are far ahead having the primary responsibility to redress inequalities.

There are also important political divisions around the notion of global partnership. Most developing countries see global partnership as a state-to-state interaction, because states are responsible for protecting rights, levying taxes to pay for public services and so on. Rich countries are urging the concept of multistakeholder partnership, involving all actors who, theoretically, can make a contribution (mainly money) to implementing a sustainable development agenda. On the surface, that can sound like a good idea, but what are the implications? Does it dilute responsibilities that belong to states? Who makes decisions, who really benefits, and what are the lines of accountability? If the state's role diminishes, who, realistically, has the resources, legitimacy and incentives to tackle inequities and resource depletion? It should be kept in mind that stakeholders emphasized by the rich countries, especially the business sector, are the major drivers and beneficiaries of current inequitable and unsustainable development patterns.

FfD3: Considering the elements

The 3rd International Conference on Financing for Development (FfD3) will take place on 13-16 July in Addis Ababa, Ethiopia. From 28-30 January, negotiators discussed a first "elements paper" as the basis for an outcome agreement. A number of issues deserve more consideration, such as the following:

Taxation: As much global as local

Domestic resource mobilization is key to financing sustainable development. The focus so far is on taxation, although non-tax revenues (such as licensing and fees) can be significant in some cases, particularly for localities. For taxation, the elements paper notes that many developing countries face capacity gaps in collecting taxes. Yet the issues at stake are far more complex, and as much global as national.

The lack of coherent global regulation allows huge sums of money to circulate while contributing very little to the public purse. And current imbalances in the global economy mean many countries cannot develop enough momentum to reduce untaxable informal sectors and provide decent jobs so that the majority of people can pay taxes. Restricted national policy space leaves little room to question well-worn assumptions like "taxation is bad for growth" and "tax breaks enable business," despite plenty of evidence to the contrary. While taxation has redistributive effects and can be used in a socially just manner, such as where those who earn more have the responsibility to pay more, tax policy – or the lack thereof – instead follows the dictates of the powerful and helps perpetuate unsustainable, inequitable development. Can FfD3 seriously talk about national responsibility and putting domestic resource mobilization at the "crux of financing sustainable development" without taking all of these issues on board?

Consumption and production: Let's operationalize

Changing consumption and production patterns is fundamental to sustainable development. But the issue remains mainly on the level of a large abstraction – we realize it's a problem that we need to address. So what then? How can we operationalize action? What does it mean, for instance, to deliberately alter

consumption and production patterns through each element of FfD: domestic resources, private funds, trade, debt and so on?

In this, the framework of common but differentiated responsibility must apply, keeping in mind the current vast imbalances between consumption and production across countries at different stages of development. Trade rules, for example, should explicitly favour a country that consumes and produces little over one that consumes and produces in a way that is unsustainable and damages the climate. There are also questions around how to measure consumption and production, given many diverse patterns. A country may produce a lot but ship most of it abroad, consuming little and with only partial benefits to the broader domestic economy. What should indicators look like? Work on multidimensional poverty, which attempts to measure the complexity of poverty beyond just the most basic level of income, might suggest one direction.

The private sector: Show us the evidence

Debate at FfD3 is already heating up around the idea of an expanded role for the private sector. One basic question is: how does money end up getting from the private sector to sustainable development? One option is through public-private partnerships, but even organizations like the Organization for Economic Cooperation and Development (OECD) and World Bank have questioned the value of these. There is lots of evidence for public partners getting stuck with the bill when promised profits fail to materialize – so what really is the net gain? Another option is through markets, such as for municipal bonds, although these are not organized around sustainable development principles and can entail additional public guarantees and risk, not to mention being at a very limited stage of development across much of the world. Then there are the philanthropists, well intentioned no doubt, but to whom are they accountable? Particularly those who operate on a global scale and may be more tied to their own theories than the communities they are attempting to 'help'?

Finally, there is the enabling environment to unleash productive private sector activity. What does an enabling environment really mean? Whom does it enable, for example, if one person can create a business but another can't join a labour union? How many jobs does it produce, and how many can be considered decent work? How enabling can the domestic environment be when global business practices result in national deindustrialization and a position at the lowest levels of global value chains? If the private sector is to be considered a primary source of development finance for sustainable, inclusive development, what is the evidence of its contributions so far, and what are the indicators for measurement going forward?

