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What next after Trump threat of WTO exit?

President Donald Trump has once again threatened a US pullout from the WTO, citing unfair treatment by the international trade body. How does this claim stack up, and how would the US fare outside the WTO?

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US has more to lose if Trump pulls it out of WTO

In the wake of the US president's latest threat to take his country out of the WTO, *Chakravarthi Raghavan* suggests that it may be time for the rest of the WTO membership to call the US bluff.

GENEVA: In a speech on 13 August in Pennsylvania, a crucial state for his re-election prospects in 2020, President Donald Trump threatened to pull the United States out of the World Trade Organization (WTO) if conditions are not improved.

Almost from the time he entered the White House, Trump and his US Trade Representative (USTR) and other officials have been making such threats via Twitter and in speeches.

The US has also been blocking consensus for setting in motion processes to fill vacancies on the WTO's Appellate Body (AB), expressing dissatisfaction with the AB's "unfair rulings" against the US and the need for systemic changes, but never putting forth its own proposals for changes in the WTO's Dispute Settlement Understanding.

In testimony to the US Congress, USTR Robert Lighthizer has said on record that the US is blocking the filling up of AB vacancies as this is the only way to get the WTO to change its rules. However, about a year since his testimony, he has refrained from telling Congress in detail about all the specific changes the US wants in the WTO rules.

In his latest remarks in Pennsylvania, Trump claimed unfair treatment by the WTO to the US and that Washington doesn't have to abide by WTO rulings. He was especially critical of the terms granted to China when it acceded to the WTO.

Trump and his White House have been strangers to truth and facts. As the records of the WTO working party on China's accession negotiations (and the minutes of its various meetings) show, the terms of accession were negotiated by the then USTR Charlene Barshefsky with her counterparts and authorities in Beijing, and the WTO membership were asked to more or less accept these without change.

The records and minutes of the working party also clearly show that as each of the conditions for China's accession was presented through the Swiss chairman of the working party, it was taken note of and adopted.

At that time, when delegations friendly to China raised questions, the Chinese vice-minister negotiating the accession in Geneva told them that his political masters in Beijing had given their agreement.

Only on one issue – on disputes relating to China's currency issues –were the terms of the Chinese accession changed, following India's objection to the wording, with the Chinese explaining that their own notes of the negotiations bore out the validity of the Indian objection.

Within the US, the Trump administration could blame the then Clinton administration for the terms of the Chinese accession, but in the context of the WTO and international commitments, it was the US that negotiated the terms and not only agreed to them but also pressured other WTO members to fall in line.

On balance, in the 18 years since China's accession in 2001, the US has benefited much more from the accession and the WTO's multilateral trading system and its rules than China or any other member of the WTO.

Now, the Trump administration appears to be engaged in a "blackmail game", threatening the WTO that while other members should abide by the rules, the US, like the sovereigns of Europe in the Middle Ages, should remain the lawgiver from time to time but does not itself have to abide by the law.

It is time for the WTO membership, other than the US, to call the US bluff and tell it to either be a member committed

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Developing Asia needs a new economic paradigm

In light of inadequate demand and the problems of ecological damage and growing inequality, what developing Asia – and the world economy – require is a Global Green New Deal, contends *Jayati Ghosh.*

The euphoria around emerging markets faded a while ago, but somehow the hope persists that economies in Asia can buck the global trend and grow fast enough to create an alternative growth pole. It is true that the global financial crisis and its aftermath proved that Asian "decoupling" is a myth, and the ongoing trade-cum-technology war instigated by the US against China does not generate much optimism about immediate prospects for China as the dominant economy in the region. But it is a season for grasping at straws.

The basic problem is the inadequacy of effective demand in the global economy, reflecting decades of wage suppression that have left wages falling well short of productivity growth. The lack of demand growth in turn has reduced the incentive to invest in productive assets. So, instead of investing more, big capital competes for the rents that can be sucked out from intellectual property rights and various forms of market manipulation.

Developed countries are not providing net demand stimulus to the global economy, as they run current account surpluses or smaller deficits. Europe is increasingly responsible for global current account surpluses, as Germany forces the rest of the eurozone to become mercantilist in its own image. So where will the required new demand come from for global capitalism? Can developing Asia take up the global demand slack?

Limitations

Unfortunately, that now seems unlikely, unless the economic model that underpins growth strategy in most of the region changes dramatically. The slowing growth in much of the region points to the limits of the existing strategy, and the fragilities that it has generated.

During the global boom, Asian economies focused on exports as the engine of growth, and this worked in their favour as long as the United States drew in more and more net imports (ironically financed by savings from the rest of the world, especially these same Asian countries). China became the hub of a regional production network oriented towards exporting to the Global North, drawing in much of the region (as well as other developing regions) in ever-stronger links that made intermediate trade dominate in intra-Asian trade.

After the global crisis, the strategy changed. As export markets declined or languished, there was little choice but to look for other, regional or domestic markets. All while China served as the survivor and reviver, through its stimulus policies that also expanded exports from the region. But even so, these other Asian markets expanded on the basis of growing debt rather than rising wage incomes. This was both external and domestic debt – especially directed towards retail credit for housing and real estate, and to bank credit to the construction industry.

External debt provides an additional source of vulnerability for developing countries. Total cross-border and foreign currency-denominated debt of Asian developing economies increased from $375 billion at the end of the first quarter of 2007 to $1.394 trillion by the first quarter of 2019. And much more of it is now in the form of bonds held by private non-bank investors. By the last quarter of 2018, the share of total external debt held as securities by non-banks was 58% in Indonesia and 63% in the Philippines. In Thailand it had increased to 22% from 14% six years previously, while for India the increase was from 7% to 21% over the same period. Bond markets are notoriously fickle and can experience large swings on relatively small changes in perception, so developing countries with such exposure can experience problems at much lower levels of debt-to-GDP ratios.

Indeed, the risks inherent in such reliance have been evident as net cross-border capital flows have become more volatile and turned close to negative for many Asian countries. Net outflows from China were significant between early 2014 and mid-2017, though they have since stabilized. But the rest of the Asian region as a whole also shows decreasing net inflows.

Trade troubles

This both reflects and amplifies the problems evident on the trade front. Asian exports had been decelerating well before Mr Trump entered the scene: after the recovery from the global crisis, trade growth declined from 2014 and had only recently recovered. Meanwhile the dependence of the rest of Asia on trade with China remains high, but on less favourable terms. As exports to the North stagnate and decline, China is relying more on developing Asia as a market and China's trade surpluses with the region are increasing.

So China is rebalancing and learning to cope with threats posed by US trade wars – but this need not be good news for the rest of developing Asia. The diversion of trade by the US may benefit some countries (like Vietnam and the Philippines) now, but the net effects of the trade war are still not clear even for them. Deceleration of export earnings and stagnant global markets make it harder to earn foreign exchange and rely on external demand. Levels of "self-insurance" through large foreign exchange reserves are also coming down. Essentially, even if most of developing Asia were no longer to rely on export-led growth, some rejuvenation of global demand is still absolutely essential for a sustained recovery in the region.

