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Differences persist ahead of Nairobi WTO meet

Uncertainties and deep divisions surround the run-up to the WTO's tenth Ministerial Conference which gets underway in Nairobi, Kenya, on 15 December. WTO member states remain at odds over many issues on which an outcome at Nairobi has been targeted, while the fate of the Doha Round itself hangs in the balance.

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Nairobi MC shaping up as David vs. Goliath battle

At the upcoming WTO Ministerial Conference in Nairobi, developing countries face an uphill task of not only securing some credible development-friendly outcomes but also defending the very continuation of the Doha Round trade talks.

by D. Ravi Kanth

GENEVA: The World Trade Organization's tenth Ministerial Conference, which will take place in Nairobi on 15-18 December, is all set to be a David vs. Goliath battle in which a large majority of developing and the poorest countries will take on the most powerful trading elephants – the United States, the European Union and Japan.

These three, who had used the 9/11 terrorist attacks to force the WTO membership to launch a new round of multilateral trade talks at Doha, Qatar, in November 2001, are now hell-bent on burying the Doha Development Agenda (DDA) negotiations without a trace on African soil, several trade envoys told the *South-North Development Monitor (SUNS)*.

According to Chakravarthi Raghavan, a veteran trade analyst and Editor Emeritus of *SUNS*, "The entire preparatory process leading up to Nairobi, and the way in which the US and the EU, aided by the [WTO] secretariat, orchestrated and launched the Doha negotiations and manipulated the talks all these years to ensure that their treaty commitments at Marrakesh are buried without a trace, raise some fundamental questions about their 'good faith' in treaty negotiations – a requirement of the Vienna Law of Treaties – and risk [undermining], in the eyes of the public at large, any legitimacy about all past commitments, including those forged at Marrakesh. And without such legitimacy, the WTO will not endure, and there will be an upsurge among the public in developing nations against their own commitments and obligations at the WTO."

If the draft Nairobi Ministerial Declaration is any indication, said an African trade envoy, the developing and poorest countries will not only be waging a grim battle for a few credible deliverables but will also be fighting to preserve the continuation of the DDA negotiations.

In almost all deliverables of interest for the developing and poorest countries, the chances of binding outcomes are ruled out.

Even the so-called LDC package for the poorest countries, which includes duty-free and quota-free market access, simplification of preferential rules of origin, a waiver for services providers from the least-developed countries (LDCs), and even in cotton, will be buried without trace in sub-Saharan Africa, which has the largest number of LDCs, trade envoys engaged in the negotiations told *SUNS*.

The outcomes on public stockholding programmes for food security and the special safeguard mechanism (SSM) for which the G-33 group of developing countries fought so hard over the last two years, will be close to zero unless China, India, Indonesia and the 44 other countries fight to the finish.

The only area where there could be a binding outcome is in agricultural export subsidies. But binding outcomes in two other areas of the agricultural export competition pillar – trade-distorting export credits and food aid – are ruled out because of intransigent opposition from the United States, said a trade envoy involved in the agriculture negotiations.

Never in the 14-year-old DDA negotiations have things looked so bleak and miserable for the developing and poorest countries as now, as their trade ministers prepare to congregate in the Kenyan capital. Unless they wage a do-or-die battle at Nairobi in a unified way, the chances are that developing-country delegates will come back to Geneva after the conference to remain as "excluded" members at the WTO forever, according to trade envoys.

The five-page bracketed (brackets around text indicate lack of agreement) draft Nairobi Ministerial Declaration has been presented in such a way as to create a situation that if developing and the poorest countries fight to retain the language they have proposed for reaffirming the continuation of the DDA negotiations, they could be accused of bringing the Nairobi meeting to a collapse.

However, if the countries of the South let the developed countries have their way, then there is no future for them at the WTO as plurilateral and new issues of market access will become the order of the day, according to developing-country trade envoys.

Doha Development Agenda at stake

Some 14 years after having successfully pushed for the launch of the DDA negotiations along with the EU, Japan and other developed countries, the US has ensured that there is no mention of the DDA, including the Bali Ministerial Declaration, in the crucial Part III of the draft Nairobi declaration dealing with the post-Nairobi work programme, an African trade envoy told *SUNS*.

At a Room W meeting in the WTO on 8 December, the US insisted that the sentence "We welcome the progress in the DDA which is embodied in the following Decisions and Declarations we have adopted at our Tenth Session" must remain in square brackets as it refused to agree with the language, an African envoy said.

In Part I, the paragraphs for reaffirming the continuation of the DDA negotiations as proposed by the African Group and by China, India, Indonesia, South Africa, Ecuador and Venezuela are also placed in square brackets.

The African Group's proposal in square brackets reads: "We reaffirm the Doha Development Agenda (DDA), and the Declarations and Decisions adopted at the Doha and at the Ministerial Conferences held since then, and further reaffirm our full commitment to conclude the DDA negotiations on that basis."

The language proposed by China, India, Indonesia, South Africa, Ecuador and Venezuela says: "We reaffirm the Doha Development Agenda (DDA), and the Declarations and Decisions adopted at the Doha and the Ministerial Conferences held since then, including the Decision adopted by the General Council on 1 August 2004, and further reaffirm our full commitment to conclude the DDA negotiations on that basis."

The six developing countries have also proposed language to say that "we reaffirm the Ministerial Declarations and General Council Decisions relevant to the Doha mandates; and commit to take concrete steps to conclude the remaining issues in the Doha Development Agenda, with development as a key component."

The so-called "middle group of countries", including Australia, Canada, Norway, Switzerland, Singapore, Hong Kong, Korea, Chile, Mexico and Costa Rica, have proposed the following language: "On the future of the Doha Development Agenda and the negotiating function of the WTO, we take note of significantly different perspectives, which remain very difficult to reconcile. Despite candid discussions and serious efforts, we have yet to reach an agreement on this key question."

The WTO Director-General, Roberto Azevedo, suggested at the Room W meeting that the middle group's proposal is more viable.

The EU and the middle group of countries also inserted language on new issues to the effect that "we agree that the WTO should have the ability to take on, at least on an exploratory basis, any trade-related issues deemed necessary in order to stay relevant and in keeping with the evolution of the global economy. We further agree to undertake the exploration of such issues in a manner that does not undermine the ongoing work to deal with the outstanding issues."

In short, the developing and poorest countries have a last chance to protect and fight for themselves at the Nairobi conference, akin to the battle David waged against Goliath in biblical times. *(SUNS8153)* ❐

Developed countries want financial cap for permanent food security solution

Efforts to produce meaningful outcomes in Nairobi on several key agricultural issues – public food stocks, a special safeguard mechanism, export competition and cotton trade – have met with resolute opposition led by major developed countries. The following four articles look at the state of play on these issues in the talks running up to the Ministerial Conference.

by D. Ravi Kanth

GENEVA: Major developed countries at the WTO have maintained that they will agree to a permanent solution for public stockholding programmes for food security purposes in developing countries on the condition that the latter accept a financial cap on the market price support programmes, people familiar with the development told the *South-North Development Monitor (SUNS)*.

At a closed-door meeting of select trade envoys in different configurations, the EU said Brussels can only agree to a permanent solution for public stockholding programmes for food security for low-income and resource-poor farmers if developing countries accept a financial cap on their market price support programmes, according to people familiar with the development.

Australia, Canada and Paraguay continued to adopt stonewalling tactics by raising procedural hurdles at a meeting on 5 December to block an outcome on the permanent solution at the WTO's tenth Ministerial Conference in Nairobi, people familiar with the development said.

The EU's demand for a financial cap on public stockholding programmes will have far-reaching consequences for developing countries, according to a person familiar with the negotiations. "This is an outlandish demand under which the developing countries put a financial ceiling despite challenging economic developments in their economies," the person said.

India rejected the EU's demand by asking whether there will be any financial cap on trade-distorting international food aid or export credits. India pointed out that the public stockholding programmes are vital to developing countries which have a large number of people dependent on agriculture.

Millions of farmers in the developing countries are not only in the low-income and resource-poor category but would need governments to assist them in marketing their produce, unlike the heavily subsidized rich farmers in the developed countries, India pointed out.

