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Developing countries highlight DDA issues, development dimension at WTO

In the wake of the Nairobi Ministerial Conference which left question marks over the future direction of WTO negotiations, many developing countries have called for the outstanding issues under the Doha Development Agenda to be given priority, with the development dimension at the centre. They put forward these views on 10 February at the first meeting of the full WTO membership since the conclusion of the Nairobi conference.

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Address DDA issues, development and SDT are key, say South

Amid continued uncertainty following the Nairobi ministerial meeting over what subjects are to be taken up in the WTO and how, many developing countries have stressed the need to prioritize the outstanding Doha Development Agenda issues while keeping the centrality of the development dimension as well as special and differential treatment.

by Kanaga Raja

GENEVA: The first meeting of all members of the World Trade Organization (WTO) to discuss the work going forward following the adoption of the "Nairobi Package" at the WTO's 10th Ministerial Conference (MC10) last December heard a number of developing countries calling for the remaining Doha Development Agenda (DDA) issues to be addressed as a priority and saying that the development dimension and special and differential treatment (SDT) are key in moving forward.

In their various interventions at an informal heads-of-delegation (HOD) meeting on 10 February highlighting their priorities for the post-Nairobi work, developing countries also said that the flexibilities that have been inscribed in the WTO texts over the past 14 years must be preserved.

Some developing countries also voiced disappointment with the negotiating process in Nairobi, saying that having five countries making decisions and the broader membership being presented (with less than one-and-a-half hours to digest the draft and decide) with what was more or less a take-it-or-leave-it text, was not acceptable.

They called for a more effective, accountable, transparent and inclusive process in Geneva. Some also called for a period of reflection.

Working together

According to trade officials, in his remarks at the informal HOD meeting, WTO Director-General Roberto Azevedo said that success in Nairobi made it two Ministerial Conferences in a row. He cited paragraph 33 of the Nairobi Ministerial Declaration which says that members should work to advance the negotiations and calls for him to report to the WTO General Council on these efforts.

Nairobi was a success, he said, but there was a need to improve the way of work in Geneva.

He acknowledged that there was too much left undone when members left for Nairobi with too many open issues. This was something that led to a process in Nairobi which was not ideal or even close to ideal.

"We tried very hard to have a process that was transparent and inclusive and this was not as transparent and inclusive as people would have liked. It resulted in something that was either that or nothing," he added.

He said that ministers could not be expected to keep pulling rabbits out of the hat, adding that "we are running out of rabbits".

Azevedo further said that there was a need to be in a much more advanced position for MC11 (to be held in 2017). One of the ways would be to get ambassadors to be prepared to leave their comfort zones and to work more closely with their capitals, and political engagement by ministers throughout the process was something that should be regularized.

The Director-General then went through Parts I and II of the Nairobi Ministerial Declaration, and mentioned in particular pursuing negotiations on the Special Safeguard Mechanism (SSM) and accelerating the search for a permanent solution on public stockholding for food security purposes, as well as continuing work on the dedicated discussions on cotton. All these three actions demanded attention, he told members.

In Part III of the Declaration, he said, there was no agreement on the major elements. But it highlighted the importance of the remaining Doha issues and also introduced the possibility of non-DDA issues. There was no consensus on how to address the DDA and likewise members did not have consensus as yet on what to do with the non-DDA issues.

He said he had spoken to the negotiating group chairs and requested them to begin discussions. It was very important that members begin to have a conversation about all of these things. To move forward, now more than ever, this must be a member-driven process, he said.

"I think members need to acknowledge their differences. The fact is that members don't see eye-to-eye on some issues – and this is not likely to change in the short term. Faced with this situation, the worst thing we could do would be to allow these differences to seize up WTO negotiations – and push activity towards other forums. We can't allow multilateral cooperation to suffer, especially at a time when the world needs our contribution to help improve people's lives and prospects around the world – particularly for the poorest," Azevedo was also quoted as saying in a news item posted on the WTO website.

"In my view, we need to accept the reality of the situation. We need to figure out how to work together – despite members' different perspectives – for the benefit of all. We need to figure out how we can keep delivering for jobs, growth and development – to make as full a contribution as we can."

Members' views on post-Nairobi work

According to trade officials, Switzerland gave a report at the HOD meeting on the ministerial meeting held on the sidelines of the World Economic Forum in Davos in January.

Kenya said that the outcome in Nairobi was a historic one. The effective implementation of the MC10 decisions would make a very important contribution to the Sustainable Development Goals (SDGs). It was now important to get back to the DDA issues as soon as possible, and the momentum generated from the Nairobi process must not be lost.

Zimbabwe voiced disappointment about the negotiating process, with too much being left to the last minute. This created an atmosphere that was difficult as many developing countries could not participate in the final process and they were presented with a take-it-or-leave-it text. While the need to have consultations in different formats was obvious in an organization with 162 members, there needed to be a much more accountable, transparent and inclusive process.

On going forward, Zimbabwe said it was very appreciative of the outcomes that came out of Nairobi, such as the decisions on export competition and those pertaining to the least developed countries (LDCs). It was glad as well that there was special notice of the SSM and public stockholding. But the need now was to focus on getting those issues resolved as well as issues related to the development dimension and on domestic support in agriculture.

While it was open to negotiations on these issues in different ways, it was very important for the principles of development to be central, said Zimbabwe.

Bolivia, in thanking Kenya, said that a great deal of effort had been made to bring about a result in Nairobi. But having five countries making decisions was not something that was acceptable, and the Geneva process needed to be much more effective so that this would not recur.

It was very important that issues pertaining to the DDA received priority and it was not acceptable to consider issues that might in some way limit policy space. No new issues should be considered until the DDA was concluded, said Bolivia.

Guatemala, on behalf of the small and vulnerable economies (SVEs), said it was still assessing the Nairobi outcome. For the SVEs, domestic support and market access in agriculture, services, non-agricultural market access (NAMA) and rules were important.

It wanted the negotiating groups to take up work promptly. There must be a transparent, inclusive and bottom-up member-driven process, with development at the centre. It was also important that the flexibilities that had been written into some of the earlier negotiating texts for the SVEs be preserved.

Lesotho, on behalf of the African Group, said that the elements of the Nairobi Ministerial Declaration were not all clear and there was a need for some time to reflect. Any attempt to run this process on overdrive would not be productive.

The industrial countries needed to recognize that they had had a big say in setting the WTO agenda over the last 20 years, so it was not acceptable for them to not engage on the issues that were out there, said Lesotho.

It also underlined that the flexibilities that had been written into some of the texts as they pertain to African countries and the key principles must not be ignored. The objective of development written into the Ministerial Declaration must be retained.

South Africa voiced agreement with Lesotho, saying it was very glad to see the outcomes on export competition and LDCs. It would still like to see much more done in the other areas, including in areas where agreement was not reached, such as SDT, fisheries subsidies and the idea of getting some affirmation of the DDA.

Tanzania agreed with the Director-General on the need to improve on the Geneva process. There should be a systematic effort made to avoid having final decisions taken in a manner that was not inclusive.

On future work on the DDA, it said there was a need for many exchanges on these issues to determine what was the best way forward.

Pakistan said that Nairobi proved the sceptics wrong and that it was an example of the success of the multilateral trading system. There was a need to maintain this momentum. There was also a need for speedy implementation of the Trade Facilitation Agreement (TFA) and the Nairobi outcomes.