Meanwhile, two features of the previous growth are generating growing problems: the ecological damage and growing inequality of assets and incomes. Carbon emissions are being addressed more actively through an emphasis on renewable energy, especially in China. But the impact of climate change is already evident across the region, and mitigation and adaptation measures are inadequate. Atmospheric pollution is now the worst in India but widespread across Asia; water pollution and scarcity have become so marked that water wars may define the future; declining soil quality and disappearing forests and natural habitats point to the over-exploitation of nature. At the same time, increasing inequalities are not just unjust, but are creating unpleasant societies with growing social tensions, as different forms of violence based on social divisions (gender, ethnic group, caste etc.) emerge or become more widespread. These can even spill over into geopolitical insecurity and threats of war.

A feasible alternative strategy would have to address these, as well as the fact that structural transformation is still inadequate in most countries, other than a few successful outliers in East/Southeast Asia. Jobless growth in several countries has been compounded by recent job losses, particularly evident in India, along with persistent and growing informality in labour markets. This generates further negative multiplier effects on economic activity, even as concerns with fiscal discipline prevent countercyclical measures or the required public investments to cope with climate change and environmental concerns.

Global Green New Deal

All this cries out for a 21st-century version of a New Deal and a Marshall Plan, ideally as part of a coordinated Global Green New Deal. The US New Deal, as well as the Marshall Plan, had three crucial aspects: recovery, redistribution and regulation. The plan for recovery relied on massive fiscal stimulus, and was characterized by speed, scale and generosity. Redistribution was achieved through fiscal policies, through employment generation and through regulation of capital, labour and land markets. All of these were crucial in reviving global demand in the mid-20th century – but all of these are missing from the policy agenda today. China's outward reach in the Belt and Road Initiative is positive but inadequate in these respects.

Developing Asia would be a major beneficiary of a Global Green New Deal: a coordinated push with a major role for public investment in "green" infrastructure and activities as well as employment-generating care activities. This will not happen through incentivizing private investment through public-private partnerships and "innovative" financing deals, as currently proposed by the OECD and G20. Instead, enhanced public spending can be financed by enhanced public revenues through greater tax co-operation especially for taxing multinational corporations (including digital companies) based on the unitary principle with formula-based distribution, as proposed by the Independent Commission for the Reform of International Corporate Taxation (ICRICT). There is also a big potential role for central banks and development banks, as the UN Conference on Trade and Development (UNCTAD) is highlighting. Redistribution and regulation have to be essential elements of this alternative but necessary strategy. Even if global agreement is hard to achieve, regional cooperation is essential for this – and may actually be feasible in Asia. ❐

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Facebook and friends threaten to "Libralize" the world

Facebook's proposed digital currency, Libra, can shake up global finance – and not necessarily for the better.

by Anis Chowdhury and Jomo Kwame Sundaram

On 17 June, a Facebook white paper proposed a new global digital currency it plans to launch in the first half of 2020. Libra will be managed by a "not for profit" Swiss-based Facebook-led consortium of "for profit corporations", with Uber, eBay, Lyft, Mastercard and PayPal among its founding members.

The initiative has received mixed reactions. While a few have cautiously welcomed it, most commentators want it stopped or tightly regulated, with one calling it a "totally insane idea".

Even US President Donald Trump has declared he is "not a fan" of cryptocurrencies, which facilitate illegal activity, adding, "If Facebook and other companies want to become a bank, they must seek a new banking charter and become subject to all banking regulations, just like other banks, both national and international."

Trump's comments came a day after US Federal Reserve Chairman Jerome Powell told lawmakers that Libra could not move forward unless it addressed concerns over privacy, money laundering, consumer protection and financial stability.

Meanwhile, the G20 finance ministers agreed that regulation of cryptocurrencies requires globally coordinated efforts involving national, regional and international authorities, spanning different regulatory and geographical borders.

Unlike other cryptocurrencies with no intrinsic value, Libra will be backed by "a basket of bank deposits and short-term government securities". Hence, when anyone buys Libras, the Facebook-led consortium will acquire matching securities in different currencies, reversing this process when Libras are redeemed.

Although securities' prices and exchange rates will become more volatile, it is claimed that Libra will be more stable!

The plan is to become "more decentralized" over time, more resistant to regulation, and, hence, an unregulated "shadow" payment system.

Facebook claims that Libra will be more efficient than all existing payments platforms, which are both fragmented and costly, with highly regulated financial institutions at their core, facing expensive prudential compliance requirements against money laundering and for consumer and privacy protection. By avoiding them, Libra could reduce costs, particularly for cross-border transactions. As Facebook asserts, its user-friendly Libra system can process 1,000 transactions every second, with almost no transaction costs. In early 2019, Facebook had 2.38 billion monthly active users. Libra will allow Facebook users to make financial transactions anywhere almost instantaneously. As Libra becomes popular, the consortium may offer more services, particularly credit.

Thus, Libra can shake up world finance, not just banking systems, but also by circumventing and disrupting central banks and governments.

Compounding risks

Critics have raised privacy, money laundering, consumer protection and financial stability concerns, pointing to Facebook's track record of disregarding privacy, exploiting user data and failing to control its platform. Facebook has already been investigated for massive privacy violations, anti-competitive practices, eroding the free press and fomenting ethnic cleansing, while the "new money" may enable more illicit activities.

According to the Bank for International Settlements, cryptocurrencies issued by big tech companies such as Facebook could quickly dominate global finance, threatening competition and stability.

Matt Stoller, of the Open Markets Institute, has described Libra as being "like a private global International Monetary Fund run by techbros, except it needs reserves so it'll need a giant bailout during a crisis", highlighting four core problems with Libra.

First, ensuring a reliable payments system while preventing illicit financial activities, e.g., money laundering, terrorist financing, tax avoidance and counterfeiting.

Second, preventing conflicts of interest, e.g., involving access to information, business relations or technology.

Third, greater global systemic risk if Libra succeeds. Governments will need to prepare for public bailouts of a private "too big to fail" system due to the systemic threat posed, requiring more liquidity than any single central bank or government can provide.

Fourth, governments' ability to pursue sovereign policymaking will be curbed as Libra and related decision-making will be in private corporate hands, not democratically accountable governments'.

Facebook CEO Mark Zuckerberg once bragged, "In a lot of ways, Facebook is more like a government than a traditional company ... We're really setting policies."

If Libra becomes popular and the consortium offers other financial services, private "for profit" companies would have their own central bank and "fiat currency", undermining central bank and government control over monetary policy. This will effectively privatize monetary policy, with scant regard for the public interest.

Facebook claims the Swiss-based consortium governing Libra will be a "not for profit" foundation. But as Libra becomes popular, people will exchange their national currencies for Libra to transact with. When they hold Libra, the association will earn from investing users' money, and may even issue extra Libra to earn seigniorage, as central banks do with national currencies.

They can also profit handsomely from regulatory arbitrage, e.g., between regulation and no regulation, or even just less regulation.

Even if Libra remains just a payments system, fully backed by fiat currencies in reserve, consortium decisions to buy certain currencies and assets will move bond markets and exchange rates.

Partners' profits from using the financial data of Libra users can grow rapidly if loosely checked and regulated.

First target: developing countries

Facebook's explicit target is 1.7 billion developing-country citizens without banking services, promising to speed up transactions and cut costs for them.

Thus, developing countries' poorer capacities and capabilities make them especially vulnerable to the Libra threat. While they already lose trillions of dollars via illicit fund transfers, Libra will likely accelerate such losses.

Macroeconomic policies in major advanced economies make developing countries' financial sectors vulnerable to shocks and volatility. Their already limited capacity for making independent macroeconomic policies will thus be further constrained.