In response to India's questions on international food aid, which is highly trade-distorting according to African countries, the US said that the food aid it is supplying to people in Syria and Afghanistan will continue without changes despite the current negotiations at the WTO. But the US did not answer whether the food aid it provides is trade-distorting or not, said another person familiar with the development.

Director-General's report

Meanwhile, WTO Director-General Roberto Azevedo presented a report to the WTO General Council in which he suggested that outcomes on public stockholding programmes for food security and the special safeguard mechanism (SSM) are almost difficult due to continued divergences.

Azevedo said the consultations held by the chair of the Doha agriculture negotiations, Ambassador Vangelis Vitalis of New Zealand, on the SSM "have continued to show entrenched and widely divergent positions."

Proponents of the SSM have stressed that they consider the SSM to be a balancing element in relation to other potential outcomes for Nairobi, he argued. "Other Members have maintained their position that an outcome on the SSM was not possible in the absence of a broader outcome on agriculture market access. Given these sustained divergent views, the negotiations on this issue have reached an impasse," Azevedo said. He, however, added that the negotiations will continue in different formats.

As regards "the separate issue of public stockholding," Azevedo said there is a new submission from the G-33 and also one from Australia, Paraguay and Canada. The G-33 members have called for a permanent solution to be adopted this year in Nairobi, citing the General Council decision of 28 November 2014. They have noted that the recent G-33 proposal seeks to address the systemic concerns of members.

The G-33 proposal calls for creating a new Annex 6 in the WTO's Agreement on Agriculture to include public stockholding programmes for developing countries. The proposal says:

"1. Programmes for public stockholding for food security purposes shall include:

(a) programmes for the acquisition of foodstuffs at administered prices by the Government in developing country Members/Least Developed Country Members with the objective of supporting low-income or resource-poor producers;

(b) programmes for the acquisition of foodstuffs at administered prices by the Government in developing country Members/Least Developed Country Members and its subsequent distribution at subsidized prices with the objective of meeting food security requirements of urban and rural poor, and of maintaining adequate availability of foodstuff and/or ensuring food price stability.

2. The operation of programmes referred to in paragraph 1 above shall be transparent and conducted in accordance with officially published objective criteria or guidelines.

3. Programmes referred to in paragraph 1 above shall not be required to be accounted for in the Aggregate Measurement of Support…."

But other members, according to Azevedo, consider that the G-33 proposal "still does not adequately address a variety of concerns, both systemic and trade-related."

On export competition, Azevedo was not particularly harsh as compared to his remarks on the SSM and public stockholding programmes. He said the chair of the agriculture negotiations has initiated a text-based negotiation process using the Rev.4 text (revised draft agricultural modalities text of 2008) as a basis and taking also into account textual proposals by members.

But the Director-General did not mention that the US has rejected the Rev.4 text as the basis for negotiating export credits and food aid.

Azevedo merely said "so far these consultations have not led to significant convergence either."

"Among other issues, specific substantive concerns continue to be expressed about the timeframes and conditions envisaged for the elimination of export subsidies, repayment terms in the area of export finance, coverage of self-financing provisions, special and differential treatment, transparency provisions, monetization in food aid – it's a large list of issues which are still unresolved," he pointed out.

But the Director-General conveniently avoided mentioning the concerns of India, China and several other countries that there are attempts to change the Rev.4 text upside down to suit only one member and that these attempts would result in huge "systemic" changes.

India has proposed that in the chapeau to the text on export competition there should be specific language that the outcome in the export competition pillar will not be implemented unless there is an outcome in the domestic support and market access pillars based on the Doha Development Agenda mandates.

But the US and the EU rejected the Indian proposal, according to sources familiar with the negotiations.

On cotton, Azevedo did not provide a credible account that the US has ruled out binding outcomes in market access, trade-distorting domestic support and export competition. He sidestepped the main issues raised by the four West African cotton-producing countries (Benin, Burkina Faso, Chad and Mali) by saying that "delegations have moved into a text-based negotiation based on this proposal, including its list of products of interest, as well as on written inputs from Members."

In short, the proposed Nairobi outcomes on SSM, public stockholding programmes and cotton are given a stepmotherly treatment as compared to the wholesale changes in the export competition pillar that remain inconsistent with the Doha mandates, according to trade envoys familiar with the development. *(SUNS8152)* ❒

US wants flexibilities on export credits, opposes SSM and food security solution

by D. Ravi Kanth

GENEVA: The United States has sought special flexibilities for itself to continue with its trade-distorting provisions in export credits even as it wants to deny a permanent solution for public stockholding programmes for food security and a special safeguard mechanism (SSM) for developing countries, several agriculture negotiators told the *South-North Development Monitor (SUNS)*.

At a meeting convened by the chair of the Doha agriculture negotiations Ambassador Vangelis Vitalis of New Zealand on 2 December, the US demanded a long time-frame for self-financing provisions and a repayment period of two years in export credits for agricultural products.

Significantly, the US demands in export credits are diametrically opposed to what has been negotiated in the Doha agriculture negotiations until now. The 2005 Hong Kong Ministerial Declaration (HKMD) had suggested a repayment period of 180 days for export credits as well as strong disciplines for self-financing.

The HKMD reads: "We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013. This will be achieved in a progressive and parallel manner, to be specified in the modalities, so that a substantial part is realized by the end of the first half of the implementation period. We note emerging convergence on some elements of disciplines with respect to export credits, export credit guarantees or insurance programmes with repayment periods of 180 days and below. We agree that such programmes should be self-financing, reflecting market consistency, and that the period should be of a sufficiently short duration so as not to effectively circumvent real commercially-oriented discipline."

The December 2008 Rev.4 revised draft modalities also proposed a repayment period of 180 days and a rollover period of four years for self-financing. The draft says, "The maximum repayment term for export financing support under this Agreement, this being the period beginning at the starting point of credit and ending on the contractual date of the final payment, shall be no more than 180 days. For developed country Members, this shall apply from the first day of implementation or the last day of 2010, whichever comes first."

On self-financing, the 2008 revised draft modalities have suggested: "Where premium rates charged under a programme are inadequate to cover the operating costs and losses of that programme over a previous 4-year rolling period, this shall, in and of itself, be sufficient to determine that the programme is not self-financing."

In their recent joint proposal on export credits to address the US concerns, the European Union, Brazil, Argentina, Uruguay, Paraguay, Peru and New Zealand suggested diluted provisions such as a repayment period of nine months – 270 days. The sponsors of this proposal kept the repayment period open for further negotiation.

As regards self-financing, the EU, Brazil, Argentina, Uruguay, Paraguay, Peru and New Zealand further diluted the language of Rev.4 by not mentioning that export credit guarantee, insurance and re-insurance programmes and other risk cover programmes included within sub-paragraphs 1(b), (c) and (d) above shall be self-financing. The joint proposal merely suggested: "Where premium rates charged under a programme are inadequate to cover the operating costs and losses of that programme over a previous 4-year rolling period, this shall, in and of itself, be sufficient to determine that the programme is not self-financing."

At the chair's meeting on 2 December, the US said it cannot accept even the diluted provisions for export credits in the joint proposal, according to agriculture negotiators present at the meeting.

The US demands, said an agriculture negotiator, are "tantamount to special and differential treatment only for itself and a broad exemption from multilateral disciplines."

At a meeting on food aid and disciplines for state trading enterprises (STEs) on 27 November, Canada said pointedly that "when members go back to their constituencies, they will have to say that they tightened their WTO agriculture trade provisions except for one member, the United States," according to a participant present at the meeting.

On export subsidies, Switzerland said it will need seven years, until 2023, for phasing out export subsidies on processed agriculture products. Switzerland argued that "lowering the level of ambition for export credits, STEs and/or food aid, while increasing it for export subsidies, as some submissions are suggesting, is no political sell at home and even less so if the outcome were to be reduced to the sole area of export subsidies."

The joint proposal of the EU, Brazil, Argentina, Uruguay, Paraguay, Peru and New Zealand suggested a phase-out period of three years for developed countries to eliminate their export subsidies. The seven countries suggested a five-year period for developing countries to eliminate subsidies after the developed countries completely eliminate their programmes.

In sharp contrast to the joint proposal, the US maintained that the deadline for phasing out export subsidies must remain the same for both industrialized and developing countries.