Too much policy space

Many references to policy space were made by FfD3 delegates – mostly those from countries that do not have enough of it. They face a conundrum: on the one hand, take the responsibility for pursuing and paying for sustainable development, but on the other, abide within the confines of an international economic model that results in unsustainable, inequitable development.

For their part, rich countries like to think that their responsibility is mostly in terms of official development assistance (ODA), not so much when it comes to correcting imbalanced trade, financial and investment flows. Recent moves to deal with some of the unpleasant unintended consequences of the current global economic model, referred to euphemistically as "spillovers", have not included any enthusiasm for tackling the inbuilt deficiencies of a model where the powerful exploit enormous advantages. Is it possible that rich countries, in some sense, have too much policy space and are too free to operate only in their own interest? How should policy space be assessed and measured? If the policy space of a few countries intrudes on everyone else and undercuts sustainability and inclusion, then, logically, the sustainable development agenda implies a rebalancing. How does this take place?

Which forum?

It is already clear at FfD3 that delegates will contest where various financing decisions will be made, across different issues including ODA, trade, debt workouts and taxation. Developing countries want decisions made in the United Nations, which is both a multilateral forum where they have more of a say, and bound by international norms and standards for sustainable development, including human rights. Rich countries argued for bodies such as the International Monetary Fund (IMF) and the OECD, highlighting their reservoirs of technical expertise. The OECD went so far as to describe its statistics as a global public good – a term more traditionally reserved for issues like climate and peace, and despite concerns about the accurate tracking of ODA.

The IMF and OECD lack universality and a comprehensive mandate to promote sustainable development and human rights. If major decisions related to FfD remain solely within them, the FfD3 review and follow-up process will be significantly handicapped. What happens when broader groups of countries don't have much say in decisions basic to the health of their economies and societies? One representative from a middle-income country spoke poignantly about how the sudden withdrawal of ODA, based on donor parameters, meant poverty in her country took a turn for the worse.

A few good ideas…

The FfD3 elements paper so far has been relatively general and consensus-oriented, anticipating the many compromises that will be made. It includes an annex with a few ideas that aim at a higher bar. These comprise, as a few examples: agreeing on an official definition of illicit financial flows, and mandating impartial official estimates; reflecting the SDGs in setting/updating international tax norms and tax agreements; agreeing on international (or regional) minimum corporate tax floors and a consolidated corporate tax base; committing to a human rights impact assessment of all trade and investment agreements; elaborating binding environmental, social and human rights standards for all investment agreements; safeguarding the right to regulate on health, environment, safety, financial stability, etc.; and continuing existing discussions on a multilateral framework for sovereign debt restructuring.

What's not on the agenda?

The FfD3 elements paper makes reference to various earlier agreements – the Monterrey Consensus and Doha Declaration, of course, and Rio+20. What's missing? For one, the 2009 UN Conference at the Highest Level on the World Financial and Economic Crisis and Its Impact on Development. It had deliberated on how to bring sustainability to the international economic financial order, building on the Stiglitz Commission report, written by leading global experts as requested by the President of the UN General Assembly. The report spoke of a "broken" global economy and an "almost complete absence of political ac-

countability," and mapped a series of essential reforms.

At the FfD3 informals, many delegates noted that their countries have not recovered from the 2008 crisis, but only a couple referenced a conference on issues that, until resolved, will continue to severely undercut prospects for inclusiveness and sustainability – and thus any hope for a transformative post-2015 agenda.

Unpacking a word

The FfD3 elements paper includes reference to the problem of illicit financial flows. Everyone would agree that commercial tax evasion, revenues from criminal activities and public corruption are best avoided.

But some of the most damaging financial flows are not considered illicit, at least in legal terms. A recent report by the European Network on Debt and Development (Eurodad) shows that the global economy is currently structured so that developing countries, on average, lose $2 for every $1 they gain. While the biggest loss was through illicit financial flows, $634 billion in 2011, the second biggest loss entails profits extracted by foreign investors, at $486 billion in 2012. The third biggest loss: money developing countries lend rich ones – $276 billion in 2012. Then there are interest payments on foreign debt, at $188 billion in 2012. Foreign direct investment, aid, portfolio equity, charitable contributions and remittances from migrant workers, all often touted as important sources of financing, in total add up to less than these outflows.