On the way forward, Pakistan said the DDA and non-DDA issues fell into the same stream, and the membership had a great responsibility to ensure the centrality of the WTO.

It said 90% of Pakistan's exports were through micro- and small- or medium-sized enterprises (MSMEs). It looked forward to having a focused discussion on how the issues of importance to MSMEs could be mainstreamed into the work of the WTO.

The best way forward

Bangladesh, on behalf of the LDCs, said that the Nairobi Ministerial Conference was a step in the right direction. The biggest challenge now was to try and determine the best way forward. Implementing the decisions taken at Nairobi would be of great importance.

It liked the way in which the DDA architecture dating back to 2001 was structured, and wanted to see the issues of NAMA, rules and domestic support in agriculture on the table, but it understood that there was no clarity in terms of how the membership could go forward. Equally, there was no clarity on the new issues. It wanted to see all the flexibilities that had been attained over the course of 14 years preserved in whatever system goes forward.

Uganda said that while there were some important gains in Nairobi, there was a great deal of disappointment with the process. There had always been pride in having a process that was member-driven, transparent and inclusive, but that did not happen in Nairobi, it added.

This was something that needed to be addressed in the future. In the future, texts or documents that are only partially completed should not be sent to ministers.

Benin voiced agreement with the African Group and LDC statements, saying that there was a benefit in the Nairobi Ministerial Declaration but there was a need to reflect carefully on the way forward.

On cotton, it said that while it welcomed some of the results obtained on this issue, more needed to be done. SDT was something on which the members did not agree and this must be taken up. The same applied for the issue of fisheries subsidies. There was a need to reflect on the new issues just as on the other approaches.

Not a balanced outcome

Cuba said that five countries working on the text in Nairobi was not acceptable. This needed to be done in a way that was transparent and inclusive. A period of reflection was required and the outcome at MC10 was not a balanced outcome in terms of the way forward with respect to Doha. The same was also true at Bali (MC9 in 2013), and the DDA had not delivered all that the developing countries wanted. Cuba said it was prepared to work with others in terms of how to advance these issues. It did not want the Doha structure built over the course of a decade to be totally dismantled.

Rwanda congratulated Kenya and the Director-General, saying that the leadership shown at Nairobi was extremely important to the outcome there. It considered the Nairobi deliverables to be very important for developing countries, and there was a need to build on these as quickly as possible.

It was important for the process in Geneva to work better than it has, Rwanda said. Before going to MC11 from Geneva, there should be a decision that was agreed or almost agreed.

Russia said it did not have any complaint about how things were done in Nairobi. It understood the enormous difficulties that the Director-General and Amina Mohamed, chair of the conference, faced. Bali and Nairobi proved that deals could be made. There was a need now to build on those outcomes.

Brazil said that the WTO's negotiating function was of paramount importance. It did not deny that there were other modes of negotiating outside the WTO that bring about trade liberalization and investment, but they could not replace the multilateral trading system, especially when it came to agriculture.

For Brazil, what was very important about these agreements was that they be about trade creation and not trade diversion. This was why it wanted very much to have a structured discussion in the WTO about trade agreements like this, whether they were coherent with the multilateral trading system.

The multilateral system had brought about useful results at both Bali and Nairobi, Brazil said. There was a need to work on these to build on the two successful Ministerial Conferences.

Brazil said it wanted to see a very strong commitment to addressing the remaining DDA issues as was highlighted in the Ministerial Declaration, as well as a substance-driven and bottom-up approach. It was time to begin to look for deliverables for MC11.

On new issues, Brazil said it was something that "we should collectively consider". There was a need to make sure that any consideration of these issues, whatever the manner in which it takes place, should not adversely affect the DDA issues.

For Brazil, agricultural market access and domestic support were very important. These should be taken up, as should SPS (sanitary and phytosanitary measures) and TBT (technical barriers to trade) issues. They should be dealt with multilaterally.

Argentina said that it was pleased with the export competition outcome at Nairobi. It was also very glad to see that the importance of the DDA issues was stressed and agreed to by all members. It highlighted the centrality of the development dimension and SDT, adding that these were key in terms of going forward.

Referring to paragraph 34 of the Nairobi Ministerial Declaration pertaining to the ongoing Doha issues, it said that as long as the issues of domestic support, agricultural market access and fisheries subsidies were taken up and used as a means of helping to achieve the SDGs, then under these conditions, it would be happy to discuss different approaches to the DDA.

It was not clear what was the best way to address the DDA issues but these principles needed to be taken into account, said Argentina. "We need to be creative and pragmatic when we consider new approaches."

The US thanked Kenya, saying that there was a significant outcome in Nairobi. It pointed to two areas of substantive deliverables – on LDCs and export competition. What was equally significant was that Nairobi had achieved a big opportunity for all of the members to engage in a new and more constructive conversation, whether it was about old issues or so-called new issues. What was important was not whether they were old or new issues but that there was a new way of discussing them that created opportunity rather than the old way that produced failure.

There was a lack of clarity on the way forward and it was disquieting without familiar fixed posts along the route, the US said, but this uncertainty and dealing with it was part of the process. The US said it preferred a process that lacked clarity but offered promise, to one that had more clarity but promised failure.

Introspection and reflection

India said Nairobi was an important milestone where the negotiating arm delivered to some extent on some longstanding issues like export subsidies.

On the issue of public stockholding, India said it was important to highlight that the ministers in Nairobi reaffirmed the General Council decision of 27 November 2014 and decided that members shall engage constructively to negotiate and make all concerted efforts to agree and adopt a permanent solution in dedicated sessions and an accelerated timeframe in the WTO Committee on Agriculture in Special Session (CoA-SS). Similarly, the ministers decided to pursue negotiations on an SSM for developing countries in dedicated sessions of the CoA-SS. India said it looked forward to active constructive engagement on both these mandates in 2016.

On the way forward post-Nairobi, from India's perspective, the intent and purport of many of the paragraphs in the Ministerial Declaration were not entirely clear. This would require more intensive reflection, thought and discussion by all members.

It noted that an overwhelming majority of members had reaffirmed their commitment to the DDA. "As we move forward, we must resolve to successfully conclude the negotiations under the framework of the DDA."

It emphasized that moving to new issues without satisfactorily resolving outstanding mandates would not be acceptable. Being constructive and flexible did not imply rushing into narratives that were not entirely clear to many, while issues that had been on the agenda for years remained unresolved.

India noted that paragraph 33 of the

Nairobi Ministerial Declaration mandated that "officials" should work to find ways to advance negotiations. In India's view, these efforts had to be essentially driven by the collective membership of the WTO in a bottom-up approach. In other words, it had to be member-driven. Members needed to bring forth proposals to advance negotiations.

In addition, India agreed with the views expressed by a number of members that "we need to introspect and reflect on the process", both leading up to a Ministerial Conference as well as during the Ministerial. This would be in the interest of preserving the credibility of the negotiating arm of the WTO.

India underlined that while members must immediately engage on the mandate that the ministers in Nairobi had given them in terms of the specific deliverables, "we must also seriously reflect, introspect and discuss the way forward in a manner that is of benefit to the larger membership as a whole, keeping development at the core". It was clear that not only the DDA but also paragraph 32 of the Nairobi Ministerial Declaration reiterated that the future agenda shall maintain development at its centre. This period of reflection must address how the WTO can be more responsive to the needs and aspirations of developing countries, particularly the LDCs, said India.