Under Article 9.4 of the WTO Agreement on Agriculture, the developing countries are provided a longer duration as part of special and differential treatment flexibility. But the US wants to deny that flexibility and by suggesting the same time period for everyone, the US is disregarding the existing WTO provisions and the ministerial mandates, developing-country agriculture negotiators maintained.

India, China and the Philippines severely opposed the US demand, saying that they will not accept new demands that are not based on the existing decisions and mandates, according to developing-country negotiators.

The three developing countries also rejected calls for enhanced transparency-related disciplines as mooted in the joint proposal.

Developmental deliverables

While the US continues to demand fundamental changes in the export competition pillar that includes export subsidies, export credits, international food aid and state trading enterprises, it fiercely opposes genuine developmental goals in agriculture under the Doha Round, agriculture negotiators maintained.

The US is joined by Brazil in shooting down two developmental deliverables: the permanent solution for public stockholding programmes for food security and the special safeguard mechanism.

At a 30 November meeting convened by the agriculture chair Vitalis on the G-33's proposal on a permanent solution for food security, the US, the EU, Brazil, Pakistan, Australia, Canada and Switzerland effectively ruled out an outcome at the Nairobi meeting.

The G-33 proposal called for amending the WTO's Agreement on Agriculture by inserting a new Annex 6 to cover the domestic subsidies underpinning public stockholding for food security purposes. The proposal emphasized that programmes for the acquisition of foodstuff at administered prices by developing and poorest countries "with the objective of supporting low-income or resource-poor producers," and for subsequent distribution at subsidized prices with the objective of meeting food security requirements shall be exempt from subsidy reduction commitments.

Argentina, a leading member of the Cairns Group of farm exporting countries, said that the permanent solution based on creating a new annex in the Agriculture Agreement will not pose any problems according to a detailed examination carried out in Buenos Aires.

However, Argentina maintained that it cannot take back an outcome on the permanent solution to its domestic constituencies without securing credible deliverables on export competition, said a South American negotiator.

Other members of the Cairns Group such as Canada, Australia and Pakistan raised several concerns about agreeing to the permanent solution. Canada, for example, said that the permanent solution would give rise to unlimited subsidies which, in turn, will result in export surges and import substitution.

The US said it remains committed to public stockholding programmes for food security but maintained that the programme should not injure producers in other countries. The new solution suggested by the G-33 is not a path to finding a permanent solution, the US argued, according to negotiators present at the meeting.

The Philippines challenged Canada's claims by saying that the permanent solution as set out in the G-33 proposal will restrict subsidies. It argued that the G-33 is ready to look into safeguards once there is broad agreement on the Annex 6.

Switzerland said the G-33 proposal does not address the problem, while the EU raised serious concerns on transparency and notification requirements.

Pakistan ruled out an outcome on the permanent solution at the Nairobi meeting, while Australia maintained that the permanent solution will have unintended consequences without proper safeguards.

India dismissed the concerns raised by the EU, Australia, Canada and Pakistan by arguing that they must provide evidence to back up their claims instead of political stonewalling, according to negotiators present at the meeting.

Egypt said it will need a permanent solution at the Nairobi meeting, while India said the G-33 members have addressed all the concerns on an issue that has been negotiated for the past three years.

In a nutshell, the developed countries have resorted to an unprecedented form of cherry-picking to suit their interests by altering the existing ministerial decisions and mandates underpinning the four elements in the export competition pillar.

But the same developed countries along with some developing-country allies have launched a war-like effort to deny minimal credible developmental outcomes such as the permanent solution for public stockholding programmes for food security and the special safeguard mechanism for developing countries, trade envoys argued. *(SUNS8149)*❐

Cotton-4 shocked at US "no" to binding outcomes at Nairobi

by D. Ravi Kanth

GENEVA: The four West African cotton-producing countries – Benin, Burkina Faso, Chad and Mali – on 26 November received the biggest shock after the United States categorically rejected binding outcomes at the Nairobi Ministerial Conference on their demands.

The Cotton-4 had called for binding outcomes at Nairobi on duty-free and quota-free (DFQF) market access for some 40 tariff lines and cuts in trade-distorting domestic subsidies on cotton, several trade envoys told the *South-North Development Monitor (SUNS)*.

More aggressively, the US also maintained that the best-endeavour deliverables for the C-4 countries at Nairobi shall not even be referenced to the previous Doha Development Agenda ministerial mandates such as the 2004 July Framework agreement, the 2005 Hong Kong Ministerial Declaration and the 2013 Bali Ministerial Declaration, a C-4 trade envoy told *SUNS*.

On 26 November, the chair of the Doha agriculture negotiations, Ambassador Vangelis Vitalis of New Zealand, convened a closed-door meeting with trade envoys from around a dozen countries to discuss the possible textual elements for the deliverables on cotton. Countries that attended the meeting included the US, the EU, Brazil, the four countries from West Africa, China, India, Pakistan, Colombia and Argentina.

Chair's textual elements

Prior to the meeting, the chair on 23 November had suggested draft textual elements on cotton to explore middle-ground outcomes. The chair's textual elements cover the three pillars of market access, trade-distorting domestic support and export competition.

The elements include, in market access:

a) Acknowledgement that more is needed to meet the objective of providing DFQF access for cotton and other related products originating from least-developed countries (LDCs).

b) Confirmation that this objective will be pursued after the 10th Ministerial Conference (i.e., the Nairobi conference), based on an evolving list ("the list") of products annexed to the text.

c) Continuation of DFQF market access for products on the list originating from LDCs by developed-country members and developing-country members declaring themselves in a position to do so.

d) Ongoing efforts to improve existing duty-free and quota-free market access coverage by developing-country members which are unable to grant DFQF market access for all the products on the list originating from LDCs.

e) Transparency and monitoring of the implementation of DFQF market access on markets of interest to LDCs, based on existing notification requirements and supplemented as necessary by additional requests for information by the WTO secretariat.

f) Review of the list and DFQF access granted for products on the list originating from LDCs by the 11th Ministerial Conference.

g) Discussion of possible additional measures to improve market access, including the elimination of non-tariff barriers.

In domestic support, the chair suggested the following elements:

- The C-4 proposal for ambitious cuts submitted on 12 October.
- Standstill at current subsidy payment levels.
- Due restraint.
- Best endeavour.

In the export competition pillar, Vitalis suggested elements based on the Hong Kong ministerial mandate that called for prohibition of all forms of export subsidies for cotton.

On export subsidies, the chair suggested that the industrialized countries must eliminate all their export subsidies for cotton by 1 January 2017 and the developing countries by 1 January 2018.

Further, the chair said that "to the extent that new disciplines and commitments for export credits, export credit guarantees or insurance programmes, agricultural exporting state trading enterprises and international food aid create new and additional obligations for Members as regards cotton, any such obligations shall be implemented by 1 January 2016 for developed country Members, and by 1 January 2018 for developing country Members."

Binding outcomes

At the 26 November meeting, the C-4 countries demanded binding outcomes in all three pillars at the Nairobi conference. The four African countries said they had waited for more than 10 years for binding outcomes to address the worst crisis they were facing for the past many years.

The four African countries praised the chair for his relentless efforts to find a suitable landing zone but they cautioned that only binding outcomes – "ambitiously, expeditiously and specifically", as mandated in the 2005 Hong Kong Ministerial Declaration – will address their grave crisis.

The C-4 countries had circulated a detailed draft ministerial decision on 12 October listing out the proposed outcomes in the three pillars on a binding basis. They argued that their proposal is the basis for negotiating the final outcomes at the Nairobi meeting, an African trade envoy told *SUNS*.

In a belligerent response to the C-4 proposal, the US said it will not accept binding outcomes in all three pillars and will also not agree to any mention of the previous Doha ministerial mandates in the Nairobi deliverables, according to the African envoy. The US said it can only agree to best-endeavour outcomes but not standstill or due restraint provisions for reducing trade-distorting domestic subsidies.

Other developed countries such as the EU were willing to consider binding outcomes in the market access (the Everything But Arms initiative), trade-distorting domestic subsidies (except in the Blue Box and Green Box) and export competition pillars, the African envoy said.

China and India said they will provide DFQF market access of over 90% but ruled out binding provisions as they are not required to do so under the 2005 Hong Kong Ministerial Declaration. "Both China and India addressed our concerns in market access," according to the African trade envoy.