Further, if you think illicit mainly means scenarios like a group of drug traffickers stashing their profits, think again. According to the Africa Progress Panel, among illicit flows, trade misinvoicing accounts for about 80% of the global total. That's when supposedly legitimate companies use a bland bureaucratic procedure – falsifying import and export declarations – to avoid tax.

In the end, departing from the strictly legal definition, and considering the goal is sustainable development, what's really illicit? The elements paper sets a low bar in its systemic issues section by noting that international rules and standards are not always in line with sustainable development objectives. They never will be, as long as the powerful can game the system, and the flow of resources is unequivocally skewed towards those who already have much more than their fair share. ❒

The above first appeared as a Global Policy Watch briefing (No. 1, 5 February 2015) published by Global Policy Forum and Social Watch.

2015 touted as milestone year for UN

With a number of major conferences and its 70th anniversary approaching, the UN is proclaiming 2015 to be "the time for global action". But will the eventual outcomes match the ambitious rhetoric?

by Thalif Deen

NEW YORK: The United Nations, in a sustained political hype, is touting 2015 as a likely breakthrough year for several key issues on its agenda – primarily development financing, climate change, sustainable development, disaster risk reduction and nuclear non-proliferation.

At the same time, the world body is celebrating its 70th anniversary this year while also commemorating the 20th anniversary of the historic Beijing Conference on Women which strengthened gender empowerment worldwide.

In a report titled "The road to dignity by 2030: Ending poverty, transforming all lives and protecting the planet" released in January, UN Secretary-General Ban Ki-moon said 2015 is "the time for global action."

The upcoming events include the Third World Conference on Disaster Risk Reduction in Sendai, Japan, in March; the five-year review of the Nuclear Non-Proliferation Treaty (NPT) in April-May in New York; and the Third International Conference on Financing for Development (FfD) in Addis Ababa in July.

Speaking to reporters in the first week of February, the Secretary-General singled out three priorities "I have been repeating all the time."

"We have to do the utmost efforts to meet the targets of the Millennium Development Goals [ending 2015]. Then the Member States are working very hard to shape the post-2015 development agenda by September."

The United Nations will host a special development summit of world leaders on 25-27 September, and "we expect that most of the world leaders will be here and discuss and adopt and declare as their vision to the world, aiming by 2030, Sustainable Development Goals (SDGs)," he added.

And in December this year, he said, "we must have a universal, meaningful climate change agreement" in talks scheduled to take place in Paris.

At each of these "milestones," he pointed out, "we will continue to be ambitious to end poverty, reduce inequality and exploit the opportunities that accompany the climate challenge."

As for the 70th anniversary, he said, it will be "an important moment for serious reflection on our achievements and setbacks".

Sceptical

But Jim Paul, who monitored the United Nations for over 19 years as executive director of the New York-based Global Policy Forum, told Inter Press Service (IPS) he was sceptical of the political hype surrounding the upcoming conferences.

"The United Nations has been trumpeting the global meetings of 2015 as watershed events, but real world expectations are lagging behind the rhetoric of the Secretary-General and his team," he said.

Paul said there are several issues to bear in mind: while the UN's summits address some of the world's most pressing issues, powerful member states like the United States usually seek to weaken the events and prevent strong outcomes.

This trend was already visible in the 1990s, the golden decade of UN summits, when Washington began to insist that summits were too "expensive" and reached too far, said Paul, a onetime lecturer and assistant professor of political science at Empire State College in the State University of New York system.

"That policy reached its most extreme form in the run-up to the summit of 2005, when the US insisted on a massive, last-minute reworking of the agreed text, but it can be found in many other cases before and since," he said.

Paul pointed out that powerful states, the US first and foremost, do not like to be limited by UN-based decisions.

Second, there is the problem of the lack of binding outcomes to these global events.