As with the dollarization temptation, those in countries with weak currencies will be tempted to "Libralize", reducing use of national currencies for accounting and invoicing, further complicating monetary policy and stability.

Such an unregulated, privately owned and directed global payments system issuing its own currency, further diminishing policy space for development, is alarming, especially for developing countries.

But merely suspending the initiative, until all its full ramifications are understood and appropriate regulatory measures are in place, will not address the problems of existing systems that encourage such moves, e.g., governments and central banks have lagged behind technological developments and have been slow in enabling low-cost real-time transactions.

Therefore, policymakers must urgently consider alternatives, e.g., creating publicly owned digital currencies to supplement traditional monetary instruments.

They also need new laws and global treaties to check those issuing global digital currencies and mitigate negative fallouts. *(IPS)* ❐

Anis Chowdhury, Adjunct Professor at Western Sydney University and the University of New South Wales (Australia), held senior United Nations positions in New York and Bangkok. Jomo Kwame Sundaram, a former economics professor, was Assistant Director-General for Economic and Social Development at the UN Food and Agriculture Organization (FAO), and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.

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to abiding by the rules of the system in good faith, or withdraw from the WTO.

A US withdrawal would have a negative effect on international trade of other members, but the US and its enterprises would lose more in terms of trade in goods, services and intellectual property protection. *(SUNS8967)* ❐

Chakravarthi Raghavan's latest publication is The WTO and Its Existential Crisis *(Trade & Development Series No. 43, Third World Network, 2019, http://twn.my/publications_tnd.htm).*

The Bretton Woods institutions and the second crisis of multilateralism

After 75 contentious years supporting expansion of the interests of the Global North with the support of elites from the Global South, the World Bank and the IMF now face a crisis of multilateralism in no small part of their own making, as failed economic policies have resulted in widespread skepticism of the effectiveness and equity of the international order they helped to shape.

by Luke Fletcher

The first crisis of multilateralism

Seventy-five years ago, on 1 July 1944, delegates of 44 nations gathered at an old hotel in the US state of New Hampshire to negotiate the blueprint for a postwar economic order. For the next three weeks, with the war in Europe and Asia still raging, the delegates debated and negotiated whether to endorse plans drawn up by Harry Dexter White, a relatively obscure US Treasury economist, to establish the International Monetary Fund (IMF) and the World Bank.

The previous world order, already rocked by World War I, had not been able to survive the two great disruptions of the 1930s: the Great Depression and the rise of militant fascism. The depression, and the chaos that followed – the departure of key countries from the gold standard, a retreat of countries behind tariff walls and the so-called "beggar-thy-neighbour" policies – saw a reduction in world trade, which further exacerbated the US economic crisis initiated by the 1929 stock market crash. The world was fragmenting into regional economic blocs: not only those led by the Axis powers, Germany and Japan, but even Britain, which established its own sterling currency area.[1] By the time of the 1941 Pearl Harbour attack, the US Treasury Department was already making plans for the new economic world order that it sought to impose on the world, and it would be a resounding endorsement of multilateralism in economic affairs. The chief architect was White.

White's new economic order, based around his IMF, would have three outstanding features. Firstly, it would allow countries to temporarily borrow currencies from each other, in the hope that doing so would prevent competitive currency devaluations. This feature arose from White's conviction that the major cause of the Great Depression was the competitive currency devaluations implemented by raw materials-exporting economies in South America and elsewhere. Secondly, the IMF would discourage the continuation of trade and currency blocs of enemies and allies alike and promote economic multilateralism in trade. Thirdly, it would make the US dollar, along with gold, the de facto international reserve currency. Although the IMF was very much the centrepiece of his proposal, White also recommended an International Bank of Reconstruction and Development (IBRD, or World Bank) to give loans to aid postwar reconstruction and aid development in the so-called "third areas".

The British economist John Maynard Keynes, who also believed that the time had come to end trade and currency blocs and re-establish multilateralism, had developed an alternative proposal at the same time as White. Keynes had developed an International Clearing Union, which, unlike White's creation, was a truly radical proposal because it put as much pressure on creditor nations (like the US) to reduce their balance-of-payments surpluses as it did on debtor countries to reduce their balance-of-payments deficits.

To be sure, Keynes was worried about White's IMF amassing too much power and policy control over debtor countries, one of which was likely to be Britain. But Keynes, and even some American experts, particularly at the Federal Reserve, also feared that neither the Fund nor the Bank would be able to generate enough liquidity to deal with the needs of postwar economic construction.

Nevertheless, at the Bretton Woods Conference itself in July 1944, the US was able to convince enough of its allies (mainly European, Commonwealth and Latin American countries) to sign on to the plan. While many of them would have preferred Keynes's Clearing Union, they had long before determined that it was not in their interests to obstruct an all-powerful America from its preferred solution. A huge public relations campaign in the US saw off challenges from isolationist forces in the US, and the Bretton Woods Agreement was passed by the US Congress in the spring of 1945.[2]

The transformation of the Bank and Fund

White's Fund got started in 1946 and it set about determining the rules by which countries in balance-of-payments difficulties could borrow currencies from other Fund members. Given that so many countries were reliant on goods from the US and Latin America (the "dollar area") to kickstart their reconstruction, everyone wanted dollars. But White's critics had been right. The way the Fund was set up was too limited to get enough dollars to all the countries that needed them. The World Bank could lend only to particular projects and was soon under the control of conservative Wall Street bankers. By 1947, most European countries were facing a balance-of-payments crisis even as the US economy was experiencing record balance-of-payments surpluses.

Yet, instead of using the Fund or the Bank to deliver the much-needed dollars to European countries, the American government chose to step in and buy the surpluses itself, then give them to the Europeans, gratis. This initiative, popularly known as the Marshall Plan, worked a treat: By 1951, the major European economies were back on their feet and were less dependent on US imports.

However, while this rather strange state of affairs had solved one major problem when it came to Europe, it created a serious public relations problem when it came to the emerging "Third World". Latin American nations and an increasing number of now-independent former colonies, especially in Asia, looked at the beneficent handouts that the US had given to its European allies for reconstruction and asked why they could not receive similar gifts for their economic development. The US was not disposed, however, to give grants to this admittedly larger group of nations, except in the case of military handouts to those few allies deemed important in the emerging Cold War against the communist Soviet Union and China.

Through the 1950s, the US made a number of important reforms that would address this tension, and at the same time place the Bretton Woods institutions (BWIs) at the front and centre of the relationship between the industrialized and wealthy Global North and what was seen as the poor, dependent Global South. Firstly, it relaxed the IMF's borrowing rules to encourage countries in balance-of-payments distress to come to it for temporary assistance, while at the same time pioneering a new type of arrangement called Stand-By Agreements (SBAs). These agreements set out the criteria that nations would have to fulfil in order to be eligible to borrow currency from the Fund.