Meaningful outcomes

The European Union said it was ready and willing to work for more meaningful outcomes. It was important to implement the Nairobi outcomes and to follow up on the transparency and enforceability of key elements. There was also a need to look at the outstanding DDA issues and find the best way of dealing with these questions.

A multilateral environment was a way where solutions could be found, and the TFA and export competition were two decisions that were illustrative of this, it said. Now, "we need to look at other issues including other agriculture issues and see if there is a way that we can move forward on these as well. The SSM and public stockholding issues need to be taken up with priority."

There also needed to be flexibility and new approaches on many of the other issues provided that some key principles were retained, including SDT, the EU said. There should be reflection as well on how other issues of interest could be brought up where multilateral rules were needed. Time should be taken to identify these issues and to scope them. There was a need to consider the best way of putting these issues into a multilateral setting, that there be enough flexibility in the WTO machinery to come up with a multilateral agreement on something new that would apply to everyone. But if this was not something all members wished to take on board, there was flexibility in the WTO that would enable some members to go ahead first, the EU maintained.

There was now a moment of opportunity that should be built on to identify the ways to move forward, the EU said, and these issues should be looked at constructively and creatively without members getting bogged down in sterile political or metaphysical discussion.

Uruguay said that Nairobi was a very important outcome for the WTO and for the country. The agreement eliminating all forms of trade-distorting agricultural export competition was something that Uruguay had sought for 30 years. But there were still many areas in agriculture that needed to be addressed, such as the fact that tariffs on agricultural products were much higher than those for industrial goods.

Japan said that after Nairobi, multilateral trade negotiations had entered a new stage. It said it was open to any way of considering issues, be they old or new. It was keen to see an approach that was pragmatic, creative, transparent and inclusive, and said there should be no repeat of the same old statements that led nowhere. This was not the way to advance negotiations in the WTO.

Indonesia said that 2016 was a window of opportunity and there was a need to go about the work in a constructive manner. While there were those who would like to take up new issues, there were others who believed in the need to focus on the existing Doha issues.

As far as Indonesia was concerned, agriculture was still of crucial importance. If new issues were to be considered, this should be done carefully and should be taken up in the General Council so that there was a transparent approach for all to discuss.

Mexico said that the outcomes were very important but not everything that was needed. It said it was very keen to get much more out of the Doha issues and was prepared to talk about new issues as well. There was a need to move forward in a constructive, transparent and inclusive manner. *(SUNS8179)* ❒

WTO flexibilities for African countries must be preserved

At the 10 February HOD meeting, the African Group of countries called for the flexibilities in favour of African states at the WTO and the existing architecture of the WTO agreements to be maintained.

by Kanaga Raja

GENEVA: The flexibilities in favour of the African countries and the key principles underpinning the architecture of the WTO agreements must be preserved, the African Group of countries at the WTO told the informal heads-of-delegation meeting on 10 February.

In its intervention, the African Group, represented by Lesotho, said that it could not overemphasize the need for a candid discussion on the elements inscribed in the Nairobi Ministerial Declaration.

"Any attempt to run over the declaration in overdrive mode would be a gross miscalculation. More so given that the Nairobi process was largely left to a few members. A reflection is called for on whether we will operate on the basis of the need justifying the means in our engagements."

Lesotho noted that members had skimmed over the real challenges they faced without a thorough discussion. "We may understand the broad contours of members' concerns but we have so far not gone deep enough to further understand the specific challenges or even device means with which we can deal with those challenges."

What was clear though, it said, was that developed members could not have it both ways without making a requisite contribution. These members had maximized the benefits from the WTO for the past 20 years with a multilateral agreement tilted in their favour. "It will be unacceptable therefore for these benefits not to be accounted for in our negotiations."

Concerns by some members seeking to depart from the Doha mandates must be openly discussed, the African Group said.

One clear standpoint of the Group in this context was that the flexibilities in favour of the African countries and the key principles underpinning the architecture of the WTO agreements must be preserved.

It said it would engage in a discussion that took into account the internationally recognized vulnerabilities and levels of development of members. "We know the truth behind the WTO negotiated outcomes and Nairobi was no different. To this end, we must ensure that the design of the MTS [multilateral trading system] is not left in the hands of a few members to model it for the majority of members."

It further emphasized that the architecture of the WTO agreements must be preserved, adding that the Marrakesh Agreement which established the WTO provided for clear distinctions along the lines of countries' levels of development. It was through these distinctions that LDCs and developing African countries would be integrated into the multilateral trading system.

"The Africa Group is therefore of the strong view that the architecture of the subsisting WTO agreements should be preserved."

"While it is important to pursue an avenue that will lead us to a win-win outcome, it is equally important to recognize that we have an outstanding in-built agenda, say in the area of services and agriculture," it said.

"We all know that the Agreement on Agriculture as it stands today falls far … short of being characterized as a truly multilateral agreement both in word and in spirit. This is one area that needs urgent attention."

Lesotho said it was unacceptable to the African Group for progress in the multilateral trading system to be based on the domestic process of a few members who in the final analysis give no meaningful concessions.

"The current phase of the Geneva negotiations should not replicate the structure of negotiations we have seen in times past. The system today is generally anchored on negotiations that are considered successful only if developing countries undertake domestic reforms," it said, citing trade facilitation as one of the recent examples.

"In the final analysis there is no equity and the system turns into one that grants exceptions to the most economically powerful members. Clearly, the next set of steps must ensure equity in the negotiated outcomes."

The African Group said that it would seek well-balanced and properly sequenced negotiations in Geneva. Engagement of capitals should be heightened to ensure coherence in all areas and processes in which member states were involved. A good example of this was the Sustainable Development Goals agenda so critical for the developing world, it added.

Profound disappointment

Meanwhile, in a separate intervention at the HOD meeting, Uganda, a member of the LDC group of countries at the WTO, registered its profound disappointment with the manner in which the negotiations were conducted in Nairobi.

"We always pride ourselves in the fact that this is a member-driven Organization riding on the principles of transparency, inclusiveness and bottom-up approach. In fact, this is the process we had set up in Geneva, prior to Nairobi. However, what transpired in Nairobi left a lot to be desired. Nairobi did not portray our being a member-driven Organization. What happened to Nairobi being a Ministerial Conference?"

Uganda said that while the facilitators on the Nairobi Ministerial Declaration conducted a transparent and inclusive process, Part III of the Declaration, which was not under the facilitators' responsibility, was managed in a very isolationist manner. Uganda recalled that this was the most critical part of the Declaration and yet the vast majority of the membership did not participate in shaping its outcome.

"We were never consulted. Even when we prompted discussion on this issue in the bilaterals, we were greeted with silence. We do not even know who was consulted," it complained.

"This attitude should stop. It cannot become the norm that we all surrender our sovereign right either to the Secretariat or to a handful of handpicked delegations to decide on our behalf. Our ministers were relegated to coffee cup bearers instead of negotiating their trading rights. This Organization is made up of 164 members and we all have a stake in this Organization."

Uganda further recalled that the Treaty of Westphalia of 1648 codified the principle of the sovereign equality of states, and this principle had been carried forward in all conventions and treaties that form the bedrock of international relations. Uganda therefore rejected any artificial and isolationist tendencies not grounded in public international law, engineered to deprive states of their inalienable rights of representation.

It called upon WTO Director-General Roberto Azevedo and all the members to ensure that this cardinal principle was promoted, protected and respected at all times.

