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World economy to grow faster but major risks loom – UN

The global economy is expected to record a slight pickup in growth this year after expanding at its slowest pace for a decade in 2019, a United Nations report forecasts. However, risk factors such as an escalation of trade tensions could yet derail this outlook if they materialize.

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Prospects for 2020 hinge on reducing trade disputes, uncertainty

After experiencing its slowest growth since the global financial crisis, the world economy is projected to rebound modestly this year, according to the UN, but significant downside risks remain, including a potential escalation of trade tensions.

by Kanaga Raja

GENEVA: Prospects for the world economy in 2020 hinge on reducing trade disputes and uncertainty, the United Nations has forecast in a new report.

World economic growth dipped to a 10-year low of 2.3% in 2019 as a result of prolonged trade disputes, according to the *World Economic Situation and Prospects 2020* (WESP 2020). In the report, the UN has forecast a modest acceleration going forward, with average world gross product growth projected at 2.5% in 2020 and 2.7% in 2021.

"The pickup in global activity will likely be driven by somewhat faster growth in developing regions, where several large economies are expected to recover from adverse shocks," it said.

However, the report cautioned that the risks to the baseline forecasts are strongly tilted to the downside. These risks include a further escalation of trade disputes, a sharp decline in investor risk appetite, and an increase in geopolitical tensions.

Financial fragilities, in particular elevated indebtedness, represent a source of risk to financial stability and reduce economies' resilience to shocks, said the report. At the same time, short- and long-term risks associated with the climate crisis are becoming an ever-greater challenge for many countries.

Compounded by deepening political polarization, these difficult near-term headwinds pose a considerable threat to the prospects for achieving the Sustainable Development Goals (SDGs) by 2030, said the report.

"Gloomy" state of global economy

At a media briefing on 15 January, Richard Kozul-Wright, Director of the Division on Globalization and Development Strategies at the UN Conference on Trade and Development (UNCTAD), said that the WESP 2020 report is "pretty gloomy" on the current state of the global economy.

Growth in 2019 was at its lowest rate since the global financial crisis (in 2008-09), with trade growth being hit particularly hard and investment sentiment being very low, he said.

For this year, there is hope of a pick-up but downside risks and vulnerabilities remain very significant. "A lot of the pick-up that we see for this year hinges on the performance of the large emerging economies, many of which have suffered badly for the last couple of years," he said.

In this context, he pointed to Argentina, Mexico, Turkey and Russia, as well as the slowdown in China, which he said is of a slightly different nature. "Needless to say, our projections about the performance of these economies [are] highly conditional," he added.

Underlying this, said Kozul-Wright, is the persistent failure of the advanced economies to turn the recovery from the crisis into a sustained and broad-based economic growth process. And there are few signs in 2020 that the advanced economies are going to be growing much more quickly than they were last year.

Kozul-Wright said there is recognition across the board that fiscal policy needs to play a more active role "if we are going to see a more robust rebound" but there are concerns about how much policy space countries actually have. "At UNCTAD at least, [we] tend to be on the more optimistic side, that there is more room than many people believe to undertake expansionary fiscal measures."

He also said that there are concerns about the effectiveness of monetary policy.

Risk factors

According to the WESP 2020 report, the modest rebound in global growth foreseen for 2020 is contingent on the assumption that current risks will not materialize.

It is assumed, for example, that trade

tensions and tariffs will not further intensify, that Brexit will be concluded with a transparent framework for the future relationship between the United Kingdom and the European Union, that geopolitical frictions will not escalate, and that financial conditions will remain largely favourable.

Even a small deviation from any of these risk factors could deliver a further slowdown in global growth in the outlook period, the UN warned.

The downside risks — and the consequences of their realization — are often interconnected, it noted. For example, a further escalation of trade tensions between the United States and China or the European Union could prompt an increasing number of firms to postpone or cancel near-term investment plans. Not only would this dampen future productivity growth, but the prolongation of uncertainty would eventually spill over to consumer behaviour.

According to the UN report, even a mild downturn could derail prospects for stronger growth in 2020 if rising tensions caused just 1% of investment in developed economies and in East Asia to be postponed, accompanied by a modest slowdown in consumer spending. Such a scenario would bring world gross product growth down to 1.8% in 2020, compared with the 2.5% growth projected in the baseline scenario. World trade growth would slow to 0.6%.

Any single downside risk or a combination thereof could aggravate other risks, potentially derailing the global economy. If the scenario described above were to trigger a "flight to safety" by investors, driving an appreciation of the United States dollar and implicit tightening of monetary conditions in developing countries, trade tensions would become intertwined with the current elevated levels of debt. Many developing countries could face increasing difficulties in meeting debt-servicing obligations, a rise in bankruptcies and tighter credit conditions, said the report.