The C-4 countries said they cannot accept the US position of denying binding outcomes as well as avoiding referencing the deliverables to the previous Doha ministerial mandates.

The four countries suggested that they would take their battle over the binding commitments for cotton to Nairobi.

"As the conference is taking place in Africa, we shall have concrete results in terms of the level of commitments and time-frame for implementing the outcomes," the African envoy said. "We are frustrated over the response we heard today at the meeting from the US."

"The US' stance has made one thing clear," said another trade envoy who took part in the meeting. "Even before deciding on reaffirming continuation of negotiations on outstanding issues of the DDA after the Nairobi meeting, the US seems to have embarked on a warpath to ensure that there is no mention of the DDA decisions in the cotton outcome."

From the US position on cotton at the meeting, "it is clear that the Bali decisions will be repeated at the Nairobi ministerial so as to ensure that the package of outcomes for the least-developed countries will be an empty bag of meaningless decisions," the envoy argued.

Food security permanent solution

Meanwhile, the G-33 group of developing countries on 25 November upped the ante on their desired deliverable of a permanent solution for public stockholding programmes for food security at the Nairobi meeting.

The agriculture chair Vitalis convened a closed-door meeting on 25 November to discuss the G-33 draft ministerial decision on the permanent solution. Countries that attended the meeting included the US, the EU, Australia, Brazil, Paraguay, Indonesia, China, India, the Philippines and Nigeria.

Indonesia provided a detailed account of the four-page draft decision that calls for amending the WTO's Agreement on Agriculture by inserting a new Annex 6 to cover the domestic subsidies underpinning public stockholding for food security purposes.

The G-33 draft decision maintained that programmes for the acquisition of foodstuffs at administered prices by developing and poorest countries "with the objective of supporting low-income or resource-poor producers," and "subsequent distribution at subsidized prices with the objective of meeting food security requirements," shall be exempt from subsidy reduction commitments.

Australia raised extraneous issues about the draft decision, asking whether it would properly address the "unintended consequences." The G-33 proposal, according to Australia, will create another "Green Box".

The EU maintained that it wants to engage constructively in finding a permanent solution. But the real deadline for finding the permanent solution, it argued, is the 11th Ministerial Conference in end-2017 and not the Nairobi Ministerial.

At the Bali Ministerial Conference in 2013, trade ministers set a deadline for finding the permanent solution by end-2017 at the 11th ministerial meeting, while members at the WTO General Council mandated making all concerted efforts to resolve this issue by 31 December 2015.

The EU suggested that the General Council's decision last year carries less weight legally than what ministers had decided at the Bali meeting in 2013.

The EU said the G-33 countries must start implementing the interim solution as worked out at the Bali Ministerial in 2013, instead of asking for a permanent solution.

The US said it remains committed to public stockholding discussions but the latest G-33 proposal doesn't change the substance of retaining such programmes in the Green Box, according to participants familiar with the meeting. The US also said that "amending the AoA [Agreement on Agriculture] is not the right way."

Pakistan defended the EU's stand by arguing that the Bali decision struck the right balance. Further, the public stockholding programmes will lead to unsustainable production as well as undermine reform of global farm trade, Pakistan maintained.

Brazil said it is seriously concerned about the "unintended consequences" which the proponents have not addressed in the draft decision. Paraguay said the G-33 proposal offers a huge carve-out of exempting the food security programmes from subsidy disciplines.

China said if members have objections about including the public stockholding programmes in the Green Box, then they must suggest in which box they must be placed.

India dismissed the concerns raised by Australia, the EU, the US and Brazil, saying that those countries that are speaking about farm trade reforms remain silent about the huge subsidies provided by a few major industrialized countries.

India said pointedly to the EU that the interpretation of last year's General Council decision on public stockholding programmes is plainly wrong. According to people familiar with the meeting, India said the Council decision to conclude a permanent solution by December 2015 is on the same footing as any decision taken by ministers at a Ministerial Conference because the General Council has the power to take decisions during the period between Ministerial Conferences.

Some countries, said India, spoke about "unintended consequences" but have not given any suggestions on how they can be addressed, according to participants familiar with the meeting.

India asked the opponents pointedly whether they are rejecting the G-33 proposal for a permanent solution on the ground that the interim solution is adequate and will not require change, according to people familiar with the meeting.

In response, the EU said "we are not rejecting the G-33 proposal but in the current form it cannot be accepted," said a person who was present at the meeting.

With only a short period left before the Nairobi Ministerial, the developing and poorest countries are all set to face a scorched-earth-policy effort by the US and its allies on African soil that will result in developing countries and LDCs not only returning from the meeting empty-handed but, worse still, suffering the most humiliating outcome in which the Doha Round is put to bed without a trace, an African trade envoy warned. *(SUNS8145)* ❐

SSM blocked by US, EU, Australia and Brazil

by D. Ravi Kanth

GENEVA: The United States, the European Union, Australia and Brazil on 24 November blocked a major deliverable concerning the special safeguard mechanism (SSM) for the developing countries at the Nairobi ministerial meeting, several trade envoys told the *South-North Development Monitor (SUNS)*.

The G-33 group of developing countries led by Indonesia have consistently demanded the SSM in the Doha agriculture negotiations in order to safeguard the interests of their hundreds of millions of poor farmers from unforeseen surges in imports of agricultural products, particularly those supplied by heavily-subsidizing developed countries.

The chair of the Doha agriculture negotiations, Ambassador Vangelis Vitalis of New Zealand, convened a closed-door meeting on 24 November with 10 countries to explore the outcome on the SSM for the Nairobi meeting. Vitalis called the trade envoys of the US, the EU, Australia, Japan, Brazil, China, India, Indonesia, the Philippines and Turkey to discuss the G-33 proposal.

G-33 proposal

Indonesia made a detailed presentation of the G-33 proposal on the SSM, explaining the central features of the proposed instrument, including the volume and price triggers.

Indonesia suggested that the volume-based SSM "shall be applied on the basis of a moving average of imports in the preceding three-year period" (hereafter "base imports"). On this basis, the applicable triggers and remedies shall be set as follows:

a. Where the volume of imports during any year exceeds 110% but does not exceed 115% of base imports, the maximum additional duty that may be imposed on applied tariffs shall not exceed 25% of the current bound tariff or 25 percentage points, whichever is higher.

b. Where the volume of imports during any year exceeds 115% but does not exceed 135% of base imports, the maximum additional duty that may be imposed on applied tariffs shall not exceed 40% of the current bound tariff or 40 percentage points, whichever is higher.

c. Where the volume of imports during any year exceeds 135% of base imports, the maximum additional duty that may be imposed on applied tariffs shall not exceed 50% of the current bound tariff or 50 percentage points, whichever is higher.

Indonesia spoke about other features such as the calculation of volume and price triggers and the application of volume-based and price-based SSM, and the exceptions.

The Philippines explained the importance of the SSM for developing countries in general and their farmers in particular. The SSM, according to the Philippines, is essential for its farmers in the current context of volatile global farm prices.

For a while during the meeting, there was silence as major developed countries did not speak. After considerable prodding by Vitalis for a constructive discussion, Australia said it will reject the SSM because it is a balancing element for the proposed deliverables in the export competition pillar. Australia maintained that it cannot agree to the SSM without discussing issues in the market access pillar.

Australia said the SSM cannot be addressed without discussing the trade involving free trade agreements, according to trade envoys familiar with the meeting.

Turkey said the SSM is not linked with market access according to the Hong Kong Ministerial Declaration of 2005, in which trade ministers did not draw any linkage between the SSM and market access, according to trade envoys present at the meeting. The Hong Kong Ministerial Declaration maintained that "developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined," Turkey pointed out.

The EU praised the G-33's work on the revised SSM proposal but maintained that the developing-country coalition did not address the central issue of the linkage with market access. Without addressing market access, members can't engage in the SSM, the EU maintained.

The US said many developing countries do not want the SSM without market access. The US said that it cannot agree to the SSM without "new market access," according to trade envoys present at the meeting.

China lamented the lack of proper engagement despite the G-33 having explained all the features of the SSM. China said it is concerned about the fate of the SSM, emphasizing that political willingness is more important.

Brazil said that it will not question the motives of the members who have tabled the G-33 proposal. However, it cannot accept the SSM without market access, stressing that without market access it cannot accept a mechanism that is more trade-restrictive.