Uganda also suggested that the sending of "half-baked documents" to a Ministerial Conference should not be allowed to happen again. Like the practice in other organizations of similar standing, documents submitted to the Ministerial Conference should simply be for adoption. "Nairobi would never have happened in the past."

It noted that the Bali Ministerial Conference (in 2013) was so much different. LDC issues had been closed in Geneva; as for the Trade Facilitation Agreement (TFA), "we could identify landing zones in the draft agreement, all that remained was a political decision."

On the other hand, Nairobi was neither here nor there, Uganda said.

It was of the firm belief that any documentation for submission to a Ministerial Conference should be basically for adoption. In the unlikely event that this was not the case, then the exception should be for a simple question of "yes" or "no". "And all of us must procedurally agree, by consensus, whether to submit such unfinished documents or not."

On the substance, Uganda was of the view that work should start immediately on the remaining issues of the DDA towards its conclusion with development at the centre.

"We should take lessons from the past. We have increasingly come to the conclusion that whenever members choose to be creative in interpretation of text, we end up losing time like we did in the post-Bali phase."

In its reading of paragraphs 30-31 of the Nairobi Ministerial Declaration, the mere expression of divergent views on the DDA does not mean its death. "By way of example, the mere expression of marital discontent in public, by a spouse engaged in, inter alia, extra territorial activity, does not necessarily mean the dissolution of the marriage. It may lead to, but it is not, a divorce."

(Paragraph 30 of the Declaration states: "We recognize that many Members reaffirm the Doha Development Agenda, and the Declarations and Decisions adopted at Doha and at the Ministerial Conferences held since then, and reaffirm their full commitment to conclude the DDA on that basis. Other Members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations. Members have different views on how to address the negotiations. We acknowledge the strong legal structure of this Organization."

(Paragraph 31 states: "Nevertheless, there remains a strong commitment of all Members to advance negotiations on the remaining Doha issues. This includes advancing work in all three pillars of agriculture, namely domestic support, market access and export competition, as well as non-agriculture market access, services, development, TRIPS and rules. Work on all the Ministerial Decisions adopted in Part II of this Declaration will remain an important element of our future agenda.")

Uganda said it was encouraged by the resolve of ministers for members to advance negotiations. "This does not mean rewriting history, whether contemporary or ancient in the context of the WTO. It simply means that we soldier on."

Towards that end, Uganda said that it would like to reaffirm the DDA and its entire architecture.

"We call for the preservation of all flexibilities for LDCs and developing countries as enshrined in DMD [Doha Ministerial Declaration] and all Ministerial Decisions and Declarations adopted thereafter."

It committed itself to working with the other members to find ways to advance the negotiations in line with paragraph 33 of the Nairobi Ministerial Declaration.

(Paragraph 33 states: "Mindful of this situation and given our common resolve to have this meeting in Nairobi, our first Ministerial Conference in Africa, play a pivotal role in efforts to preserve and further strengthen the negotiating function of the WTO, we therefore agree that officials should work to find ways to advance negotiations and request the Director-General to report regularly to the General Council on these efforts.")

On the new issues, Uganda said that paragraph 1(g) of the July 2004 framework is very clear, "which is why we must make haste and conclude the Doha Work Programme so as to afford us ample opportunity to treat any new elements as members may want us to."

[Paragraph 1(g) of the July 2004 framework states: "Trade Facilitation: taking note of the work done on trade facilitation by the Council for Trade in Goods under the mandate in paragraph 27 of the Doha Ministerial Declaration and the work carried out under the auspices of the General Council both prior to the Fifth Ministerial Conference and after its conclusion, the General Council decides by explicit consensus to commence negotiations on the basis of the modalities set out in Annex D to this document.

["Relationship between Trade and Investment, Interaction between Trade and Competition Policy and Transparency in Government Procurement: the Council agrees that these issues, mentioned in the Doha Ministerial Declaration in paragraphs 20-22, 23-25 and 26 respectively, will not form part of the Work Programme set out in that Declaration and therefore no work towards negotiations on any of these issues will take place within the WTO during the Doha Round."]

Uganda urged all members to engage in good faith "to uphold and implement what we have already agreed. We stand on the shoulders of two particular paragraphs [of the Nairobi Ministerial Declaration], namely: para 24 and para 5, especially para 5, where Ministers agreed to strengthen the multilateral trading system so that it provides a strong impetus to INCLUSIVE PROSPERITY and WELFARE for ALL MEMBERS and responds to THE SPECIFIC DEVELOPMENT NEEDS of developing country Members, in particular the LEAST-DEVELOPED COUNTRY MEMBERS".

Divergences

In its intervention at the HOD meeting, South Africa said it was pleased that the first Ministerial Conference held in Africa delivered agreed outcomes in terms of a Nairobi Ministerial Declaration and an agreement on new disciplines on export competition.

"This was testimony to the determination of members to deliver an outcome in Nairobi; nevertheless, while we agreed on these important matters we also need to recognize the divergences amongst members on many other important issues," it said.

"We were not able to agree on an outcome on Special and Differential Treatment, nor were we able to deliver an outcome on fisheries, which are important to a large number of developing country members. Other important divergences include views on the future of the DDA, on how to deal with new approaches and whether and how to consider new issues."

All these issues were left open in the Ministerial Declaration and "our challenge is whether we can find a way to

(continued on page 16)

Don't sign TPP without committing to human rights, says UN expert

The controversial Trans-Pacific Partnership agreement among 12 Pacific Rim economies was signed in Auckland, New Zealand, on 4 February despite substantial opposition by civil society groups in the participating countries. Adding to the concerns surrounding the TPP, a UN human rights expert had, on the eve of the signing, urged against outright endorsement of the "fundamentally flawed" treaty, as *Kanaga Raja* reports below.

GENEVA: The Trans-Pacific Partnership (TPP) is "fundamentally flawed" and should not be signed or ratified unless provision is made to guarantee the regulatory space of states, a United Nations human rights expert declared on 2 February.

The appeal was made by Alfred de Zayas (United States), the Independent Expert on the promotion of a democratic and equitable international order, in a public statement issued on the eve of the gathering of trade ministers from 12 Pacific Rim countries in Auckland, New Zealand, on 4 February to sign the TPP agreement.

The TPP participants are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

In his statement, de Zayas said that trade "is not an end in itself, but must be seen in the context of the international human rights regime, which imposes binding legal obligations on States."

"Trade agreements are not 'stand-alone' legal regimes, but must conform with fundamental principles of international law, including transparency and accountability. They must not delay, circumvent, undermine or make impossible the fulfilment of human rights treaty obligations."

The rights expert said he was concerned that, notwithstanding enormous opposition by civil society worldwide, 12 countries were about to sign an agreement which was the product of secret negotiations without multi-stakeholder democratic consultation.

"Parliaments have a crucial role in ensuring that ex ante and ex post human rights, health and environmental impact assessments are conducted, and that a procedure for withdrawal from the TPP without 'survival clauses' is built into the agreement."

Outdated model

De Zayas recalled that his report to the UN Human Rights Council in 2015 explained the major legal problems with this outdated model of trade agreements. In this context, he called for a new generation of holistic trade agreements for the 21st century which would incorporate human rights and development into their provisions.

He further recalled that in his report to the UN General Assembly in 2015, he had called for the abolition of investor-state dispute settlement (ISDS) arbitrations as "fundamentally imbalanced and unjust, since investors can sue governments whereas governments cannot sue investors before these ad hoc tribunals."