Secondly, it created new bilateral and multilateral facilities with which to disperse loans to Third World countries. Some of these new facilities would become part of the growing World Bank system, such as the International Finance Corporation (IFC), the Bank's private sector investment arm, established in 1956, and the International Development Association (IDA), the Bank's concessional lending arm, established in 1960. In 1957, the US also created the world's first loan-giving economic development agency, the Development Loan Fund, which the Kennedy administration would rechristen the US Agency for International Development (USAID) three years later. Throughout the 1960s, as a second wave of decolonization swept the world bringing independence to dozens of African countries, most members of the rich-country club, the Organization for Economic Cooperation and Development (OECD), developed their own loan-giving aid agencies in imitation of the American example. This era also saw the initiation of the regional development banks, with the founding first of the Inter-American Development Bank (1959), followed by the African Development Bank (1964) and then the Asian Development Bank (1966).[3]

Another big change came in the late 1960s with Robert McNamara's departure from prosecuting the war in Vietnam as US Defense Secretary to become president of the World Bank. McNamara revolutionized the institution, increasing its loan portfolio seven-fold and inaugurating its transition into the self-styled knowledge leader in international development, a position which it continues to enjoy to this day.

By this time, the new aid regime had taken shape; and regardless of whether these new aid programmes were the province of individual countries or overseen by the multilateral development banks (MDBs), the IMF further secured its position in this regime as disciplinary headmaster. All the MDBs and, increasingly, the bilateral aid agencies would insist on a country concluding an SBA with the IMF before loans could be disbursed. The process of conditionality – whereby countries would be required to make reforms to earn these loans in order to access official credits – had by now become well established.[4]

The first debt crisis and the neoliberal era

The BWIs had thus established themselves as the gatekeepers of the relationship between the Global North (the US, Western Europe, Japan and the former settler nations of the British empire) and the Global South (everywhere else): first, on the basis of their undoubted technocratic and administrative skills, and second, on their usefulness to the major powers. They could control access to the disbursement of loans desired by the developing nations, while at the same time imposing policy constraints and conditions on nations that would have often been awkward or uncomfortable for the wealthy nations to insist upon.

The lending itself was buttressed by the emergence of certain intellectual theories now in vogue, such as the modernization theory (particularly W.W. Rostow's stages of growth theory) and the simultaneous emergence of development economics as an academic discipline. Unfortunately, these theories were not able to confront certain realities that undercut their policy logic: for example, industrialized countries which produced the majority of high-end products would always endeavour to make it more profitable to produce these products rather than to sell either the raw materials that went into making them or basic agricultural commodities. A population explosion in the Global South that was partly due to advances in medical science also undercut the capacity of the development project to produce the sort of quick results that the entire theory rested on.[5]

Some countries identified a loophole in the system and stepped up the ladder of development through exploiting it: if they could just establish themselves as an exporter back to the Global North of these high-end industrial products, loans could be repaid and the country could soon modernize and eventually end up in the rich club as an OECD nation. First Korea and Taiwan and then, in more recent years, China followed this path out of the development trap (by more often than not ignoring the advice of the BWIs).[6]

Indeed, the Bank's record of fighting poverty, especially rural poverty, including through the "Green Revolution" which it backed, was largely unsuccessful: its programmes, more often than not, helped mainly wealthy farmers and increased inequality.[7] The World Bank and the IMF also developed a tendency to support authoritarian regimes in the Philippines, Indonesia, Zaire, Brazil, Chile and South Africa, as well as an unfortunate habit of endorsing the accessions of right-wing but US-friendly dictators by offering them big loans as soon as they stepped into power.[8] They facilitated, in collaboration with local elites, the extraction of natural resources and agricultural commodities from resource-rich nations.

As a result, by the early 1970s, most countries were in a virtually constant state of indebtedness, needing a regular injection of new loans in order to repay the principal and the interest of previous borrowings. This debt bubble expanded even further when an excess of liquidity, due partly to Nixon's decoupling of the US dollar from gold, signalled an end to the Bretton Woods monetary order, leading to a frenzy of reckless private lending, especially to Latin American countries.[9]

Despite being complicit in the practices that led to inflation of the bubble, when the bubble burst in 1982, it was the Fund and the Bank that were asked to step in to manage the fallout. This was the era of structural adjustment, where the BWIs became the global proselytizers of the free market philosophy now in vogue in Washington and elsewhere: the liberalization of trade and investment and the privatization of government services became the mantra and a feature of all conditionality agreements. It ushered in the era of neoliberal globalization that would reign supreme for the decades of the 1980s, the 1990s and the 2000s. The entire project received a boost in the years after 1989, when the term "Washington Consensus" was first coined, and when the Soviet empire crumbled, further entrenching the conviction that capitalist globalization was now inevitable.[10]

Nevertheless, the 1980s and early 1990s were the zenith of the two institutions' power and influence. The lost decade of development that followed when structural adjustment failed to lead to wealth and riches, the growing consciousness that the debt problem was a continuing sore for many nations of the Global South, as well as increasing concerns about the social and environmental impact of large development projects favoured by the Bank, saw the cachet of the institutions start to decline. The IMF's ideologically driven role in worsening the impact of the 1997 Asian financial crisis made it a further target of critique. Social movements in the Global North and the South protested in the streets, winning some institutional reforms to the Bank's lending practices and to their management of the debt crisis in the late 1990s and early 2000s.[11]

The second crisis of multilateralism

The BWIs' hegemonic power to set the terms of the debate about international development was definitely weakened by the early 2000s as a result of challenges to their judgement from authoritative policy and academic experts and the power of social movements.[12] But the BWIs' power has always, ultimately, come from the support given to them by their most powerful nation-state members. And this institutional support did not really waver during this period.

Nevertheless, the rise of China and the continued fallout from the 2008 global financial crisis have ushered in a second crisis of multilateralism. President Trump's recent tariff war with China, whatever the real motivations behind it, has further weakened one of the fundamental tenets of multilateralism. However, the potential impact of China's rise on the BWIs is complicated. Although success of the Chinese model and the power of China as a global player in development, most clearly demonstrated by the establishment of the Asian Infrastructure and Investment Bank (AIIB), might be interpreted as a challenge to the hegemony of the BWIs, it could also be argued that there is more that unites the two models than separates them. China may decide that its interests lie in working through them rather than against them.

The consequences of the global financial crisis have probably been more profound: years of stagnation and imposed austerity have finally made populations in the US and Europe question whether the elite-led project of neoliberal globalization was really contributing to a more just and peaceful world. More and more people are increasingly conscious that inequality is a problem not only between the Global North and the Global South, but within countries of the North and South as well. The rise of the environmental movement in reaction to the climate crisis has also brought to the fore the contradiction between Bank and Fund policies and the requirements of ecologically sustainable development.

As the BWIs were two of the major champions of the neoliberal project, their brand has been tainted. Even the IMF, the most rigid apologist for free market policies, has started to talk about inequality and capital controls. Nevertheless, the IMF's backing of austerity across Europe through its surveillance function was influential and arguably responsible for unnecessarily deepening the crisis – and its role in the Greek crisis as a member of the infamous "Troika" has further undermined its legitimacy.

In the meantime, the BWIs continue to do pretty much what they have always done. The Bank is still primarily a lending institution, favouring large, capital-intensive, often extractivist development projects with loans that must be repaid. It continues to push a model of development whose success in bringing nations out of poverty has long been in question. The Fund continues to be primarily a crisis manager and gatekeeper of access to finance for countries in balance-of-payments trouble. Its policy 'advice' to wealthy countries is a choice, but the story is very different for poorer countries experiencing a balance-of-payments crisis. A recent analysis of the impact of the Bank's policies in South Africa suggests that it has not learnt a great deal: it is still pushing an agenda favourable to corporations and the wealthier members of the population and has hampered South Africa's attempt to address systemic inequality.[13] Similar 'lessons not learnt' also apply to the Middle East and North Africa region and Argentina, among others.