From the statements made by Australia, the EU, the US and Brazil, it is very clear that they are determined to stonewall the negotiations, India maintained, according to trade envoys present at the meeting. If this is the level of engagement that members are showing on the SSM, then they must be prepared for the same level of engagement in other areas, India warned.

In response to India's statement, the US maintained that disagreement doesn't mean non-engagement. The US sought to know whether the G-33 will allow export competition to progress or not, said a trade diplomat familiar with the discussion.

Later on 24 November, the chair convened a meeting of trade envoys of the US, the EU, China, India, Brazil, Australia and Japan to discuss the proposals tabled by Brazil and the EU on export competition and the US proposals on food aid and state trading enterprises.

At the meeting, India objected to the process involving only seven countries but not a larger group of countries to discuss the proposals on the export competition pillar. India suggested that the chair must adopt a parallel process involving a larger group of countries as he had suggested at the SSM meeting, according to trade envoys present at the meeting.

In short, the US, the EU, Australia and Brazil want to pocket outcomes in the export competition pillar at the Nairobi meeting without yielding ground on the SSM and the permanent solution for public stockholding programmes for food security for developing countries. This will be a repeat of the 2013 Bali Ministerial Conference in which they grabbed a binding Trade Facilitation Agreement while offering only best-endeavour outcomes to the least-developed and developing countries, a developing-country trade envoy said. *(SUNS8143)* ❐

CSOs stress on development, food security, LDC issues at MC10

On the eve of the Nairobi meet, civil society groups have called upon WTO members to ensure that the conference meets development demands and resists the imposition of "a corporate wish list of 'new issues'" on the post-Ministerial agenda.

by Kanaga Raja

GENEVA: More than 450 civil society organizations (CSOs) have demanded that for the WTO's 10th Ministerial Conference (MC10) to be a success, it must fulfil the development mandate by strengthening special and differential treatment (SDT) for all developing countries, remove obstacles to food security and operationalize benefits for the least-developed countries (LDCs).

In an urgent letter addressed to WTO member states on the eve of MC10, which takes place in Nairobi, Kenya, from 15-18 December, the CSOs including trade unions and environmental, farming, development advocacy and public interest groups said that for the Ministerial to "work" for food, jobs and sustainable development, the necessary outcome is clear.

The transformation of the gross inequities in the global agricultural system must begin, including: removing WTO obstacles to public stockholding for food security; a concrete and workable special safeguard mechanism (SSM); and disciplining domestic supports and export competition.

"Across the WTO, development demands must be met, including the full scope of the G90 proposals for all developing countries, and the operationalizing of the LDC package."

The CSOs underlined that the corporate and rich-country government agenda of permanently abandoning the development mandate must be forestalled, along with the imposition of a set of already rejected or ill-defined non-trade "new issues."

Among the nearly 50 international networks and organizations that signed on to the letter are the ACP Civil Society Forum; Arab NGO Network for Development (ANND); Asian Farmers' Association for Sustainable Rural Development (AFA); Caribbean Policy Development Centre (CPDC); Development Alternatives with Women for a New Era (DAWN); Enda Tiers Monde; European Federation of Public Service Unions (EPSU); Friends of the Earth International (FoEI); International Baby Food Action Network (IBFAN); LDC Watch; Pacific Network on Globalisation (PANG); Public Services International (PSI); Society for International Development (SID); South Asia Peasants Coalition; Third World Network (TWN); and Women In Development Europe (WIDE+).

The letter was also signed by over 400 national organizations and networks.

WTO obstacles to development

In their letter to the WTO members, the CSOs expressed "extreme alarm" about the current situation of the negotiations in the WTO.

They urged the members to take seriously the need for the upcoming Nairobi Ministerial to change existing WTO rules to make the global trading system more compatible with people-centred development, and to forestall efforts by some developed countries to abandon the development agenda and replace it with a set of so-called "new issues" that actually are non-trade issues that would impact deeply on domestic economies and constrain national policy space required for development and the public interest.

The CSO letter noted that governments from around the world recently endorsed the Sustainable Development Goals (SDGs) negotiated through the United Nations. These include key goals such as reducing poverty and inequality; eradicating hunger; and ensuring universal access to essential services such as health care, education, water and energy.

In order to achieve these goals, countries must have the policy space to invest in domestic agricultural production to achieve food security and food sovereignty; regulate the financial sector to ensure financial stability; scale up public provision of essential services to guarantee education, health, water and energy access; harness the power of government procurement to promote small and medium enterprises (SMEs); utilize tax revenues, including tariffs, strategically to foment sustainable development and the creation of jobs with decent work; and ensure that foreign investment serves the interests of the national development plan.

"However, this policy space is currently constrained by existing WTO rules which the vast majority of WTO members, which are developing countries, have been demanding must be changed, and [is] further threatened by an effort by a tiny number of developed countries to replace the development mandates with 'new issues' designed to further increase transnational corporate profit margins," said the CSOs.

As civil society organizations, "we have witnessed firsthand in our communities the negative impacts of 20 years of some existing WTO policies which have largely favoured the interests of the developed world over the development interests of the developing world." This has particularly led to rising inequalities both within and among countries, the contributions of increased trade to climate change, the financial deregulation that led to the 2008 global economic crisis and the ongoing crises of food insecurity and joblessness, to name a few.

"Many of our organizations have called repeatedly for the WTO to be replaced with an institution that regulates corporate trade for the benefit of workers, farmers, communities, and the environment, rather than disciplining states for the narrow goal of increasing trade. At the same time, we must ensure that the WTO's model of restricting national policy space in favour of corporate trading rights must not be expanded, but rather pruned back."

That is why, according to the letter, it is so urgent at this time to ensure that the Nairobi Ministerial deliver on removing WTO obstacles to development by fulfilling the development mandate in terms of strengthening and making effective SDT for all developing countries, and affirming developing countries' rights to food security, while forestalling the corporate agenda of abandoning development in favour of a corporate wish list of "new issues."

Special and differential treatment

The CSOs noted that a group of 90 (G90) developing countries have this year made concrete proposals for changes to existing WTO rules that would remove some WTO constraints on national pro-development policies.

Reports from Geneva indicate that a tiny number of high-income WTO members are attempting to decide for themselves which developing countries should be able to utilize these flexibilities, dividing developing countries according to non-existent, subjective criteria and attempting to treat so-called "emerging markets" as if they were already developed.

"This approach has no basis in WTO law, in development policy, nor in economic reality," the CSOs said.

In fact, 70% of the world's poor live in so-called "middle-income" countries; narrowing the scope of the G90's SDT proposals would condemn a billion people to living under WTO rules inappropriate for their level of development, without the flexibilities and policy space requisite for their countries to achieve the multilateral SDGs.

For these reasons, the CSOs stressed that SDT should be strengthened and made operational for all developing countries, while providing additional flexibilities to LDCs that attend to their specific development, financial and economic needs.

"The WTO Ministerial will be a failure for development if the full package of G90 proposals for all developing countries is not agreed to in Nairobi."

Even worse, the CSOs charged, just one WTO member – the United States – appears to be not only refusing to agree to the full G90 package, but also working to ensure that the development mandate in the WTO is permanently abandoned.

According to the CSOs, "While a lack of agreement on the G90 package of proposals by Nairobi would indicate a failure of the Ministerial from a development perspective, the abandonment of the entire development mandate would lock out the potential to fulfil this mandate in the future, thus locking the world into the existing inequalities and imbalances forever – at the behest of one member of the WTO, an institution that claims to operate by consensus."

Agriculture trade reform

Likewise, many of those same impoverished people in developing countries and LDCs alike continue to suffer from food insecurity.

Since the Bali Ministerial in December 2013, developing countries and anti-hunger advocates and farmers around the world (including in the United States) have worked to ensure that developing countries would be unshackled from WTO rules which severely constrain their ability to invest in public stockholding programmes, even though such investments are explicitly called for in the SDGs in order to reduce rural and urban hunger.

WTO members agreed to find a permanent solution to the issue of public stockholding for food security by 31 December 2015. The G-33 group of 45 developing countries has made a workable proposal to remove limits on developing countries' investing in their own food security by categorizing public stockholding for food security in the so-called "Green Box."