Trade and investment disputes can be settled under the rule of law by recourse to national jurisdictions and/or state-to-state mechanisms, he said. The disturbing experience of the last 30 years of ISDS shows that there has been a serious asymmetry that must not be repeated in any future trade agreement.

"The options are not to sign the TPP as it stands, as civil society demands, or not to ratify it, which is the responsibility of democratically elected parliaments," said de Zayas.

"Should the TPP ever enter into force, its compatibility with international law should be challenged before the International Court of Justice (ICJ)."

Already now, he noted, the ICJ could be called upon to issue an advisory opinion stating that in case of conflict between trade agreements and the UN Charter, including its provisions on state sovereignty, human rights and development, it is the Charter that prevails.

"Although observers worldwide oppose the TPP, because of its undemocratic pedigree, in clear violation of articles 19 and 25 of the International Covenant on Civil and Political Rights, and because of the 'regulatory chill' that it brings with it – corporate lobbies have now brought the TPP to the table."

"If a public referendum were held in all twelve countries concerned, it will be solidly rejected," the rights expert said.

On the eve of the gathering of the trade ministers in Auckland, the Independent Expert called on governments to issue an interpretative declaration on the arrangement reaffirming the parties' human rights treaty obligations and their recent pledges to achieve the Sustainable Development Goals.

[Meanwhile, a post on the International Economic Law and Policy Blog (worldtradelaw.typepad.com/ielpblog/2016/02/canada-must-sign-in-new-zealand-with-other-ministers-according-to-the-government-of-canada-is-this-r.html) has brought out how such trade treaties are poorly drafted, leaving it to 'treaty interpreters' to struggle to make sense of them.

[Such trade accords are negotiated in secret (with only trade offices of countries and corporations privy to their negotiating drafts), and the texts are published only after everything has been finalized and there is no scope for change, and just a little before the dates for signature and acceptance by countries (more or less on a take-it-or-leave-it basis).

[On the eve of the TPP's signature in Auckland, there was apparently a controversy in Canada as to whether Canada (as one of the negotiating parties) should attend and sign at that time along with the others, or whether it could carefully study, decide whether to join or not, and then sign and accept.

[In response to the controversy, in a public letter to Canadians, the country's International Trade Minister, Chrystia Freeland, drew specific attention to the TPP's provisions regarding entry into force, its effects and its "rare language" to argue that "not attending would mean withdrawing from the TPP altogether, even before Canadians have had an opportunity to fully debate its implications."

[In challenging this assumption, the IELP blog post notes that the treaty itself in Chapter 30 on entry into force has not defined "original signatory", but has several provisions about entry-into-force requirements and accession of post-entry members, where if the ordinary meaning implies only those attending the 4 February signing, some absurd conclusions could easily ensue. From this point of view, the post suggests that "original signatory" must mean "original negotiating party"!

[A cynical conclusion to be drawn from this could be that trade treaties, including the Marrakesh Agreement establishing the WTO, have been poorly drafted with the intent to enable trade lawyers, and those judging trade disputes as 'treaty interpreters', to find a rewarding vocation. In the case of the Marrakesh treaty, such poor drafting was noticed and raised at the legal scrutiny stage (after December 1993, when negotiations were concluded at the official level) and before the meeting of ministers in April 1994 for signature.

[But at the legal scrutiny stage, even when raised by some developing countries, such drafting errors or variations in language on the same issues in different annexed agreements were not corrected, lest 'delicate compromises' struck in the negotiations be called into question in renegotiations. Instead, these were left to be ironed out in the WTO's dispute settlement process (keeping, as now, trade lawyers, the WTO secretariat, panellists and the Appellate Body in lucrative employment at public expense). Ironically, that decision at the legal scrutiny stage was at the suggestion of Canada. – *SUNS*] *(SUNS8172)* ❐

Rural economic transformation central to LDCs

Economic transformation of rural areas will be key to sustainable development in the world's least developed countries, says UN agency UNCTAD.

by Kanaga Raja

GENEVA: Given that most of their population live in rural areas, the rural economies in the least developed countries (LDCs) will need to undergo structural transformation in order to reach the United Nations' Sustainable Development Goals (SDGs), the UN Conference on Trade and Development (UNCTAD) has said.

In its latest Policy Brief (No. 46, February 2016), UNCTAD has proposed that the LDCs engage in poverty-oriented structural transformation of rural areas, encompassing the upgrading of agriculture, the diversification of rural economic activities and the strengthening of synergies between both.

According to the Policy Brief, more than ever, rural economic transformation will be central to the development of LDCs as they work towards the Sustainable Development Goals.

"These Goals signal both the need and the opportunity for a new approach to development policies, given the gap between the progress required by 2030 and that of recent decades."

The UNCTAD paper cited several reasons for the need to focus on rural transformation in the LDCs.

First, it said, more than two-thirds of their total population live in rural areas, and this pattern is not expected to change substantially by 2030. Rural population growth will continue to be much faster, and the rural share of the population in LDCs will remain much higher than in other developing countries throughout the achievement period of the SDGs (2015-30).

Second, agriculture plays a crucial role in all LDC economies, accounting for 60% of total employment and 25% of value added. In many of them, it also represents a major source of export revenues.

Third, shortfalls in human development targeted by the SDGs are much greater in rural areas of LDCs. The proportion of people living below the national poverty line in these areas is generally about twice as great as in urban areas. "Typically, rural people in LDCs are 50% more likely than their urban counterparts not to have access to sanitation or to attend secondary school, twice as likely not to have access to electricity or to attend primary school, and more than four times as likely not to have access to clean water."

The UNCTAD paper also pointed to the unsatisfactory performance of the agricultural sector in LDCs.

Agricultural labour productivity in LDCs between 2011 and 2013, it said, was 19% of that in other developing countries and just 1.8% of that in developed countries. "Given the concentration of the labour force in agriculture in LDCs, this broader productivity gap is the major cause of poverty in these countries and of the income divergence between LDCs and these other country groups."

The total food trade deficit of LDCs has widened dramatically, from $2 billion in 1995-97 to $21.8 billion in 2011-13.

In order to overcome the development gaps of LDCs and their rural areas, the UNCTAD paper proposes the poverty-oriented structural transformation of rural areas, whose objectives are:

- Increase the overall level of labour productivity as a basis for a sustained development process;
- Provide productive economic opportunities for the entire workforce;
- Raise the lowest levels of labour productivity to a level that can generate an income that is above the poverty line; and
- Ensure that such increases in productivity are fully translated into higher household incomes.

Need for financing

"Alleviating capital constraints on small farms and rural enterprises is critical to transform the rural economy and achieve the objectives of poverty-oriented structural transformation," it said, noting that access to financial services and credit is at best limited in most rural areas of LDCs, especially beyond the peri-urban areas.

As a result, rural producers and consumers in these countries are forced to rely upon their own savings or informal financing mechanisms, such as money lenders, group savings or upon migrants' remittances.

In many LDCs, lack of access to commercial finance reflects both the underdevelopment of the financial system and a strong risk aversion in the banking sector, which skews assets towards safer investments such as government securities, and away from riskier activities such as lending to small- and medium-sized enterprises and micro-enterprises. "Banks are reluctant to lend to these businesses, largely because of the high risks and limited information about creditworthiness."