With the Fund's mixed record on economic management, and the Bank's patchy results addressing poverty and development, one might have hoped by now to see more fundamental change coming out of the organizations. This has not occurred. Constrained by their mandates and their institutional forms, they appear incapable of questioning the basic assumptions of their approach or their purpose. They have nevertheless proved themselves rhetorically and practically adaptable enough to ride out several storms, usually of their own making. Although their influence, along with US hegemony, appears to be in gradual decline, the institutions have shown themselves up till now to have an uncanny ability to survive. It would be a bold observer indeed to predict that their 75th anniversary will be the last major landmark that they reach.

Comparisons between the 1930s and the 2010s are common, because both decades saw a financial crisis at the end of the preceding decade followed by years of sluggish growth and the rise of nationalist and fascist movements. But the current crisis of multilateralism differs from that of the 1930s in a number of ways, not least in that it is much more of a global crisis, where the model(s) of development being adopted have more often than not led to disappointment and frustration.

The tragedy is that there are different policies and models out there that could lead to a new multilateralism, such as those outlined in the Geneva Principles.[14] The question is: do we have the wisdom and the courage to pursue them — and do the World Bank and the Fund have the capacity to admit their failures and to adapt themselves and their philosophy to a new century? ❒

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Food sovereignty is Africa's only solution to climate chaos

To tackle the interconnected food and climate crises it faces, Africa needs to break its ruinous dependence on food imports and support local, agroecologically based production.

by GRAIN

Africa's food forecast over the next decades is troubling. The continent will need more food to cope with a growing population that the United Nations projects will rise from 1.2 billion to 1.7 billion over the next decade.[1] But, as this demand for food surges ahead, the increasing effects of climate change will make food production on the continent more difficult. Estimates are that global warming could cause a 10-20% reduction in Africa's overall food production.[2]

If nothing is done to reverse course, Africa's food imports will soar. The African Development Bank expects that Africa's net food imports will triple between now and 2025, reaching over $110 billion.[3] The United Nations predicts that Africa may only produce just 13% of its food needs by 2050.[4]

African countries are already well aware of how vulnerable this dependence on food imports leaves them. In 2007, a set of weather shocks in Asia set off a cascade of actions that spiked the price of rice on the international market, with ripple effects on other cereals. Africa, which accounts for about a third of global imports of rice and wheat, was hit hard. The rise in prices was too much for millions of Africans to absorb and food riots broke out across the continent, from Ouagadougou to Cairo, Maputo to Abidjan, and Dakar to Nouakchott. In Nairobi, a protest over rising prices for basic foods, called the "Unga Revolution" (Maize Flour Revolution), began in 2008 and lasted until 2011.[5]

Climate change will make such global food price spikes more frequent and will push international prices for basic food commodities upwards. Consider maize, one of the world's most heavily traded agricultural commodities and an important staple food for much of Africa. Until recently, yields of maize were relatively stable in the main maize-producing areas of the world and serious climate-induced yield reductions were rare. But with the warming of the planet, the chances of major crop losses are increasing, as are the chances of simultaneous crop losses in the large maize-exporting areas, such as North America and the Southern Cone of Latin America. Researchers with the US Department of Atmospheric Sciences estimate that the probability for simultaneous major production losses in the large maize-exporting countries in any given year is virtually zero under present-day climate conditions but rises to 7% with 2°C of warming and 86% with 4°C of warming.[6]

If one set of faraway, isolated weather shocks was enough to cause food riots across Africa in 2007-08, imagine what this would look like in the coming decades, if the climate crisis deepens and hundreds of millions more Africans are dependent on imports of basic foods. This is an unfolding crisis of epic proportions that needs immediate action.

The future does not have to look like this. There are complementary actions that can be taken inside and outside of Africa to ensure that Africa has the capacity to feed itself in the years to come. Yes, the climate crisis will make and is already making food production on the continent more challenging and will increase the frequency and severity of weather shocks such as floods and droughts. But the extent of these impacts can be greatly lessened if fast and deep reductions are made to global greenhouse gas emissions in the main polluting countries.

Such reductions will require a profound transformation of the global food system – from a model that favours the industrialized production of cheap commodities that are processed and shipped to Africa and other parts of the world, to a model based on agroecological production and local food systems. In this sense, Africa's farmers, fisherpeople and pastoralists are a leading example for the rest of the world to follow. They are already using agroecological methods to mitigate and build resilience in the face of climate extremes. And they are more than capable of feeding the entire continent, even in the face of the growing climate crises. What they require is access to sufficient and appropriate lands, water, fish stocks and seeds, paired with policies and programmes that support them and can ensure that food gets to where it is needed. It sounds simple but these basic measures towards food sovereignty are precisely what is not being done.

Food self-sufficiency moves back onto the agenda

Africa's dependence on food imports is a recent phenomenon. In the 1980s, under pressure from the former colonial powers and the multilateral lending agencies, African governments abandoned local agriculture and food systems, opened the door to massive imports and aid shipments of cereals and other basic foods, and channelled the remaining state support into exports of a few cash crops (cotton, coffee, cacao, oil palm, rubber etc.). The result was that, between 1980 and 2007, Africa's food production did not keep up with its population growth and its food deficit grew at an average of 3.4% per year. Over that period, Africa went from having a balance of agricultural exports and imports to a $22 billion food deficit.[7]

It is important to recognize that the majority of these food imports are for staple foods, particularly cereals like rice, maize and wheat, and dairy and meat products, meaning that much of Africa is now heavily reliant on food imports (and/or food aid) for its food security.[8] Moreover, by the turn of the century, over a quarter of Africa's population was considered chronically hungry.[9]

African heads of state came together in 2003 in a first effort to try and come to terms with this intolerable situation. They launched a Comprehensive Africa Agriculture Development Programme (CAADP) and committed to investing 10% of their national budgets in agriculture and rural development.[10] But these commitments on paper did not translate (and have still not translated) into much concrete action.[11]

Then came the 2007-08 global food crisis. With their populations rioting in the streets over food prices, African governments once again promised urgent measures to ramp up food supplies and domestic production, with some even promising to bring back the long-lost days of food self-sufficiency.[12]

In the aftermath of this food crisis, several major initiatives to boost national food production were launched in Africa, most of them closely coordinated with foreign donors and multilateral agencies. Some of these initiatives are continental, like the G8's New Alliance for Food Security and Nutrition in Africa or the African Development Bank's Feed Africa Strategy. Others are regional, like the "Rice Offensive" of the Economic Community of West African States (ECOWAS), or national, like the *Grande Offensive agricole pour la nourriture et l'abondance* (GOANA) launched by Senegal's former President Abdoulaye Wade. Certain African governments have also enacted policy measures to curb food imports and support domestic production that were not on the table prior to the crisis, such as food reserves, targeted import duties, quotas, foreign exchange controls and even bans on specific food items.