The CSOs said that this must be adopted by the Nairobi Ministerial. "The WTO Ministerial will be a failure from a development perspective if this simple step towards food sovereignty is not agreed to in Nairobi."

According to the CSO letter, in one of the most hypocritical positions in the history of global trade negotiations, some developed countries are not only opposing the right of poor countries to feed themselves, but also refusing to reduce their own domestic supports on exported agricultural production that damage other countries' domestic markets.

In fact, the promise to reform global agricultural trade was the primary reason that developing countries even agreed to launch the Doha Round. Fourteen years later, some developed countries continue to subsidize agricultural exporting corporations in ways that damage farmers in developing countries, whose governments are not allowed (or cannot afford) such subsidies.

"We support the concept of food sovereignty, in which countries should be allowed to undertake domestic supports of agricultural production, but no country should be allowed to export subsidized food in a way that damages other countries' markets. The WTO Ministerial will be a failure from a development perspective if the disciplining of domestic supports that damage other countries' markets is not agreed to in Nairobi."

At the same time, said the CSOs, the havoc wreaked on developing-country agricultural markets due to dumping of subsidized products calls out for an immediate solution.

The G-33's proposal to create a special safeguard mechanism that would allow developing countries to protect their food security, farmers' livelihoods and rural development would be another important step towards restoring countries' food sovereignty that has been so eroded by the current imbalances in the WTO rules.

"The WTO Ministerial will be a failure from a development perspective if a workable, practical SSM along the lines of the G33 proposal is not agreed to in Nairobi," the CSOs warned.

The CSOs highlighted that even in the area that all WTO members should be able to agree on – ensuring benefits for the LDCs – consensus has not yet been reached.

Although it was a priority mandate for the post-Bali period, the small LDC package agreed in Bali has yet to be operationalized, including ensuring 100% duty-free, quota-free (DFQF) market access for LDCs' exports, providing actual binding commitments for the LDC services waiver and full simplification of the rules of origin.

In addition, cotton farmers in Africa have been damaged for years due to the subsidies that rich countries have agreed to discipline in an "expedited" manner.

"The WTO Ministerial will be a failure from a development perspective if the disciplining of subsidies in cotton is not agreed to in Nairobi, along with the operationalizing of all aspects of the full LDC package."

"New issues"

On the so-called "new issues", the CSOs said, "We can all agree that global trade has evolved significantly since the Doha Round was launched in 2001. Unfortunately, many workers and farmers are still labouring under the rules negotiated in the mid-1990s – to which many developing countries and civil society around the world objected at the founding of the WTO."

It is vastly inappropriate to mandate negotiations on new issues to the benefit of the financial, technology and logistics corporations of a few WTO members without first addressing the inequities and imbalances in the current WTO rules, they underlined.

The CSOs noted that many of these issues have been explicitly rejected by the WTO membership in the recent past, particularly the so-called "Singapore issues," including investment, competition policy and transparency in government procurement.

Civil society has long opposed the international investment agreements (IIAs) which privilege foreign investors over citizens, communities, the environment and the public interest generally, whether they appear in bilateral, plurilateral or multilateral forums. Multiple governments have taken heed of the explosion of cases brought by investors against sovereign governments, and are reshaping national investment rules to ensure that they benefit the national interest.

During this time of shifting public debate on the negative impacts of such agreements, it is outrageous to think of allowing this ejected topic back into the WTO.

This is also the case with the topics of competition policy and opening up government procurement to foreign corporations, which are advantageous predominantly to corporate interests. Government procurement is an important engine for local development and for addressing inequities within countries, and these goals should take precedence over opening markets for transnational bidders.

"These are not primarily trade issues and they must not be allowed on the agenda – and there is not even any legal basis in the WTO to bring them in until after the development demands of developing countries have been comprehensively addressed," said the CSO letter.

Likewise, there appears to be an effort by some developed countries to bring into the WTO issues that many developing countries, and civil society around the world, have rejected in bilateral or plurilateral so-called free trade agreements (FTAs).

The CSOs said that this appears to include the idea of giving new "rights" to advanced technology corporations to unlimited cross-border data transfers through e-commerce talks.

A few members also appear interested in imposing on the WTO membership disciplines (constraints) on state-owned enterprises (which can be a key engine of domestic economic growth in many countries) and other so-called "new issues" which have yet to be defined by members seeking the mandate nonetheless to discuss them.

"The WTO Ministerial will be a failure from a development perspective if 'new issues' – including under the sneaky rubric of 'discussions on global value chains (GVCs) or the digital economy' – are agreed to in Nairobi as part of the post-Ministerial agenda."

Civil society has long witnessed and condemned the unfair negotiation process in the WTO, in which the positions of powerful members are given predominance over the positions and needs of the vast majority of members who are developing countries, while the interests of workers, farmers and the environment are shunted to the background in favour of corporate profit objectives.

"It is most unfortunate that under the current leadership, this phenomenon appears to have become even worse, even though the Director-General hails from a developing nation," said the CSOs.

Nairobi will be a crucial arbiter of the future of the global trade system.

"Will the WTO continue business as usual, in which the corporate interests of the powerful countries dominate, and the development mandate is abandoned in favour of talks on liberalization of new issues? Or will the WTO members heed the needs of the LDCs; of the poor in all our countries; of farmers struggling to make a living; of workers seeking decent work; and of the environment for our common stewardship?" the CSOs asked. *(SUNS8154)* ❐

World's poorest nations battle rising rural poverty

Tackling poverty in the least-developed countries calls for agricultural modernization and diversification of the rural economy, a UN development agency advocates.

by Thalif Deen

NEW YORK: The world's 48 least-developed countries (LDCs), described as the poorest of the poor, are fighting a relentless battle against rising rural poverty.

More than two-thirds of the population of LDCs live in rural areas, and 60% work in agriculture.

As a result, there is an urgent need for structural changes focused on the fight against poverty, says a report released on 25 November by the Geneva-based UN Conference on Trade and Development (UNCTAD).

"This means developing the synergies between agricultural modernization and diversification of the rural economy."

Currently, the total population of the 48 LDCs is estimated at over 932 million people.

UNCTAD's *Least Developed Countries Report 2015*, subtitled "Transforming Rural Economies", presents a roadmap to address rural poverty, lack of progress in rural transformation and the root causes of migration within and from LDCs.

The migration of poor people from the countryside into cities fuels excessive rates of urbanization in many of the 48 LDCs, while many international migrants come from rural areas, says the report.

The theme of World Food Day last October was "Social Protection and Agriculture: Breaking the Cycle of Rural Poverty", in line with the UN Food and Agriculture Organization (FAO)'s annual *State of Food and Agriculture* report that called for "sustained private and public investments and social protections for the rural poor."

Rural women, the majority of whom depend on natural resources and agriculture for their livelihoods, make up over a quarter of the total world population, according to the United Nations.

And in developing countries, rural women represent approximately 43% of the agricultural labour force, and produce, process and prepare much of the food available, thereby giving them primary responsibility for food security.

Since 76% of the extreme poor live in rural areas, rural women are critical for the success of the new sustainable development agenda for 2030, according to the United Nations.

The eradication of poverty by 2030 is one of the main objectives of the Sustainable Development Goals (SDGs), adopted by world leaders last September.

Means of implementation

Gauri Pradhan, the Nepal-based International Coordinator of LDC Watch, an umbrella group of NGOs in LDCs, told Inter Press Service (IPS) the means of implementation in the SDGs are key to transforming rural economies and enhancing productive capacity in LDCs, which is primarily based on agriculture.

SDG 2a recognizes this, and "it is imperative that we have both international cooperation and effective domestic measures that focus on LDCs," he said.

SDG2 calls to end hunger, achieve food security, improve nutrition and promote sustainable agriculture.

The LDCs cover a wide range of countries, extending from Afghanistan, Angola and Bangladesh to Vanuatu, Yemen and Zambia. Of the 48 LDCs, 34 are in Africa, including Benin, Burkina Faso, Central African Republic, Democratic Republic of Congo, Ethiopia, Gambia, Sudan and Uganda, among others.

Since the LDC category was initiated by the UN General Assembly in 1971, only four countries have graduated to developing-country status based on their improved economic performance: Botswana in 1994, Cabo Verde in 2007, Maldives in 2011, and Samoa in 2014. At least two more countries – Equatorial Guinea and Vanuatu – are expected to graduate in the coming years.