He said grand aspirations are often expressed in the outcome documents, and the word "binding" is sometimes used, but all participants know that the outcome will remain aspirational – not tough, compelling policy to be adhered to.

This gives rise to cynicism among the diplomats and especially among the public, urged by governments to blame "the UN" for its supposedly feckless behaviour (whilst they themselves are often at fault), he declared.

At a January press conference, the president of the 193-member UN General Assembly, Sam Kutesa, said 70 years after the founding of the United Nations "we have a truly historic opportunity to agree on an inspiring agenda that can energize the international community, governments everywhere and the citizens of the world." "We must be ready to seize this challenge," he added.

Speaking on the specifics of the SDGs, Chee Yoke Ling, director of programmes at the Penang-based Third World Network, told IPS while the incorporation of the SDGs is an important part of the post-2015 development agenda, "we need to put the economic agenda as a priority for the Development Summit."

She said financial instabilities "continue to loom before us, while increasingly anti-people and anti-development trade rules are being pushed by major developed countries in bilateral and plurilateral trade agreements such as the Trans-Pacific Partnership Agreement.

"The notoriety of transnational investors suing national governments for hundreds of millions of dollars under bilateral investment agreements has triggered protests in many countries, with some developing country governments reviewing and even terminating those grossly unfair treaties."

She said the Addis Ababa conference is crucial for addressing several fundamental financial and economic issues – without structural reforms that respect national policy space and ensure stability, sustainable development will remain elusive.

Challenges and expectations

Paul told IPS there are various alternative policy venues, such as the World Bank, the G8, the G20, the IMF and so on. The United Nations must confront the challenge of great powers who take decisions in venues they prefer and according to their own priorities and timetables.

Washington is certainly not the only UN member state to act this way, but as the biggest and richest, it has the strongest inclination to act according to its own perceived interests and not in a broadly consultative process, he said.

"Finally, we should remember the difficult policy context of 2015 – the deep crisis of climate change that requires decisions that go very far and necessarily upset the comfortable assumptions of the existing global order," Paul noted.

Reducing greenhouse gas emissions by 85% is so radical a goal that no one even wants to think about it, much less create policy around it, said Paul.

And creating a fair, stable and just global economic order under the Sustainable Development Goals appears also nearly impossible in a global economy that is stumbling seriously and creating ever-greater inequality.

Will the world's oligarchs concede power and revenues? he asked.

Does all this mean that the UN's aspirational summit meetings in 2015 are useless or downright negative? Not necessarily.

"To know that we cannot expect a miracle is perhaps a valuable adjustment of our unreasonable expectations and a way to think more realistically about what can and cannot be accomplished," Paul said.

"Above all, it is a reminder that the world's states are acting, as usual, irresponsibly. And that we need a world that functions far better if we are to survive the threats and challenges of the twenty-first century." *(IPS)* ❐

Youth unemployment, income inequality keep rising

Youth are disproportionately affected by unemployment in a world of sluggish growth and growing inequality, says the International Labour Organization.

by Josh Butler

NEW YORK: The world's youth unemployment rate may be "six or seven times" what the International Labour Organization (ILO)'s latest figures state, according to a global youth advocacy group.

The ILO recently released its 2015 *World Employment and Social Outlook (WESO)* report, and presented the findings to the United Nations on 6 February.

One of the report's major findings is that the worldwide unemployment rate among 15 to 24-year-olds of 13%, or 74 million youths, is set to rise.

William Reese, CEO of the International Youth Foundation, thinks that figure is significantly underestimated.

"I'm not surprised by that number, because it is probably much higher than they state. We've seen reports of over 70 million young people unemployed, but the real number is probably six or seven times that," Reese said.

He said a flawed system of assessing unemployment led to figures far below the reality.

"Those statistics are typically assessing people who are looking for jobs, so if you're not looking for work, you're technically not unemployed. People in poor countries are often underemployed or underpaid," Reese told Inter Press Service (IPS).

"Unemployment statistics don't take that into consideration. People in poor countries do work; if they didn't, they would die. But in poorer countries, data is even worse."

The *WESO* report warns the effects of the 2008 global economic crisis are still heavily impacting nations worldwide, especially developing economies.