But, despite the impressive names of these various initiatives, most have fallen far short of their ambitions. There have been some gains in production, but imports of cereals and other basic foods continue to grow in many African countries. Part of the problem is that these initiatives have not done enough to protect local production from the dumping of cheap imports. Most measures were either temporary, open to abuse from large traders and smugglers, or simply too weak and backed up with too few resources to make a difference. Moreover, many African governments have signed on to and/or are negotiating trade agreements that make it much harder to implement food import restrictions and protections for local food producers, including the recently launched African Continental Free Trade Agreement (AfCFTA).[13]

The corporate model falls apart

The other major defect with these post-food crisis initiatives is their focus on big business. Over the past decade, African governments, at the behest of outside donors, have changed laws and regulations, granted tax breaks, handed out lands and money and set up special economic zones with the hope of attracting investment from agribusiness corporations. But, 10 years on, it is clear that this strategy has not worked. The private investment that was promised in return for these policies and handouts, whether in contract farming schemes or plant breeding, has either not materialized or failed badly.[14]

Consider the case of rice. Rice is not a traditional staple crop for most of the continent, but urbanization and cheap imports from Asia and the US have contributed to a galloping rise in consumption across the continent over the past 50 years. Production has failed to keep up with consumption and today Africa imports about half of what it consumes, spending roughly $3.5 billion a year on rice imports.

With the spike in rice prices in 2007-08, Africa's political class had little choice but to take action to reduce the import bill. But any efforts that might favour local production over imports had to run up against the interests of the powerful cartel of transnational trading companies and local business elites that control the lucrative rice trade into Africa. So, rather than take on these forces, many African governments chose instead to enlist them in their strategies to reinvigorate national rice production.

These strategies to lower tariffs for companies investing in local rice production have done little to curb imports and have resulted in a shockingly long list of corporate rice farming projects that have gone bust across Africa in recent years. The projects wasted millions of dollars in public funds and deprived African farmers of lands and water to produce food. They undermined, rather than supported, African government pledges to reduce rice deficits.[15]

Mali is the one country in West Africa that has achieved its rice self-sufficiency targets, but this was done despite the actions of big business. All of the corporate rice farm projects announced in Mali after the 2007-08 food crisis failed.[16] Mali's path to self-sufficiency was achieved only through the political struggle and hard work of its small-scale rice farmers. They seized on the rice crisis of 2007-08 to put in place a national rice platform led by rice farmers, which then pushed the government into taking measures to restrict imports and support farmers in increasing domestic rice production, mainly by ensuring access for small farmers to lands and water and by getting the government to purchase local rice for its national rice reserves. The rice farmers also teamed up with the small-scale millers, merchants, transporters and other actors involved in local rice markets to educate consumers on the benefits of local rice, and they have fought a constant battle to keep the big trading companies from reopening the doors to imports.[17]

Egypt is another rice self-sufficient country in Africa, but with a much longer record. At the time of the rice price crisis in 2007-08, Egypt was actually exporting significant volumes. Much of the country's rice crop is purchased for the national food subsidy programme, which provides discounted staple foods to nearly two-thirds of the country's households. When international food prices spiked in 2007-08, the price of bread shot up because Egypt is one of the world's top importers of wheat, but the government was able to partially offset this hike in the price of bread by blocking rice exports and keeping its population supplied with affordable local rice, despite efforts by the grain traders to keep their export channels open.[18]

What stands out in Egypt and Mali's rice self-sufficiency stories is the marginal role of big agribusiness and food companies. The main actors here are smallholder farmers and, in the case of Mali, a vast web of small traders and retailers, or, in the case of Egypt, a state purchase and distribution system. Both governments also regulated trade, and big business was not able to set the agenda on rice policy.[19] This shows that food self-sufficiency is achieved through government support of local production, not through corporate agribusiness and international trade.

These are simple and low-cost ways that African governments can get behind their food producers and support them in providing high-quality, locally grown food for their populations, without having to depend on foreign donors. Yet most African governments remain entirely focused on supporting agribusiness corporations. Not only do they provide these companies with tax incentives and corporate-friendly regulations and policies, but they are even giving corporations their country's most fertile lands and important water sources.

It is incredible that, in the face of a climate crisis and population boom, African governments have, over the past 10 years, given away over 10 million hectares of fertile lands to foreign companies to produce foods for export. These large-scale land grabs were mostly undertaken without consulting the rural communities that live on the lands and have deprived them of the access they need, now and in the future, to land, forests and water sources to feed their communities and supply local markets.[20]

Corporate seeds are no cure for climate change

When it comes to seeds, African governments have similarly spent the past two decades complying with demands from the big seed companies to make their laws and regulations corporate-friendly, under heavy pressure from the World Bank, foreign governments and major donors like the Bill & Melinda Gates Foundation. The justification was always that such changes would drive private investment into plant breeding on the continent and provide farmers with improved varieties. But this investment is not happening. Instead, the number of formal plant breeders is in decline, even in some of Africa's biggest seed markets, and the vast majority of Africa's plant breeders are still working in the public sector. Moreover, the private sector is almost exclusively focused on plant breeding for big money-making hybrid crops like maize, and is hardly present when it comes to important traditional food crops that are more resilient to climate change like millet.[21] Meanwhile, the legal and regulatory changes that governments have implemented for the seed companies have damaged and even criminalized Africa's dynamic and innovative farmer seed systems, which continue to account for 80% of Africa's seed supply.[22]

Malawi provides a painful lesson of why programmes to boost local food production with corporate seeds do not work. A little over a decade ago, Malawi launched a national programme to distribute subsidized maize seeds and fertilizers to its farmers. Initially the programme focused on varieties bred by national scientists. But soon, after much pressure from the US government and the World Bank, the programme became focused on hybrid maize sold by Monsanto and the Seed Co., a company from Zimbabwe.

The first thing that Monsanto did when entering the country was to buy up the national seed company that had developed open-pollinated and hybrid maize varieties adapted to the local agroecosystems. Monsanto dropped the local varieties from circulation and pushed its own, patented varieties instead, even though some of the local varieties were much more productive than its own. Over the years, Monsanto, together with the companies that import and distribute chemical fertilizers, became the main beneficiaries of the government's seed and fertilizer subsidy programme.

With Monsanto in control, the yields of hybrid maize went down, the soils were depleted, and, during the 2015-16 drought and flooding seasons, the maize crops were almost entirely destroyed. In many places across Malawi, farmers are now moving back to local seed varieties, composting and reintroducing traditional crops that were left behind by the subsidy programmes, such as legumes that build soil fertility and hardy crops like cassava and millet.[23]

A vision for Africa's food systems in an era of climate crisis

Any policy or programme that is going to effectively deal with the twin food and climate crises bearing down on Africa has to focus on the main actors in Africa's food system. Africa's food producers (small farmers, fisherpeople and pastoralists) and local markets still supply 80% of the food that is produced and consumed on the continent.[24] Africa's food supply relies primarily on the knowledge, seeds, animals, soils and local biodiversity that are maintained by Africa's small food producers. And Africa's growing number of urban consumers depend on the small traders and street food vendors to ensure their access to these foods. It is critical to note that the vast majority of these actors in Africa's food systems are women.[25]

Africa's food systems, based largely on agroecological practices and short circuits, are the ultimate in green, low-emission and resilient systems, and they supply diets that are among the healthiest on the planet.[26] Despite a policy environment that is designed to crush them, Africa's food systems are also the continent's economic engine, providing more livelihoods, jobs and revenue than any other sector.[27] Food imports, on the other hand, are a huge revenue drain on Africa's scarce foreign reserves (which, it needs to be said, are generated in large part from the sale of fossil fuels).