UNCTAD recommends placing more importance on non-farm rural activities instead of primarily focusing on increasing agricultural productivity, as well as increasing the production of higher-value agricultural products.

Since 2012, economic growth in LDCs has continued to slow, reaching 5.5% in 2014 as compared to 6.1% in 2013.

Demba Dembele, LDC Watch President based in Senegal, told IPS the UNCTAD report comes at a time when agricultural policies and migration issues are high on the African agenda, with a recent African Development Bank conference on African agricultural policies and an Africa-European Union summit on migration.

"So it is hoped that this report will give direction on how to deal more effectively with these issues, particularly in Africa," he added. *(IPS)* ❐

Economic slowdown threatening progress

With the spectre of stagnation looming over the global economy, developing countries need sufficient fiscal and policy space to safeguard macroeconomic stability and promote sustainable development.

by Jomo Kwame Sundaram

Slower economic growth since 2008, especially with the commodity price collapse since the end of last year, threatens to reverse the exceptional half-decade before the financial crash when growth in the South stayed ahead of the North.

From 2002, many developing countries – including some of the poorest – had been growing much faster after a quarter-century of stagnation in Africa, for example.

But this has not been their delayed reward for sticking to policies prescribed by conventional wisdom, as claimed by some latter-day apologists for the structural adjustment programmes of the last two decades of the 20th century.

Instead, a more favourable international environment, including higher commodity prices, low interest rates and renewed aid flows, along with accelerated growth in China and India, have been the main reasons.

Recent trends need to be seen in a longer historical context if the right lessons are to be drawn. Economic growth in the 1980s and 1990s was generally slower than in the preceding two decades.

But despite the spectacular growth of several developing countries, sub-Saharan Africa lost due to stagnation for more than two decades from the late 1970s and Latin America lost at least the 1980s.

Government policies from the 1980s – ostensibly to conform to "market expectations" – often cut public spending on primarily social expenditures.

As national-level inequalities grew in most countries from the 1980s, international inequalities among countries continued to grow.

Economic welfare in developing countries has been further squeezed by demographic pressures including rapid urbanization.

Nascent industrialization in many countries was aborted by structural adjustment and economic liberalization.

Premature trade liberalization has thus exacerbated deindustrialization, unemployment and fiscal deficits without generating alternative sources of economic growth.

Low-income countries as well as failed and failing states are generally characterized by modest industrialization, which, in turn, retards structural transformation and more inclusive sustainable development.

The negative developmental implications of policies and programmes forced on developing countries, regardless of historical circumstance and economic context, are now well known.

There is a world of difference between measured liberalization from a position of economic strength, as in newly industrialized East Asia from the 1980s, and its forced adoption, to meet World Trade Organization or loan obligations.

Despite pious official rhetoric claiming the contrary, multilateral rules are far from supportive of sustainable development and need to be reformed accordingly.

Since the late 19th century, adverse terms-of-trade movements – favouring manufactures over primary commodities, temperate compared to tropical agricultural products, or manufactures from developed countries against those from developing countries – have meant that many developing countries have been producing and exporting much more, but earning relatively less from doing so.

International financial liberalization was supposed to attract private capital to fill financing gaps. But instead, it has resulted in net capital flows from the "capital-poor" to the "capital-rich", increased financial volatility and slower economic growth.

Bitter experience has also shown that "shock therapy" – often involving financial system "big bangs" – has generally caused more harm than good.

Fiscal and policy space

Considering their greater vulnerability to external vicissitudes, developing countries must have greater fiscal space to ensure countercyclical capacity as well as sustained public spending for needed investments in physical and social infrastructure and human resources.

Strengthening the tax base, ensuring more reliable sources of international finance and channelling aid through national budgets can be crucial.

Instead of the current fetish with eliminating fiscal deficits, a more balanced and appropriate approach to macroeconomic stabilization is needed, to minimize disruptive swings in economic activity and external balances, while fostering a virtuous cycle of greater macroeconomic stability, investment, growth and employment generation.

Developing countries need to strengthen their capacities and capabilities and to ensure sufficient "policy space" in order to pursue appropriate reforms favouring sustainable development.

It has often been claimed that development could only be attained through retrenchment of the state. In much of the developing world, however, this has left choice-less illiberal democracies and frustrated disenfranchised citizens.

Instead, democratically accountable governments should consult widely among their citizens to promote investments for structural transformation and better employment.

The global economy now risks continuing its downward spiral into protracted stagnation. The International Monetary Fund's improved surveillance mechanisms have not led to better international macroeconomic coordination, as touted.

Instead, the path to sustainable development remains blocked by self-imposed deflationary policy constraints and a refusal to provide needed aid or to cooperate to increase taxation for all. *(IPS)* ❐

Jomo Kwame Sundaram is the Coordinator for Economic and Social Development at the Food and Agriculture Organization and received the 2007 Wassily Leontief Prize for Advancing the Frontiers of Economic Thought.

How "philanthropic" is global philanthropy?

The increasingly active engagement of the philanthropic sector in international development has brought with it a greater pool of resources but also growing concern over the impact philanthropic foundations have on development agenda-setting and on global democratic governance.

by Jens Martens and Karolin Seitz

Over the last two decades, the philanthropic sector has grown in terms of the number of foundations, the size of their annual giving and the scope of their activities. While detailed information about their total annual spending on international development is not available, estimates range from $7 billion to more than $10 billion per year.

Spending is concentrated on certain selected areas, especially the health sector, while other areas remain underfunded. In 2012, the largest 1,000 US foundations spent 37% of their international grants on projects in the health sector, 11% on environmental projects and only 4% on projects in the field of human rights.

At the same time, philanthropic foundations have become increasingly engaged in UN system programmatic priorities and approaches. On 23 April 2013 the UN held a special event on the role of philanthropic organizations in the post-2015 development agenda setting. Afterwards the organizers summarized: "Philanthropic organizations are ever more active in international development cooperation and have recognized the great value of engaging with each other and other stakeholders. While their contributions are difficult to fully quantify, philanthropic organizations are well-suited to play an evermore important role in addressing sustainable development challenges including through various innovative approaches. As such, they have the potential to play a critical role in implementing a post-2015 development agenda."

The Bill & Melinda Gates Foundation plays a special role in this regard, as its assets and annual grants exceed by far those of all other foundations. So too does the UN Foundation, particularly due to its special relationship with the United Nations and its close relationship with the UN Secretary-General.

Importantly, this increased engagement has been welcomed and indeed encouraged, not only by the UN Secretary-General and heads of UN agencies but also by some member states, seeing it as a recognition that governments alone cannot solve all of the world's problems. Some of course also see it as a way to relieve pressure on their own development budgets while continuing with tax and investment policies that privilege the rich. Even US billionaire Warren Buffett made this point. In a *New York Times* op-ed he stated:

"... while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks. Some of us are investment managers who earn billions from our daily labours but are allowed to classify our income as 'carried interest,' thereby getting a bargain 15 percent tax rate. Others own stock index futures for 10 minutes and have 60 percent of their gain taxed at 15 percent, as if they'd been long-term investors. These and other blessings are showered upon us by legislators in Washington who feel compelled to protect us, much as if we were spotted owls or some other endangered species. ... My friends and I have been coddled long enough by a billionaire-friendly Congress."

As the engagement of philanthropy, particularly the large global foundations, in development has become more active, it has also become more complex, giving them access and influence in many programme areas, with little or no governing framework or oversight to show how they operate or what results have been achieved. Three broad issues deserve attention in this regard.

One is the absence of any framework for measuring results, not so much in terms of how well a programme meets donor-defined goals, but in terms of how well it meets the broader, more long-term goals, such as improving health outcomes or ensuring nutrition for all. Donor agreements need to be reviewed and revised to fill this gap.

The second issue is the growing engagement on the part of foundations with the programmes and goals themselves, thereby increasingly influencing programme design and outcomes and running the risk of more serious mission distortion. Accountability is thus not just a technical matter but goes to the issue of the UN agency mandates. What kind of framework needs to be in place to make sure the money contributed by foundations goes to the agency's programme goals, rather than programme goals being shaped to meet donor interests?