Global growth slowdown

According to the WESP 2020 report, in 2019, the world economy expanded at its slowest pace since the global financial crisis. The downturn in economic activity has been highly synchronized, with growth trending down in virtually all major economies. Annual growth decelerated in all geographic regions except Africa. About two-thirds of the world's countries are estimated to have seen lower growth in gross domestic product (GDP) in 2019 than in 2018.

The report said that the slowdown in GDP growth across developed and developing regions in 2019 is mainly attributed to weakening trade activity and more subdued domestic investment. In tandem with slowing merchandise trade, world industrial production weakened and the Global Manufacturing Purchasing Managers' Index (PMI) fell to its lowest level since 2012.

By contrast, private consumption held up relatively well for most countries during the year, supported by firm labour markets and modest inflationary pressures. Nevertheless, there are signs that household spending has started to moderate in several large economies, with consumers becoming less optimistic.

Across the developed economies, the growth momentum has slowed considerably since mid-2018, said the report.

In the United States, the pace of expansion is projected to moderate further in 2020, though the recent cuts in the federal funds rate may lend some support to economic activity. Continued policy uncertainty, weak business confidence and slowing job growth are likely to weigh on domestic demand.

In Europe, average growth is expected to remain modest in the outlook period. The manufacturing sector will continue to be adversely affected by international trade tensions, the economic slowdown in China and elevated policy uncertainty, including over Brexit. This will be partially offset by continued solid growth in private consumption on the back of robust labour markets and additional monetary stimulus.

Economic performance in Japan will remain subdued in 2020 as a consumption tax rise, declining real wages and sluggish exports to East Asian economies drag on growth.

Meanwhile, growth prospects across developing and transition economies have been revised downward, said the report.

In several countries, domestic weaknesses such as heightened political uncertainty, financial fragilities and supply disruptions are compounding the difficulties linked to the challenging external environment.

Despite facing significant headwinds, East Asia remains the world's fastest-growing region and the largest contributor to global growth. Going forward, more accommodative monetary and fiscal policies will support domestic demand. The region's average growth is projected to remain stable, even with the continued gradual economic slowdown in China.

In South Asia, economic growth is expected to recover in the outlook period following a weaker-than-expected performance in 2019. In India, economic activity will regain some momentum as the effects of a credit crunch ease and fiscal stimulus measures kick in.

The economy of the Islamic Republic of Iran is projected to further contract as the impact of subdued oil prices is compounded by the United States sanctions and domestic social unrest.

The economic outlook for Africa, Western Asia, Latin America and the Caribbean, and economies in transition is clouded by relatively low commodity prices and protracted weaknesses in some large countries.

While average growth in Africa is projected to pick up during the forecast period, the pace of expansion will remain insufficient to address pressing development challenges, especially in West, Central and Southern Africa. There is a need for further structural reforms to raise potential growth and promote economic diversification in the medium term, said the report.

Western Asia is expected to see a moderate recovery in 2020 on the back of stronger domestic demand. However, subdued oil prices and geopolitical issues will continue to weigh on the region's growth performance.

Latin America and the Caribbean remains mired in a prolonged economic slump amid adverse domestic and global conditions. A slow and uneven recovery is projected in the outlook period, supported by expansionary monetary policy and improved business confidence in several large economies, including Brazil and Mexico. However, the region faces significant downside risks, especially given the limited policy space going forward.

Among the economies in transition, average growth in the Commonwealth of Independent States (CIS) and Georgia is projected to strengthen moderately in the forecast period, driven by increased fiscal spending in the Russian Federation and other energy exporters.

In the least developed countries (LDCs), economic growth is projected to accelerate moderately in the outlook period. After increasing at an average rate of 4.3% over the past five years, aggregate GDP is expected to expand by 5.1% in 2020 and 5.4% in 2021. This acceleration will be driven mainly by stronger domestic demand in many countries, including some large economies (Angola, Ethiopia, Myanmar and Sudan). Angola and Sudan are projected to recover from major downturns experienced in recent years.

Given the importance of domestic drivers of growth, the LDCs as a group have remained largely unaffected by the global slowdown. Still, the economic outlook is not improving across the board; more than a third of these countries are expected to witness slower growth in 2020 in comparison with 2019.

Furthermore, LDCs collectively remain far from achieving "at least 7% gross domestic product growth per annum", as spelled out in target 8.1 of Sustainable Development Goal 8. Only 15% of the countries – Bangladesh, Benin, Cambodia, Ethiopia, Rwanda, Senegal and South Sudan – are growing at about that rate.