The report outlines a widening income and wealth inequality, as well as sluggish economic growth, but while overall global unemployment is steady, youth unemployment is tipped to increase in coming years.

"Youth, especially young women, continue to be disproportionately affected by unemployment," the report states, saying the 2014 youth unemployment rate was almost three times higher than the overall unemployment rate.

The ILO predicts that overall unemployment rates will "decline gradually in developed economies" while at the same time "many countries are projected to see a substantial increase in youth unemployment."

Ekkehard Ernst, chief of the ILO's Job Friendly Macroeconomic Policies Team, told IPS slow economic growth was to blame for expected spikes in youth jobless rates.

"Growth is too slow to make a difference in job creation," Ernst said. "Economies take much longer to recover after a financial crisis than a normal recession. It makes a difference to growth acceleration."

Global growth has risen slowly for the last two years, from 2.2% in 2012 to 2.3% in 2013 and 2.5% in 2014, but is still well below the pre-crisis levels of around 4%.

Reese said a mismatch of skills was also to blame for rising youth unemployment. He said more young people were

gaining tertiary qualifications than ever before – backed up by ILO data saying tertiary education rates have increased in 26 of 30 countries surveyed – but that young people were not gaining qualifications relevant to a changing labour market.

"There are job openings, but companies can't find people with the right skills. Schools are not asking what the business community needs today. They are teaching what businesses might have wanted five years ago," Reese said.

"There are more college-educated unemployed in some parts of the world than high school-educated unemployed. Sometimes, kids today don't come in with the disposition to work hard or be a team player."

The ILO reports youth unemployment was especially problematic in Europe, with rates of up to 52% in Greece and Spain.

The ILO predicts between 2014 and 2019, youth unemployment will rise by up to 8% in parts of Europe, South America and Africa.

Reese said education facilities needed to be more tuned in to what the modern job force requires, and to encourage students to think and learn about what is expected from them in the labour market.

"We want young people to get and keep a job. When a middle class flourishes, democracies flourish," he said.

"All levels of education need to be smarter, and teach academic skills through internships and apprenticeships, to help young people learn things about work that they can't get in a classroom."

In 2014, global unemployment stood at 201 million people, 1.2 million higher than 2013. That number is expected to rise to 212 million by 2019.

"We're seeing a huge number of unemployed. The global unemployment rate is around 6% and that won't shrink any time soon," Ernst said.

Ernst said, however, that rising unemployment was not necessarily a sign of a poor economic climate. He said rising unemployment in many Asian countries, especially in economies such as China and India, was a sign of a modernizing economy, as workers move from stable yet low-paying jobs in rural areas to seek higher-paying jobs in urban centres.

"This type of unemployment is a rebalancing of the economy. Asian countries will see an increase in unemployment as they develop, which is a normal process of development," Ernst said.

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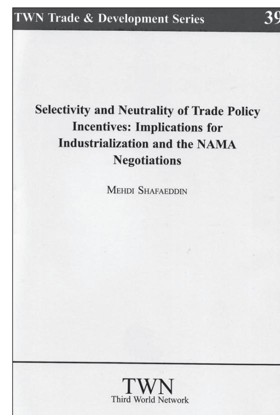
Selectivity and Neutrality of Trade Policy Incentives: Implications for Industrialization and the NAMA Negotiations

By *Mehdi Shafaeddin*



ISBN: 978-983-2729-96-9 72 pp

The need for selectivity in trade and industrial policies has long been the subject of debate in academic and policy-making circles. Selectivity (as against neutrality) entails the differential application of tariff rates, other trade measures and incentives to different industries over the course of industrialization. This paper examines the need for selective trade policy for spurring industrial development in developing countries and its implications for the World Trade Organization (WTO) negotiations on "non-agricultural market access" (NAMA).

The author discusses the principal theoretical arguments for and against selective trade policy. He then goes on to survey the actual historical experience of the Republic of Korea and other East Asian countries. He shows that selective government intervention has contributed significantly to their industrialization. Subsequently, studying the performance of 32 developing economies over the 1980-87 period, when many countries still applied discriminatory trade measures, the author finds that selectivity is associated with higher export and, particularly, output growth.