According to the Policy Brief, another sector for which financing is sorely needed in LDCs is rural infrastructure, including both soft infrastructure – marketplaces, communications networks, education and health services, financial and payments systems and market information systems – and hard infrastructure – electricity and water supply, storage facilities and roads.

"Yet, the density and quality of infrastructure are crucial to access markets for output and inputs, reduce production and transaction costs, and thus ensure effective supply response."

The implementation of the SDGs will require massive investments in social infrastructure, and public investment will play a major role in expanding and upgrading economic and social infrastructure, the UNCTAD paper stressed.

"Therefore, LDCs and their development partners will need to secure the financing of infrastructure investment," it said, adding that micro-finance has been widely promoted as a means of financing small-scale investment in a context of poverty reduction.

"Nevertheless, it remains unclear under what circumstances micro-finance can be of real benefit to poor people."

According to UNCTAD, micro-credit is characterized by high interest rates and short maturities, while rates of return on investment in rural areas of LDCs are highly uncertain, especially on the innovative investments essential to rural transformation.

Often, such returns are relatively low, UNCTAD said, adding that additional risks can arise from several factors: the possibility of crop failure, affecting agricultural incomes and demand for non-agricultural products; household income losses, for example, caused by ill health; and diversion of funds to maintain a minimum level of consumption due to very low and unpredictable incomes.

"Supply-side constraints on micro-finance result from the high cost of reaching clients in widely dispersed populations and problems in enforcing repayment. High interest rates, short maturities and uncertain returns also limit investments, particularly in innovation."

Given the shortcomings of micro-finance as a solution to the financing shortfalls of rural economic activities, UNCTAD said that alternative policy approaches to alleviating capital constraints on small farms and rural enterprises must be exploited.

A possible approach is to provide conditional interest rate subsidies on micro-credit. For example, where the market rate on micro-credit is 40% per annum, an interest subsidy of 30% could be provided, provided the interest rate to the borrower does not exceed 10%. This could leverage private financing more effectively and greatly increase the uptake of micro-credit, while minimizing its potential negative impacts, said UNCTAD.

According to the Policy Brief, another option would be in-kind micro-grants. It said in remote and isolated areas, economies are often oriented towards subsistence production, so that commercial activity and monetization are limited. In such conditions, micro-credit is unlikely to provide a viable option, even with conditional interest rate subsidies.

Here, there may be a case for in-kind micro-grants of productive inputs: Each household could be offered a choice of locally appropriate agricultural inputs, with advice on their use, or equipment or materials for non-agricultural production, up to a specified value, delivered annually ahead of the planting season.

This would have the combined effect of financing investment in agricultural upgrading, which would otherwise be problematic in a largely de-monetized local economy, providing access to technologies that would otherwise be unavailable and engineering a selective opening of the economy to productive inputs.

Development assistance

UNCTAD said that beyond its potential contribution to financing in-kind micro-grants, official development assistance has an essential role to play in financing rural infrastructure and, more generally, the investments required to achieve the SDGs.

"There is a strong case for increasing the target level of official development assistance from 0.15-0.20% of donor gross national income to 0.35% – half of the overall official development assistance target of 0.7% to which donors are committed under Goal 17 [of the SDGs]."

According to UNCTAD, this would be commensurate with the LDCs' share of the human development deficits addressed by the SDGs, and with the increase in the rate of extension of access to rural infrastructure required to achieve them.

It would lead to an increase in official development assistance to LDCs from $30 billion in 2013 to about $250 billion by 2030, while also allowing a sharp rise in official development assistance to other developing countries, provided the 0.7% commitment is fulfilled.

Development banks can also play an important role in mobilizing resources for productive investment. They can promote investment in activities with high social rates of return and encourage complementary and interdependent investments.

"Many LDCs, however, lack the resources to establish national development banks. In these cases, regional development banks and development banks from other developing countries can play a major role in closing the financing gaps of these countries."

UNCTAD further said that cooperatives, producers' associations and women's networks can help improve access to credit and reduce its cost by acting as intermediaries or guarantors for borrowing by members, or through credit-and-loan arrangements among members.

It noted that the rapid spread of mobile phone coverage in rural areas of most LDCs helps to spread financial inclusion and reduce transaction costs. "Combined with increasing investment opportunities through rural development, this could contribute substantially to increasing the scale of lending opportunities to a level sufficient to attract commercial lenders to rural areas, potentially reducing the cost of micro-credit to a more sustainable level."

Such systems can also enhance business viability by increasing access to market information and facilitate and reduce the cost of remittances from migrants in urban and other rural areas and abroad.

The UNCTAD paper also pointed to the need to overcome gender-based constraints, saying that ensuring equal access to finance for women and men is key to overcoming gender constraints in rural development.

"However, the primary means of doing so is to mainstream gender into core programmes and policies, as schemes that target women exclusively arbitrarily exclude vulnerable men."

Targeted interventions may nonetheless have a role in specific contexts where women are a marginalized social group, and the establishment of publicly backed schemes oriented towards women, though important, is not sufficient.

"Effective targeting of rural women may also require measures such as informal guarantees – for example, group lending and liability and other trust relationships – or collateral and more lenient repayment terms."

UNCTAD also said training in financial literacy and business skills and assistance in preparing viable business projects are an essential precondition to credit-based financing, particularly where education is limited, so as to limit risks to creditors and borrowers and increase returns on investment.

Credit-based schemes should therefore be closely linked with training and/or mentoring, it added, noting that some good practices can be learnt from initiatives such as the micro-finance consumer education programme in Uganda and financial education for young women in Zambia, which have had a positive impact on savings behaviour and financial awareness.

It further said that financing of rural transformation will require better management of collaterals and risks. "While land can be used as collateral, this results in a risk of dispossession, seriously impairing the borrower's ability to emerge from poverty. Warehouses issuing negotiable receipts for crops, which can be used as collateral for short-term finance, could provide a more satisfactory alternative."

In their pursuit of the SDGs, it will be crucial for the LDCs to tackle the financing constraints faced by rural producers and rural infrastructure developers.

UNCTAD said that the policy alternatives that it has proposed should be implemented by LDCs and their development partners, thereby allowing these countries to embark on poverty-oriented structural transformation and achieve the SDGs.

This will be especially challenging, given the circumstances in which they will implement the 2030 Agenda for Sustainable Development. In particular, LDCs will be among those most vulnerable to climate change and will be the least able to recover from climate stresses, which will further raise the challenges of achieving rural structural transformation.

"At the same time, the international context in which the LDC economies evolve will be more conducive to their development if these countries' concerns are adequately addressed by the international trading system," said UNCTAD. *(SUNS8180)* ❐

The widening of the rich-poor gap

Over the following two articles, *Martin Khor* looks at the pressing problem of inequality. In the first of these articles, he writes that the increase in inequality of income and wealth has become a top global issue that must be tackled to avoid economic crisis and political chaos.

Inequality of income and wealth has in recent times moved from being an academic topic to the top levels of the global agenda. Unfortunately, the issue is still in the realm of policy discussions. The needed actions have yet to be taken.

On the ground, however, the rich-poor gap, the excesses of the wealthy and the stagnating or deteriorating position of the middle and lower classes have stirred much controversy and protest, and a shift in political affiliations, seen particularly in the Western countries.

At the recent annual Davos gathering of the World Economic Forum, more media publicity was given to an Oxfam report on inequality than to the views of the global elite inside the Forum's halls.