Africa's local food systems are what sustains the continent today, and what can sustain it into the future. The climate crisis will increasingly challenge these systems, especially if global greenhouse gas emissions in other parts of the world are not seriously reduced. African food producers will have to continue to adapt their practices and knowledge to cope with a changing and unpredictable climate. Local markets will have to integrate emergency reserves and other measures to ensure people's access to food and livelihoods during extreme weather events like floods and droughts. These are difficult but not insurmountable issues, and already there are many inspiring initiatives being implemented across the continent to prepare for climate change.[28]

It is important to recognize that the climate crisis requires approaches to adaptation that support Africa's food systems and are led by Africa's small-scale food producers, not approaches that rely heavily on chemical inputs and seeds sold by multinational companies, such as those often described as "climate-smart" and promoted by programmes like A Green Revolution for Africa (AGRA).

It is also crucial to recognize that adaptation is a secondary issue. It should not get the outsized attention it receives in governmental circles when climate change and Africa's food systems are on the agenda. The single most important and effective way to protect African food systems from global warming is to cut global greenhouse gas emissions. Given that Africa, as a whole, contributes less than 4% of global emissions, this is obviously something that has to happen outside of the continent.[29] And, because the industrial food system is associated with up to half of all global emissions, and is the leading cause of species collapse, deforestation and habitat destruction worldwide, this reduction has to involve a wholesale transformation of the global food system.[30]

Meaningful climate action in the industrialized countries means an end to the surplus production of the food commodities that are dumped in Africa. Meaningful climate action in Africa means putting an end to the import of these surplus food commodities. The two actions go hand in hand; the solution in the North and the South is food sovereignty.

This is the uncomfortable truth that is always left out of high-level governmental discussions and policy processes. In this year's report by the European Commission's Task Force Rural Africa, for instance, there is plenty of discussion about how to help African farmers to adapt to climate change but no mention of how the exports and greenhouse gas emissions from Europe's food system undermine Africa's food production and its capacity to weather the climate crisis.[31] It is politically more expedient to tell small farmers in Africa what to do ("no slash and burn agriculture", "use 'climate-smart' GMO seeds") than it is to deal with the massive emissions produced by the big food and agribusiness corporations back home.

African governments are unfortunately mostly singing along with this chorus. Instead of resisting, they are facilitating Africa's integration into the supply chains of the global food and agribusiness corporations: keeping their borders open to the dumping of surplus food commodities and ultra-processed foods, handing out fertile lands for industrial plantations of oil palm, sugarcane and animal feed crops, and criminalizing the practices of small vendors and farmers.[32] There are some hopeful exceptions, such as in Burkina Faso where the government recently put in place a decree requiring public institutions, such as school canteens, to procure only locally produced foods.[33] But a much deeper and complete reorientation of public policy by African governments is needed to facilitate and support the necessary transition towards food sovereignty.

As it now stands, the actors in Africa's food systems – the pastoralists and the butchers, the farmers and open-air market vendors, the small-scale fishers and street food hawkers, the farm labourers and women preparing food at home – are going to have to take matters into their own hands. They need to urgently come together, with the support of movements for climate justice, to build and implement a vision for how to respond to the climate crisis and to the interconnected food crisis that Africa faces.

This process is already well underway. Africa's rural social movements have articulated and come together around a number of demands and principles over recent years that can serve as a basis for a vision for Africa's food systems in an era of climate crisis. The Nyéléni Peasant Agroecology Manifesto, for instance, which was adopted by numerous national and regional African peasant and fisherfolk organizations in 2017, provides a clear path towards food sovereignty and climate resilience.[34] The vision is already being put into action by social movements in different parts of Africa, from campaigns to eat-local to struggles against corporate land grabs to fights against the entry of transnational supermarket chains. Such interconnected actions are immediately required to break Africa's dependence on food imports, advance food sovereignty and, in so doing, effectively deal with the climate crisis. ❐

GRAIN is a small international non-profit organization that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems. The above is extracted from a report published on its website grain.org.

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Regulating digital platforms via competition and data-based approaches

Parminder Singh **calls on developing countries to take the lead in establishing the policy framework for a globally fair and just digital economy, one that is not dominated by a handful of corporate tech titans. Such a framework, he proposes, should combine competition regulation with policy that governs access to and use of the all-important digital resource, data.**

Digital technology companies are facing a worldwide backlash as they are seen to be too powerful and not accountable.

The US is home to most of the world's tech or digital companies, and also in general the global capital of libertarian and neoliberal values. But today even the US is witness to a strong anti-digital-corporation sentiment. Not just its government and politicians, but also the CEOs of top digital companies themselves, are seeking regulation of the market and social power of these companies.

For developing countries, this issue takes up a further geopolitical angle, as they fear finding themselves locked at the lower ends of the emerging digital value chains. They would like their domestic digital businesses to have the space and capability to develop and grow, and in time graduate to higher and higher levels of the digital value chains.

What options do developing countries have for achieving these twin objectives of regulating big tech companies, and enabling their domestic digital businesses to develop and grow?

Developing countries have for long been advised, largely by Northern actors, that a laissez faire approach is best in the digital sector. Now even the North seems quite concerned about unchecked and unaccountable digital power. The challenges faced by developing countries may, however, be somewhat unique.

Combine competition and data approaches

The European Union is largely taking a competition-enforcing approach to tech power, and some similar debates are afoot in the US. Initially focused on mergers and acquisitions, (competition policy) discussions have moved to regulating the relationships between platforms and smaller businesses dependent on them, and recently also to exploring breakups and structural separations.

At the same time, European countries like the UK and France, and some developing countries, are coming up with artificial intelligence (AI) strategies. These recognize that command over AI is the new industrial capacity, might and advantage. Such strategies centrally focus on facilitating access to data for domestic businesses, through new data institutions like data infrastructures, data trusts and data markets.

It is prima facie surprising that competition policy measures and AI/data policies in Europe seem to be pursued in silos, when they have considerable commonality of "operational area" and even of objectives. This can partly be explained by institutional separations, as traditional industrial-age agencies confront new digital realities.

While recommending use of tools of competition regulation for taming tech power, a recent paper from the EU competition regulator is also forthright about the limits of such approaches and the need for complementary data policy and regulation-based approaches.

The enormous digital power can be tamed in the public interest only by getting out of industrial-age thinking and institutional approaches. Traditional competition approaches need to seamlessly combine and work with data and AI policies. A single approach aimed at addressing the excesses of digital power is needed. It should proceed from a deep understanding of the data-based nature of such power, even if it outwardly wraps in industrial-age structures of traditional corporations and markets.

Such a holistic digital economy approach is best housed in a specialized digital economy unit. It should have adequate research capacity, developing the necessary new economic frameworks that are adequate to digital realities.

For developing countries, there are the special added issues. The first is of making sure that they do not fall prey to a new wave of digital colonization, and that their businesses are able to move to higher levels in global value chains rather than being further demoted.

Equally, they have to ensure that smaller, traditional economic actors, from MSMEs (micro, small and medium enterprises) and traders to farmers and workers, get fair treatment within the new digital economic ecosystems.

Even if competition policies provide some consumer protection and benefit, and possibly some de-concentration of digital power, by themselves they would not enable domestic digital businesses to develop and flourish.

As data flows into a few digitally powerful countries – basically the US and China – rendering them the hubs of AI, all economic controls will be exercised from there.

Any country's digital industrial strength will basically be its AI or digital intelligence strength. And taking a cue from the earlier mentioned country AI strategies, these are crucially dependent on how a country manages and leverages its data.