He argues that the need for selectivity in promoting industrialization has increased in recent decades due to rapid changes in technology and the emergence of new forms of production and competition in the globalized economy. Yet, developing countries' ability to use selective trade policy measures is increasingly constrained by international trade rules, loan conditionalities and, if adopted, proposals for across-the-board liberalization of the manufacturing sector put forward by developed countries in the ongoing NAMA negotiations.

This paper thus makes the case for reforming the international trade regime to allow developing countries to pursue dynamic, flexible and selective trade policies tailored to their own development needs.

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A kerfuffle over global wealth stats

Questions raised about a recent analysis of world wealth in no way belie its findings of gaping inequality, writes *Sam Pizzigati*.

Sometimes facts can fly. All around the world.

Over the last year or so, no one has been flying facts more effectively than the folks at Oxfam, the activist global charity. A year ago, an Oxfam report revealed that the world's 85 richest billionaires had as much wealth as the poorest half of the world's population. That stat went viral overnight.

In January, on the eve of the annual Davos summit of the world's rich and powerful, Oxfam came back with more. In 2014, the charity reported, we only needed to tally up the fortunes of the world's 80 richest billionaires to match the wealth of the world's poorest half.

Oxfam's latest analysis of world wealth, "Wealth: Having It All and Wanting More", went on to add an even more startling stat: If current trends continue, the world's top 1% will have more wealth than all the rest of the world combined by the end of next year.

These incredibly dramatic figures promptly made headlines everywhere – and almost just as quickly drew some prominent pushback. Two of the world's top policy wonks – Felix Salmon of Reuters and former *Washington Post* analyst Ezra Klein, now of Vox – came out with columns that sought to shoot the new Oxfam numbers down.

Oxfam's statistical case, charged Klein, "has deep flaws." Oxfam, Salmon pounded out on his keyboard, was engaging in "a silly and pointless exercise."

Both Salmon and Klein have the same basic point to make: Oxfam is including in the ranks of the world's poorest millions of people who can't possibly be considered poor.

These suspect poor come from the developed world. Many of them have incomes that tower above the minuscule incomes common in the developing world. But they also have more debts than assets. That gives them a negative net worth and places them in the poorest tenth – or decile, as the statisticians like to say – of the world's population.

The sum total of all this negative net worth from the developed world, the Salmon and Klein critique goes, distorts the inequality picture that Oxfam is trying to paint.

Huffs Salmon: "My niece, who just got her first 50 cents in pocket money, has more money than the poorest 2 billion people in the world combined."

"Stop adding up the wealth of the poor," one headline on Salmon's piece pleads. Any numbers this addition generates will always be terribly "misleading."

In defence of Oxfam

So should you feel misled? I certainly don't feel that way. And you shouldn't either.

The researchers at Oxfam have supplied one reason why in their response to Salmon and Klein. That reason: Excluding the world's poorest net worth decile from the Oxfam analysis – that decile with all the negative net worth of the developed world's overindebted – still generates statistics that rate as incredibly dramatic in anybody's book.

The four deciles just above the bottom tenth that Salmon and Klein are contesting hold none of the developed world's negative-worth crowd. The people in these four deciles turn out to have about the same amount of wealth as the 147 wealthiest billionaires on the *Forbes* list of the world's richest.

"That means," notes Oxfam's Ricardo Fuentes-Nieva, "that two busloads of billionaires control the same wealth as, at least, 40 percent of the world."

Excluding the bottom decile from the analysis makes even less a difference on the top 1%'s share of global wealth. In the original Oxfam analysis, with the bottom decile included, the top 1% last year held a 48.1% global wealth share. With the bottom decile excluded, the top 1% share drops all the way down to ... 47.9%.

The Oxfam numbers, notes the group's Nick Galasso, "hold up."

But the best defence of the Oxfam analysis may actually have come from outside Oxfam's ranks, from Branko Milanovic, the City of New York Graduate Center scholar who formerly served as the World Bank's lead research economist.

Milanovic today ranks as one of the research world's most well-respected experts on global wealth distribution. Last fall, his rave review of Thomas Piketty's *Capital in the Twenty-First Century* started the buzz that turned that book into an international bestseller.