The richest 62 billionaires own as much wealth as the poorest half of the world's population, according to Oxfam. And this rich-poor gap has been growing. In 2010, 358 of the richest owned the same wealth as the poorest 50%. This number dropped to 80 in 2014 and 62 in 2015.

The wealth of the poorest 50% fell by 41% in 2010-15, while the wealth of the richest 62 people rose by $500 billion to $1.76 trillion.

Such stark inequality has captured the attention of politicians, spiritual leaders, economists and journalists, in the wake of increasing social unrest in many countries.

US President Barack Obama called inequality "the defining challenge of our time." Bernie Sanders, a leading Democratic candidate in the US presidential election process, has highlighted that the top 0.1% of Americans own as much wealth as the bottom 90% and said he would "take on the greed of corporate America and Wall Street and fight to protect the middle class."

Pope Francis stated that "inequality is the root of social evil" and criticized "unfettered markets and trickle-down theories."

Prominent economists have recently highlighted inequality, notably Joseph Stiglitz and Thomas Piketty, who each wrote famous books on the subject. After receiving the Nobel Prize in 2013, another economist, Robert Schiller, warned that "the most important problem today is rising inequality in the US and the world" and added that inequality is unjust and a danger to democracy and social stability.

The Centre for American Progress, a Washington-based think-tank, reported that the average wealth of the top 20% of families rose by 120% from 1983 to 2010, while the middle 20% had a 13% increase and the bottom 20% had an increase in debt over assets (a decrease in net wealth).

A survey found that homeowners in the bottom 5% lost 94% of their wealth between 2007 and 2010.

The prominent journalist Martin Wolf wrote an article in the *Financial Times* in January, "The economic losers are in revolt against the elite," about how those who have not gained from globalization (a large segment of the Western population) are alienated from and angry with the elite.

This has resulted in the rise of right-wing populist politicians (as in France and the US) who are riding on the anti-immigrant wave. Wolf warns that it may be already too late to stop this trend of resentment.

Wolf is right to be concerned about the rise of the right-wing populist politicians, but there is also an opposite trend: public disenchantment with the austerity measures taken by governments in Greece, Spain and elsewhere has resulted in protests and the rise of left-wing anti-austerity movements and parties.

In the US itself, there is resentment of how the conservative political elite have taken measures in recent decades to cut taxes of the wealthy and corporations while reducing welfare programmes that benefit the lower-income groups.

Economic justification

In much of the Western world, there was a post-World War Two consensus that while the market should be promoted to generate jobs and wealth, the government has the crucial role of taxing the well-to-do and redistributing incomes to ensure the welfare of the poor is taken care of through unemployment and social benefits. The government should also intervene and boost its spending during periods of low growth or recession to smoothen out the boom-bust cycle and through boosting demand and employment.

The Reagan-Thatcher revolution broke this consensus. According to the new orthodoxy, taxes on the rich and corporations should be reduced, so that they can generate investments. Welfare benefits should be curtailed or cancelled to prevent abuse by the poor and reduce the government's fiscal burden. And governments should not take part in the economy but leave the markets alone to do the job.

The new orthodoxy was put into effect widely, including in those developing countries that fell into debt crises and had to follow the structural adjustment policies of the International Monetary Fund (IMF) and the World Bank.

However, the global financial crisis of 2007-11 and the ensuing economic slowdown revived the popularity of the Keynesian policies of government intervention.

Many economists and institutions believe that the economic slowdown or recession is due to the lack of aggregate demand. One reason for this is the increase in inequality.

To boost demand, it is important to promote equality. When more income flows to the poor, demand will be boosted because the poor spend more of their income than the rich.

In 2012, the Chair of Obama's Council of Economic Advisers, Alan Krueger, concluded in a report that one effect of the worsening of inequality is that income shifts to the rich, who spend less of each marginal (or extra) dollar, causing consumption and economic growth to slow. The wealthy tend to save nearly 50% of their marginal income, while the rest of the population save roughly 10%, according to Krueger's finding.

Recent studies have shown that wages in many countries have fallen as a share of national income, while the profit share has correspondingly risen, and this increased inequality has been linked to the lack of demand and the slowdown in growth.

There is thus an important economic justification to reduce inequality and increase equality. It is an essential factor in reversing the global economic slowdown. This is in addition to the other reasons – moral, ethical, social and political – why inequality has to be tackled and why more equality has to be promoted. ❐

Martin Khor is Executive Director of the South Centre, an intergovernmental think-tank of developing countries, and former Director of the Third World Network. This article was first published in The Star *(Malaysia) (1 February 2016).*

Tackling inequality, nationally and globally

The growing rich-poor gap is recognized as a major social and political problem, but what measures can be taken nationally and internationally to address this issue?

by Martin Khor

Economic inequality is now identified as one of the biggest challenges of our times.

In February, US presidential candidate Bernie Sanders, a rank outsider just a few months ago, won the Democratic primary in New Hampshire state by a landslide against Hillary Clinton, with a campaign theme of fighting inequality.

How do we tackle the seemingly intractable and growing problem of the rich-poor gap?

One major approach is to identify and act on how the rich have been accumulating their wealth through unwelcome ways such as rent-seeking activities, unhealthy speculation and tax avoidance.

In his latest book, *Rewriting the Rules of the American Economy*, Joseph Stiglitz pinpoints rent-seeking, financialization of the economy, poor communities' lack of economic opportunities, and ineffective regulation and government oversight as some of the causes of inequality, and lays out suggestions to tackle these.

The global financial crisis exposed the finance industry's many blatant excesses. Bankers sold low-grade financial products disguised as top-notch investments to unwitting customers. Leading banks even illegally manipulated the formulation of the sacrosanct international benchmark interest rates such as LIBOR. Banks and funds profit by speculating on the currency markets.

Many in the financial sector have made extreme levels of wealth. An obvious policy measure is to reduce or stop the rent-seeking and speculative activities. However, there has been only little and ineffective action by Western governments.

Another way to tackle inequality is the use of progressive taxation coupled with public investments benefitting the poor and average citizens. However, there has been a recent trend of reducing the taxes of the rich and the companies, while shifting some of the burden to the poor and middle classes (for example, through regressive sales taxes). This trend should be reversed, and the tax incidence for the wealthy increased.

Tackling tax avoidance and capital flight is another measure. According to Oxfam, 30% of Africa's financial wealth is held offshore, resulting in a loss of $14 billion in tax revenue. And tax dodging by multinational companies cost developing countries at least $100 billion a year.

Thus, international cooperation to prevent tax avoidance and using the increased tax revenues for social programmes would be important actions against inequality.

Most developing countries have large rural populations, which face acute problems of unequal land ownership and exploitation by informal moneylenders and middlemen. Pro-poor policies are thus necessary, including land reform with access to land for poor farmers; and fair credit and marketing facilities, which lower the cost of borrowing and increase the share of revenue to rural producers.

Providing jobs and livelihoods for all is an effective strategy to reduce poverty and inequality. Full employment should thus be made a key economic priority. Besides spreading income to the whole population, a full-employment situation will also boost wages as employers fight to obtain labour.

Public sector investment which includes a subsidy element is needed to ensure the poor and middle classes have access to education, health, water, electricity, transport and housing. This should be accompanied by welfare and direct income schemes for the really poor and the vulnerable.

International inequality

While the above are inequality-reducing measures at national level, inequality is also high and growing among countries, and international cooperation is needed to tackle this.