(While the term "artificial intelligence" is more popular, it is better to speak of "digital intelligence", which covers all kinds of data-based intelligence – starting right from basic data analytics – that are definitional to digital businesses.)

Need for data ownership policies

European countries still reckon that with their strong manufacturing strength and traditional consumer-facing businesses (like supermarkets), along with superior institutional capacities, they will be able to manage their data towards domestic digital strength just by developing appropriate data sharing/access institutions.

While even for the EU the effectiveness of such a strategy by itself is suspect, both the economic and institutional strength in developing countries are too low for them to develop the required data institutions without some degree of explicit, formal data rights and controls. The latter need to be provided by a specific data rights and ownership policy.

Such a policy would outline primary economic rights – or ownership – of the concerned national community, and various sub-communities, groups and individuals as contextually relevant, to "data about them".

To repeat, without such data rights/ownership policies, it is practically impossible for developing countries to build the kind of AI industrial capacities that AI strategies of Northern countries propose for themselves, based on various new data institutions.

This is the principal justification for such policies and for opposing "global free flow of data" agreements, whose basic aim is to disable such possibilities.

Presented with a new, window-dressed framework for free global data flows at the recent G20 meeting in Osaka, BRICS (Brazil, Russia, India, China and South Africa) and some other developing countries resisted this renewed attempt at divesting developing countries from developing any economic policies on data even in the future.

Developing countries' counter-term was "data for development". This was a good pushback. However, it is time that developing countries worked deeper on concepts like "data for development", implying the national right to preferentially use "their data" for their own development.

What conceptual, policy and legal frameworks does such a right derive from?

It is not so difficult to work in these directions, for instance, taking from the need for mandatory obligations to share data required for public purposes, like commuting data for smart traffic management; the need for developing data infrastructures, or even fair and well-functioning open data markets; and so on.

The kinds of questions to be explored are: to whom should a country's agriculture, transportation, education, health, governance etc data belong, including the aggregate anonymized kind which does not even have any personal data protections?

Larger developing countries like South Africa, India and Indonesia – that coordinated well at Osaka – should get together to shape the needed principles and frameworks. Data is a complex area, but it need not all be figured out and explained at one go. It is much more practical to first develop larger framework principles, both as a basis to keep working together and for representing their position to the outside world at various forums.

Rwanda has a data sovereignty policy. India has employed the terms "community data" and "national data" in its recent draft e-commerce policy. This constitutes recognition of data as a collective economic resource which the concerned community has a right to preferentially employ for its own best benefit. The draft Indian policy also says that enabling legal and technical means will be worked out in this regard. This is a very promising start. However, India is facing considerable pressure from the US to back off from these positions.

It is therefore important that developing countries, especially the larger ones to start with, work together in these respects. Domestic data rights and ownership policies do not at all mean cutting off from global value chains. It is about being able to negotiate better with and within them, and to find an appropriate, potentially improvable place for local businesses and other economic actors in them.

Why developing countries must take the lead

As it has been developed following the "Silicon Valley model", the digital economy is congenitally global. Geo-economic considerations in this regard tend to trump national-level policy ones. This is why the US, otherwise an avid enforcer of competition policies, is reluctant to do so in the digital area.

This is also the reason that, even with nearly no global digital platforms and with further diminishing prospects in the face of China becoming the US's main competitor in this area, the EU still sides with the US on global digital trade proposals.

Developing countries therefore cannot wait for appropriate digital policy frameworks and solutions to emerge in the North which they can then contextually adopt, as happens in many other areas. Developing countries, especially the larger ones, will have to take the lead to develop required policy principles and frameworks for a globally fair and just digital economy.

As mentioned, this will require appropriately combining industrial-age competition regulation with digital-age data and digital intelligence (or AI)-related policy perspectives. Such a combination must be organic, flowing from a deep understanding of the nature of the digital economy. It will be best done under the aegis of a specialized digital economy agency under an appropriate institutional framework.

As discussed, competition-enforcing tools by themselves will not be able to address digital market power. Conversely, data policies too will remain ineffective without appropriate complementary competition measures. For instance, data portability is a key issue in data policies with important economic implications. However, absent strong competitors in any given market segment, it will still beg the question – porting data to whom?

There are increasing demands that bridling the huge power of digital corporations or platforms requires structural separation approaches. India disallows foreign direct investment based e-commerce platforms from selling their own goods in competition with third-party goods. This is called a "marketplace only model". A recent academic paper in the US has also advocated such separation of platforms from the commerce taking place over them.

Such structural separation will go a considerable length towards checking platform power. However, even without their own competing goods and services, platforms would become unacceptably powerful in any sector. This will increasingly be the case as AI dominates economic organization and relationships.

Uber would be too powerful an actor in the urban transportation sector even if it owns no cars and does not compete with independent drivers on its platform. Also, what happens when – as is its ultimate aim – Uber is basically running a network of autonomous cars? These cars will be so fundamentally dependent on Uber-provided digital intelligence that they would for all intents and purposes, if not formally, be Uber-owned.

Similarly, even though, unlike Amazon, Alibaba does not sell its own products, it is extraordinarily, and unacceptably, powerful in the consumer goods value chain wherever it operates.

A case of data-based structural separation

The tightly integrated digital value chains no doubt require structural separation. But this should primarily hit at the integration of data elements of the value chain, as the principal anchors of all digital economy activity and value processes.

It may be best to explore structural separation between data collection points/businesses and data-processing ones which convert the data into digital intelligence. Data collection takes place at both consumer-facing businesses, like retail, and sector-specific product/service developing businesses, like manufacturing. Meanwhile data processing is the forte of tech companies like Google that convert the data into sophisticated digital intelligence or AI. Data-derived digital intelligence is then applied back at consumer-facing as well as product/sector development levels or businesses.

Separation of the two therefore also amounts to structural separation of businesses providing AI or digital intelligence as a service, and those applying such services in specific sectoral contexts and situations.

To illustrate this with an example, Google can develop general transportation-related AI services and provide these services to, say, Ford Motor Company, but cannot compete with the latter to actually provide physical transportation products or services. In turn, Google will require some means to access transportation data that can only be collected at manufacturing and/or actual transportation ends.

Such separation will have interposed, on one side, various structured means of data sharing and access, like data infrastructures, data trusts and data markets. On the other side, there will exist an AI or digital intelligence services market, which will be relatively open and competitive. Various sectoral businesses, whether in production or retail, will buy AI or digital services but maintain their relative independence in an – expected – considerably competitive market for such services.

These are some preliminary points framing the larger principles of a model of data and AI services-based structural separation. These would of course need to be applied in a nuanced and contextual manner.

It would, for instance, not be amiss for retail and manufacturing businesses to process their data for developing AI internally or among their business networks. They may not, however, develop a generic AI-based application that provides services across the sector or generally. Similarly, the AI application providers may be able to themselves collect some kinds of data but not other important kinds.

Constraints of space do not allow further expansion here on this proposed model that combines competition and data approaches for taming mega tech or digital power. It may however be summarily mentioned that such a model aims in particular at enabling developing countries to:

(1) leverage the value of locally collected data, both as a collective resource in the form of data infrastructures – access to which can be conditional – and as private data of businesses in key positions to collect data that then gets monetized through data markets; and

(2) enable domestic businesses to develop increasing data-related capabilities and to make enough profits to be able to structurally change in the direction of graduating up the global digital value chains. *(SUNS8957)* ❐

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