Yes, Milanovic notes in his response to the Salmon-Klein case, we do have "wealth-poor people" from developed nations who "do not necessarily lead a life of poverty." The developed world's financial systems, he explains, let people in rich nations "borrow and keep their consumption relatively high all the while driving their net wealth down."

But this reality in no way invalidates – or scars as "silly" – studies of wealth inequality along the lines of what Oxfam has generated. We have different ways of looking at inequality, Milanovic points out. Each has its uses.

If, for instance, you want to look at people "who live at the edge of subsistence," then you shouldn't look at net worth. You should look at the global distribution of consumption, at how many people are living below $1.25 per day, as the World Bank and other agencies do.

But if you want to look at economic and political power, you need to look at the distribution of wealth. The "players" who matter most in the world today have staggeringly disproportionate quantities of it.

Ezra Klein, interestingly, does get this power point. Oxfam's numbers, he acknowledges, do point toward "who has the ability to use wealth as a discretionary power resource."

"The top one percent controls an eye-popping amount of global wealth," Klein notes, "but more to the point, they're the ones who have much more wealth than they have debt – and so they're the ones who can deploy their excess wealth towards discretionary ends like electing political candidates and lobbying legislatures."

So maybe we don't have such a big kerfuffle here after all. Maybe now we can step out of the statistical swamp and start talking about what we need to do about shearing the super-rich down to democratic size.

Oxfam can help here, too. The group's new study and the Even It Up campaign Oxfam launched this past October both offer up a comprehensive set of proposals, everything from wealth taxes to going after tax havens with international sanctions. Among the boldest initiatives on the Oxfam list: establishing what amounts to a maximum wage, by moving our corporations "towards a highest-to-median pay ratio of

20:1."

Oxfam's high-flying stats are shoving ideas like this pay-ratio maximum onto the global political stage. Let's keep them flying! ❐

Sam Pizzigati edits Too Much, *the Washington-based Institute for Policy Studies' online monthly newsletter on excess and inequality. His latest book is* The Rich Don't Always Win: The Forgotten Triumph over Plutocracy that Created the American Middle Class, 1900-1970 *(Seven Stories Press). The above article is reproduced from Inequality.org under a Creative Commons licence.*

(continued from page 14)

"New technology requires jobs be shuffled from one industry to another. China is so big, if they have a higher unemployment rate then that will affect world unemployment figures.

"People are moving from low-income agricultural jobs, to middle-income jobs in manufacturing, and then onto higher incomes in the service industry."

Rich-poor divide

Rising unemployment and sluggish economic growth is predicted to further widen income and wealth inequality worldwide; the richest 10% of the world will hold 30-40% of total income, while the poorest 10% will earn as little as 2%.

Marjorie Wood, senior global economy associate for the Institute for Policy Studies and managing editor of website Inequality.org, said a suite of socially regressive measures rolled out across the United States and the world had contributed greatly to the deepening income inequality.

"It's important to look at how workers have been disempowered since the 1970s. Union strength was high at that time, and robust taxes on the wealthy and corporations funded public investments to allow opportunity and mobility for ordinary people," Wood told IPS. "We've seen a reversal of those, into a system that was much more unequal, with wealth concentrated at the top."

She said a deepening income inequality would have profound impacts on all facets of life, from democracy and politics to social affairs. "In unequal societies, democracies are more likely to be corrupted, workers are more likely to be exploited and abused, and the safety net for the poor or vulnerable is weakened," she said.

The ILO report states social unrest and possible violence is linked to rising inequality and youth unemployment.

Social unrest is said to have "shot up" during the financial crisis and, worldwide, currently sits at 10% higher than before the crisis.

However, Wood said she was encouraged by a growing call for a federally mandated minimum living wage in the US, and worldwide calls for a fairer distribution of income.

"People are not satisfied with rising inequality today, just as they weren't satisfied 100 years ago in the USA's first 'gilded age.' They addressed it then by fighting back, with a robust labour movement, and I think we will do it again," she said.

"We're seeing worker justice movements in many places, where people collectively organize to make change. That is where true political change comes from." *(IPS)* ❐

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