The following countries are scheduled to graduate from LDC status in the coming years: Vanuatu in 2020; Angola in 2021; Bhutan in 2023; and Sao Tome and Principe and the Solomon Islands in 2024. This process will further advance the "Africanization" of the LDC group.

According to the WESP 2020 report, although the baseline scenario forecasts a modest acceleration in growth in 2020 in many developing regions, per capita GDP is projected to stagnate or fall in a significant number of countries. Many commodity-dependent countries, in particular oil exporters, are still suffering from the 2014-16 commodity price downturn. Average (population-weighted) growth of GDP per capita for commodity-dependent developing countries has fallen from 2.9% per annum in the period 2010-14 to only 0.5% in 2015-19. Most worryingly, in about one-third of the countries, average real per capita incomes are lower today than in 2014.

A slump in global trade

Protracted trade tensions and slowing economic activity have exacerbated a slump in global trade, said the report. In 2019, growth in the volume of global trade in goods and services decelerated sharply to a post-crisis low of 0.3%, from 3.9% in 2018.

During the year, global trade tensions also became more pervasive, extending beyond China and the United States to involve more countries and product groups. Sources of these tensions included trade uncertainty related to Brexit, complaints against Indian tariffs by several countries, mutual allegations of protectionism between the European Union and the United States, and a trade dispute between the Republic of Korea and Japan.

As trade tensions have escalated, there have been signs of disruptions to global supply chains. Notably, the trade disputes have amplified cyclical headwinds in the electronics and automobile sectors, both of which have extensive cross-country production networks.

High uncertainty surrounding future trade actions has resulted in a deterioration in business confidence, denting investment growth in many countries. These developments have in turn suppressed global demand for capital and intermediate goods, contributing to the slump in international trade activity.

Looking ahead, global trade growth is expected to rebound only modestly to 2.3% in 2020 and 3.2% in 2021. These projections assume that trade uncertainties will persist but not further escalate.

While an easing of the tensions between the United States and China would lead to higher global trade growth than the baseline, the trade effects of Brexit have yet to be fully priced in, said the report. Meanwhile, the trade dispute between the Republic of Korea and Japan could disrupt the highly globalized value chain of semiconductors, affecting all electronics and high-tech industries that require these components. As such, the modest rebound projected for 2020 is subject to high risks.

According to the WESP 2020 report, world merchandise trade registered a mild contraction in the first nine months of 2019 in comparison with the same period the previous year. The sharp downturn in global merchandise trade growth in 2019 was mainly driven by a contraction in import demand from China and the other emerging Asian economies. To a large extent, this reflects the impact of trade tensions on the region's vast cross-border production networks, as well as slowing domestic demand in China.

In the United States, overall import growth slowed considerably, as the increase in tariffs contributed to a double-digit decline in imports from China during the year.

Amid weak business sentiment, slowing capital expenditure as well as disruptions in the automotive industry dampened import demand in the euro area.

Among the other developing regions, the impact of trade tensions on import growth has been exacerbated by country- or region-specific factors.

For the large commodity exporters, including several economies in Africa, Western Asia and Latin America, import growth has remained weak, as subdued commodity prices continue to weigh on domestic investment activity.

In Latin America, the deepening economic crisis in Argentina has resulted in a collapse in import demand amid a sharp contraction in capital spending. An economic slowdown in India and other large economies in South Asia has similarly suppressed demand for merchandise imports.

US-China trade conflict

The trade conflict between the United States and China has had an immediate and direct impact on trade between the two countries, the report underlined.

In the first three quarters of 2019, the value of United States imports from China fell by about 13% in comparison with the first three quarters of 2018.

During the same period, United States exports to China fell at a slightly faster pace, declining by about 16%. The United States goods deficit with China has been shrinking steadily but remains substantial at $263.2 billion for the first three quarters of 2019.

The trade dispute has had varying impacts across sectors in both countries. Exports of mineral products from China to the United States were hit particularly hard during the first three quarters of 2019, declining by 44%, and exports of animal products fell by 27%.

Among the largest declines in United States exports to China, mineral products decreased by 57%, base metals by 35%, and aircraft, railway equipment and ships by 32%. In contrast, the United States saw an increase in exports of vegetable products to China, with the upturn linked to a low base level in 2018 and an easing of the Chinese quota on soybean imports.

Nevertheless, exports of vegetable products from the Unites States to China are still significantly below pre-2018 levels.