Aid is the favourite and most obvious instrument to offset international inequality. Aid levels are inadequate and should increase; for a start, developed countries should meet their aid obligation of 0.7% of their gross national income. The quality of aid should also be raised.

Many developing countries rely on commodities as their main exports. Ensuring fair and good prices for these is perhaps the most important step to bring about more equality internationally.

For most of the last century and more, poor commodity prices vis-à-vis manufactures have been a major source of income transfer from poor to rich countries. More recently, commodity prices rose and boosted the poor countries' economies. But in the past couple of years, the prices of most commodities have weakened and this has re-emerged as a major source of global inequality.

Many developing countries are also in danger of again falling into an external debt trap, which is a drain on government resources. An international mechanism to deal with sovereign debt restructuring should be set up to provide debtor countries with a more fair and balanced solution to debt crises.

The developed countries have increased their dominance over technology, including through the use of intellectual property rights (IPRs) which earn enormous monopoly revenues mainly for their transnational companies. A reform of the global IPR system, to prevent it from being a rent-seeking instrument (as Stiglitz and several other economists have proposed), would be useful, as would an effective programme for technology transfer to developing countries.

Trade and investment agreements between developed and developing countries should also be reviewed. Some developing countries may perhaps have strong enough economies, but most are too weak vis-à-vis developed countries to obtain net benefits from these agreements. Reforms should ensure that sufficient special treatment is provided to the weaker parties.

Some developed countries used to have trade agreements in which they open their markets for poorer countries but do not expect the latter to reciprocally open their markets. Unfortunately, these are being replaced with agreements in which even the poorest countries are asked to open up, with immense damage to their local firms and farms.

These agreements also typically ask developing countries to open their investment, finance and other services, as well as tighten IPR rules. These are areas where the rich countries' companies dominate and will thus derive more benefits.

While some mature developing countries like South Korea or Singapore may enjoy more equitable results from these agreements, the typical developing country may find itself on the losing end of inequitable outcomes.

Inequality is a hot topic, and how (or even whether) to reduce it is likely to generate even hotter debate.

The above is only a simple listing of issues and measures that may be considered when the discussion moves from inequality to how to tackle it. ❐

This article was first published in The Star *(Malaysia) (15 February 2016).*

TPP – lessons from New Zealand

A recent study on how New Zealand is expected to fare under the TPP fails to give an accurate picture of the agreement's likely impacts, contends *Jomo Kwame Sundaram*.

A new paper on the implications of the Trans-Pacific Partnership (TPP) agreement for New Zealand (NZ) examines key economic issues likely to be impacted by this trade agreement.

It is remarkable how little the TPP brings to the table. NZ's gross domestic product will grow by 47% by 2030 without the TPP, or by 47.9% with the TPP.

Even that small benefit is an exaggeration, as the modelling makes dubious assumptions, and the real benefits will be even smaller. If the full costs are included, net benefits to the NZ economy are doubtful.

The gains from tariff reductions are less than a quarter of the projected benefits according to official NZ government modelling. Although most of the projected benefits result from reducing non-tariff barriers (NTBs), the projections rely on inadequate and dubious information that does not even identify the NTBs that would be reduced by the TPP!

Agriculture

The main beneficiaries in NZ will be agricultural exporters, but modest tariff reductions of 1.3% on average by 2030 are small compared to ongoing commodity price and exchange rate volatility.

Extensive trade barriers to agricultural exports in the Japanese, Canadian and US food markets remain, and will be locked in under the TPP. The agreement has also failed to tackle agricultural subsidies that are a major trade distortion. The TPP has also been used to undermine negotiations in the World Trade Organization, the only forum for removing such trade-distorting subsidies.

The TPP's Sanitary and Phytosanitary Measures limits on labelling may also restrict opportunities for food exporters to build high-quality, differentiated niche market positions.

ISDS

The TPP's investor-state dispute settlement (ISDS) provisions and restrictions on state-owned enterprises will deter future NZ governments from regulations and policies in the public interest, for fear of litigation by corporate interests. The threat, if not actual repercussions, is good enough to 'discipline' governments by causing 'regulatory chill'.

The TPP is very much a charter for incumbent businesses, especially US transnational corporations. Thus, it inadvertently holds back the economic transformation the world needs. The TPP's benefits are likely to be asymmetric as it is more favourable to big US business practices and will deepen the disadvantages of small size and remoteness.

Potential ISDS compensation payments or settlements could far outweigh the limited economic benefits of the TPP. Even when cases are successfully defended, the legal costs will be very high.

Value addition

The TPP can both help and hinder ambitions to add value to raw materials and commodities, and to progress up value chains.

However, it is likely to reinforce NZ's position as a commodity producer and thus hinder progress up the value chain where greater economic prosperity lies.

More analysis based on the actual agreement is required to ascertain the conditions for and likelihood of such progress.

The TPP will limit government's ability to innovate and address national challenges and is likely to worsen rapidly escalating problems such as environmental degradation and climate change.

Furthermore, the TPP is projected to reduce employment and increase income inequality in NZ.

In its analysis, the government has not considered the likely costs, which are probably going to be very significant and may well outweigh economic benefits.

The TPP thus falls well short of being "a trade agreement for the 21st century", as its cheerleaders claim. A more comprehensive, balanced and objective cost-benefit analysis on the basis of the October 2015 deal should be completed before ratifying the TPP. *(IPS)* ❐

Jomo Kwame Sundaram was an Assistant Secretary-General responsible for analysis of economic development in the United Nations system during 2005-15, and received the 2007 Wassily Leontief Prize for Advancing the Frontiers of Economic Thought. The abovementioned report is available at: https://tpplegal.files.wordpress.com/2015/12/ep5-economics.pdf.

(continued from page 8)

move forward together multilaterally," it said.

South Africa further said that there was a need to implement the results of MC10, i.e., new export competition disciplines, as this was important for the credibility of the multilateral trading system.

The Ministerial Declaration gave a particular profile to public stockholding (to be addressed in an accelerated and standalone manner) and to work on SSM (in the context of addressing all outstanding agricultural issues). "Work will need to be initiated on these issues," it said.

The Ministerial Declaration also proposed that priority be given to the remaining negotiating issues including agriculture, NAMA, services, development, TRIPS and rules, noted South Africa.

"Given different perspectives in this, we need a period of careful reflection to build a shared view on how to advance negotiations and on what issues we should do so."

According to South Africa, this period of careful reflection should consider the following elements:

- negotiations need to be relevant to historic and current challenges and policy requirements;
- existing mandates are known and supported by many – these cannot be ignored;
- the need to review, build on and adjust what is already in place;
- in South Africa's view, it was clear that new approaches and issues were as yet undefined, so it was the responsibility of proponents to identify and make proposals on these for members to consider;
- while the single-undertaking principle included possibilities for early harvest, it could not be assumed that an issue-by-issue approach would work for other issues: the Trade Facilitation Agreement and export competition had particular characteristics that may be difficult to replicate in other issues.

On new issues, South Africa said that it was too early to focus on these as unfinished Doha issues were given priority in the Ministerial Declaration. Nevertheless, this work presumed an identification of issues, a preparatory stage to explore parameters and elements, before there is an attempt to obtain agreement to launch negotiations.

South Africa said it remained committed to working constructively with members to find a way forward, particularly on issues central to the developmental mandate that launched these negotiations. *(SUNS8181)* ❐