A third issue goes to the impact on global governance. Does the creation of and support to multi-stakeholder partnerships, which no longer privilege the role of governments and intergovernmental bodies in setting standards and shaping the development agenda, risk undermining the credibility of publicly accountable decision-making bodies and weakening democratic governance?

The areas of concern can be grouped into four categories:

1. Philanthrocapitalism – applying a business model to the measurement of results

One prominent feature of many private foundations is their practice of applying business and often market-based approaches to development. This includes a strong emphasis on results and impact. While this approach can be beneficial in terms of increasing accountability, it may also place grantees under strain to demonstrate donor-defined results, privileging interventions that produce short-term gains at the expense of investing in initiatives where benefits may be visible only in the longer term. Consequently, foundations may neglect investments in areas where impact becomes evident only over time.

Some philanthropic foundations, like the Gates Foundation, favour problem-oriented interventions that produce fast results. However, by focusing on quick-win approaches, such as developing vaccines or disseminating insecticide-treated bed nets, they tend to neglect structural and political obstacles to development (e.g., weak public health systems). Grant-making on the basis of cost-benefit analyses and social return on investment analyses risks not supporting those in real need, but rather those who are able to deliver successful and cheap interventions. Foundations which are following a mere business logic have been criticized for "managing" the poor rather than empowering them.

While the Gates Foundation's long-term pledges to the GAVI Vaccine Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria have provided more sustainability than is generally true of government support, this also means that these partnerships are highly dependent on the continued benevolence of Bill and Melinda Gates.

Nevertheless, as private foundations invest most of their assets in the financial markets, their income from interest and dividends is dependent on the overall economic situation – and so is their grant-making. During the recent world economic and financial crisis, international funding by the largest 1,300 US foundations dropped dramatically (by 32% between 2008 and 2010). Therefore, not only is philanthropic giving generally unpredictable, at least over the long term, it also tends to decline in times when it is most needed.

2. Influence on policies and agenda-setting

Philanthropic foundations can have enormous influence on political decision-making and agenda-setting. This is most obvious in the case of the Gates Foundation and its role in global health policy. Through the sheer size of its grant-making, its practice of providing matching funds and its active advocacy, the Gates Foundation influenced priority-setting in the World Health Organization (WHO) and the political shift towards vertical health funds.

The Gates Foundation's increased influence on the priorities and operations of WHO is also due to changes in the funding patterns of WHO's traditional state donors. Because in recent years WHO has faced a serious lack of resources, which stands in stark contrast to the enormous and growing funding needs in global public health, including emergency preparedness and crisis response, the increasing imbalance of voluntary in relation to assessed contributions has led WHO to "attract new donors and explore new sources of funding." As the influence of these sources increased, so too have gaps in the WHO ability to respond adequately to global health emergencies, as seen in the case of its response to the Ebola outbreak in 2014.

The same has been true of the influence of the Rockefeller Foundation on agricultural policy in the context of the Green Revolution and the Gates Foundation's push for "modern" farming technologies, including genetically modified seeds in African countries, despite growing public concerns over genetically modified food. With its focus the Gates Foundation undermines pro-poor and bottom-up approaches and important alternative concepts to handle the world food crisis and the global food and agriculture agenda, as described in the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD).

Foundations exert influence not only through their grant-making. The UN Foundation, for instance, has been contributing to shaping the discourse in the UN through advisory support to the UN Secretary-General, convening informal meetings with member states, and providing extensive communications and media support. The UN Foundation has been a driving force behind multi-stakeholder partnerships, such as Every Woman Every Child and Sustainable Energy for All, and just recently launched a global media campaign on the Sustainable Development Goals.

Indeed it is important to learn from the experience of the UN Foundation, which began as a vehicle to accept a one-time, multi-year contribution from Ted Turner to advance UN causes but has also expanded its activities in various ways, raising money from public and private sources and running programmes under the UN banner but outside the UN system.

3. Fragmentation and weakening of global governance

Philanthropic foundations, particularly the Gates Foundation, the Rockefeller Foundation and the UN Foundation, are not only major funders but also driving forces behind global multi-stakeholder partnerships. In fact, many of these partnerships, like the Children's Vaccine Initiative, the TB Alliance, the GAVI Alliance and Scaling up Nutrition (SUN), have been initiated by these foundations.

But the mushrooming of global partnerships and vertical funds, particularly in the health sector, has led to isolated and often poorly coordinated solutions. These initiatives have not only contributed to the institutional weakening of the United Nations and its specialized agencies, but have also undermined the implementation of integrated development strategies at national level.

Supporters see the variety of global initiatives as a strength and as a possibility to maintain political flexibility and to mobilize a broad range of different actors. However, it in fact results either in duplication and thematic overlap, or in high transaction and coordination costs at international and national levels.

The Gates Foundation heavily criticized the weakness and fragmentation of the global nutrition system and was instrumental in creating the SUN movement. But SUN has not worked to overcome this fragmentation. Rather, it has added to the proliferation of global partnerships on food security and nutrition, such as the Global Alliance for Improved Nutrition (GAIN), the Micronutrient Initiative (MI), the Flour Fortification Initiative (FFI), the New Alliance on Food Security and Nutrition and many others. Meanwhile the UN System Standing Committee on Nutrition, which claims to be "the food and nutrition policy harmonization forum of the United Nations," remains weak and underfunded.

Furthermore, inasmuch as partnerships give all participating actors equal rights, the special political and legal position occupied legitimately by public bodies is sidelined. Multi-stakeholder partnerships implicitly devalue the role of governments, parliaments and intergovernmental decision-making bodies, and overvalue the political status of private actors, including transnational corporations, philanthropic foundations and sometimes even wealthy individuals like Bill Gates and Ted Turner.

Whether or not partnerships actually undermine democratic decision-making depends entirely on who selects the participants, how transparent the partnership is, how representative its composition is, and how accountable the partners are to their own constituencies, as well as to public mandates. If members are handpicked or self-nominated, then the partnership simply gives the illusion of democratic participation and cannot purport to be democratically legitimate.

4. Lack of transparency and accountability mechanisms

While foundations like the Gates and Rockefeller Foundations have significant influence on development policies, they are not accountable to the "beneficiaries" of their activities, be they governments, international organizations or local communities. Generally, they are only accountable to their own boards or trustees. This can be a quite limited number of people, as in the case of the Gates Foundation, where three family members and Warren Buffett act as trustees and co-chairs.

Foundations have to meet only limited public disclosure requirements. In the US philanthropic foundations are obliged to file annual returns and have to make them available for public disclosure (the form 990 PF). They contain basic information on finance, investments and grant-making. Some foundations provide basic information about their grants and grantees on their website, like the Gates Foundation and the Rockefeller Foundation.

However, most foundations do not report in accordance with global reporting standards. Only seven foundations participate in the International Aid Transparency Initiative (IATI), among them the Gates Foundation and the Hewlett Foundation. Only a few foundations, if at all, make impact assessments and project evaluations publicly available.

Conclusion

So far there has been an often undifferentiated belief among governments and international organizations in the positive role of corporate philanthropy in global development. Most recently, in the outcome document of the Third International Conference on Financing for Development (13-16 July 2015), the Addis Ababa Action Agenda, governments declared: "We welcome the rapid growth of philanthropic giving and the significant financial and non-financial contribution philanthropists have made towards achieving our common goals. We recognize philanthropic donors' flexibility and capacity for innovation and taking risks and their ability to leverage additional funds through multi-stakeholder partnerships. We encourage others to join those who already contribute."

But in light of experiences in the areas of health and agriculture, a thorough assessment of the impacts and side-effects of philanthropic engagement is necessary.

Governments, international organizations and civil society organizations (CSOs) should take into account the diversity of the philanthropic sector and assess the growing influence of major philanthropic foundations, especially the Gates Foundation, on political discourse and agenda-setting. They should analyze the intended and unintended risks and side-effects of their activities, particularly the fragmentation of global governance, the weakening of representative democracy and its institutions (such as parliaments), the unpredictable and insufficient financing of public goods, the lack of monitoring and accountability mechanisms, and the prevailing practice of applying the business logic to the provision of public goods. In light of these problems, CSOs engaged in joint initiatives with corporate philanthropy should carefully evaluate the impact and side-effects of these initiatives and potentially reconsider their engagement. ❒

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