The prolonged trade tensions have also led to some trade diversion, said the report. It cited a recent study by UNCTAD economist Alessandro Nicita showing that the United States tariffs on China resulted in trade diversion amounting to an estimated $21 billion in the first half of 2019, with several countries experiencing a surge in exports as firms sought to source inputs from countries not directly affected by the tariffs.

There are also indications that manufacturers are beginning to relocate production from China to other countries, particularly those in East Asia. Mexico, meanwhile, is said to have benefited from a trade diversion effect in the vehicles, auto parts, electronics and machinery sectors.

Nevertheless, said the report, reconfigurations to existing global value chains are likely to take time given the complexity of production processes and uncertainty over the future policy landscape.

Trade risks to growth outlook

While the Phase One trade agreement between China and the United States in December 2019 has provided temporary respite for financial markets, a final resolution to the trade dispute in the outlook period is far from certain. In fact, there is a high risk that trade tensions may continue or even intensify going forward, said the report.

For example, the United States reserves the possibility of raising tariffs on automotive products and parts, which would affect an estimated $350 billion in imports from major trading partners such as the European Union and Japan; if introduced, this would likely trigger retaliatory measures. Other trade tensions that might extend into 2020 include the trade dispute and rising bilateral tariffs between the European Union and the United States, and the trade dispute between Japan and the Republic of Korea.

Increased trade-restrictive measures could spread beyond the involved parties, impacting economies around the world through both direct and indirect channels.

Moreover, the rules-based trading system has come under particular pressure as countries, out of discontent with perceived design flaws in multilateral institutions, increasingly resort to unilateralist strategies to resolve their disputes, said the report.

Prolonged trade tensions could significantly dampen domestic demand growth in all major economies, including China, Europe and the United States, which would directly affect economies with a high final demand exposure to these large markets.

China is presently the main source of final demand for many East Asian exporters, including Malaysia, the Republic of Korea and Thailand. Resource-rich countries with a high exposure to China are similarly at risk, as a slowdown in Chinese demand growth and improved efficiency in production will weigh on Chinese resource imports.

Meanwhile, Costa Rica and Mexico are highly vulnerable to a demand slowdown in the United States, while the Russian Federation and Turkey are more sensitive to changes in European demand.

Slower growth in China and the United States would also weigh on global demand for commodities, significantly impacting commodity-dependent countries.

Some countries, however, would see an increase in exports to the countries engaged in trade disputes thanks to trade diversion effects. Indeed, this is already occurring; Nicita has estimated that about 63% of the bilateral loss in trade between the United States and China in the first half of 2019 was diverted to other countries, with Taiwan, Province of China, Mexico, the European Union and Vietnam enjoying the largest gains.

Worsening trade tensions would hurt countries around the world through several other channels. First, trade tensions affect countries that are deeply integrated into global value chains, as these countries suffer lower demand for intermediate inputs.

Furthermore, the intensification of trade conflicts and the resulting increase in trade policy uncertainty would lead to a prolonged slump in investment activity, dampening future productivity growth and thus damaging growth prospects in the medium and long term.

Finally, the increase in prices of goods as a result of tariffs would lower household purchasing power and consumer welfare, particularly if domestic and imported goods were not easily substitutable.

The prolonged trade dispute between the United States and China reflects the increasing pressure on multilateral cooperation under a rules-based trading system, said the report. Unilateral trade barriers and retaliations, running counter to the spirit and integrity of the rules-based multilateral trading system, pose a significant risk to global economic governance.

Amid increasing unilateralism in global trade policy, the dispute settlement mechanism (DSM) of the WTO, widely regarded as the cornerstone of the rules-based multilateral trading system, has come under pressure.

Since its establishment in 1995, the WTO DSM has received 590 requests for consultations, and it has facilitated the resolution of most of these disputes. The number of dispute cases initiated in 2018 rose to the highest level since 1998.

However, the DSM is at a critical juncture: its Appellate Body faced the risk of paralysis in December 2019 owing to disagreement among WTO members over the selection of new Appellate Body judges and concerns regarding the timeline for completing the Appellate Body review.

In addition, the principle of special and differential treatment for developing countries has increasingly been challenged, as their importance in global trade has grown rapidly. Volatility in international trade and the frequency and severity of trade disputes are expected to increase unless these issues with the multilateral trading system are resolved satisfactorily for all parties, said the report.

Without decisive policy action on multiple fronts, a significant and prolonged downturn in global economic activity is a distinct possibility.

Amid concerns over the unintended effects of overstretched monetary policies, there are growing calls for a more balanced policy mix – one that includes a more active role for fiscal policies in supporting growth.

Policymakers also need to remain focused on advancing structural reforms that strengthen economic resilience and boost long-term development prospects. Key priorities include climate change adaptation strategies, policies to accelerate the energy transition, reforms of labour markets and pension systems, investments in infrastructure and education, and measures to promote economic diversification, said the report. *(SUNS9049)*

Capital controls an effective way to control financial vulnerability

To reduce the financial fragility of developing countries, a UN economic body has advocated the use of capital controls, coupled with supportive measures at international level.

by Kanaga Raja

GENEVA: Capital controls can be effective tools for reducing resource transfer from developing to developed countries, as well as enhancing their financing options for achieving the Sustainable Development Goals (SDGs), the UN Conference on Trade and Development (UNCTAD) has said.

In its latest Policy Brief (No. 76), UNCTAD said increased financial integration has heightened the vulnerability of developing countries to global financial cycles. In response, many have sought to accumulate foreign exchange reserves, usually in the form of short-term United States dollar-denominated bonds, as self-insurance to prevent a sudden reversal of capital inflows or contain the adverse effects of such a reversal. However, such assets bring low returns relative to the costs of servicing the volatile capital inflows that developing countries receive.

UNCTAD argues that capital controls can provide a more effective way to control financial vulnerability, but that supportive measures will be needed at the international level.

According to the Policy Brief, financing the 2030 Agenda for Sustainable Development requires resources to be mobilized from many sources. Private foreign capital is increasingly perceived as having the potential to narrow the resource gap in developing countries. However, capital inflows do not come with a guarantee that opening the capital account and establishing an investor-friendly environment will attract the kind of inflows needed to strengthen a more inclusive and sustainable development path. Large capital inflows may actually diminish financing options for developing countries, said UNCTAD.

The debate on financial integration often juxtaposes the expected advantages and risks of capital flows. However, persistent capital flows also increase the size and alter the composition of the stocks of foreign assets and liabilities.

The income stream associated with such increased stocks of foreign assets and liabilities is typically negative for developing countries, resulting from a mismatch between the return characteristics of their external assets and liabilities, according to UNCTAD.

A large part of the external assets of developing countries consists of relatively low-yield and safe dollar-denominated securities, often accumulated as a form of self-insurance to prevent a sudden reversal of speculative capital inflows or contain the adverse effects of such a reversal.

Meanwhile the external liabilities of developing countries tend to consist of relatively high-yield and risky portfolio instruments and tend to be related to volatile short-term speculative capital inflows that are driven by global financial cycles and determined by the level of interest rates in developed countries, the level of commodity prices and the risk aversion of financial investors.

As a consequence, changes in the valuation of external assets and liabilities, related to changes in asset prices and exchange rates, can adversely affect the external balance sheets of developing countries.

According to UNCTAD, in the period 1995-2018, on average, developing countries earned about 2 percentage points less on their gross external assets and paid about 2 percentage points more on their gross external liabilities than did developed countries, implying a total return differential of about -4 percentage points between developing and developed countries.

Such return differentials between safe external assets held to insure against risky external liabilities create a resource transfer from developing countries which, in the period 2000-18, among the 16 developing countries examined in UNCTAD's *Trade and Development Report 2019*, amounted to roughly $440 billion per year or 2.2% of the combined gross domestic product (GDP) of these countries.

Policy options

According to UNCTAD, there are two broad policy options for reducing the resource transfer from developing countries associated with balance sheet asymmetries.

One option is to reduce the need for developing-country self-insurance in the form of holding low-yield foreign assets. This could be achieved through a reform of the international monetary system, to ensure a predictable and orderly supply of international liquidity and, in particular, of the short-term finance required to compensate for sudden liquidity shortages.

To date, the difficulties experienced in the design and implementation of the various reform proposals – such as creating a world currency, moving towards a system based on special drawing rights or establishing a global network of central bank foreign currency swap arrangements – have done little to dissuade developing countries from pursuing the self-insurance option.

The alternative option is to use capital controls to manage speculative capital inflows and reduce the stock of high-yield external liabilities. The recognition of capital controls as an essential part of the macroeconomic policy toolkit would help to make them comprehensive and long-lasting regulations on cross-border finance, rather than simply temporary and narrowly targeted measures, said UNCTAD. Capital controls can be effective tools for altering the composition of flows to ensure a close match between gross external assets and liabilities, as well as for countercyclical management.

The Policy Brief noted that the International Monetary Fund (IMF) is moving, somewhat cautiously, in this direction. The IMF has acknowledged that capital controls form a legitimate part of the policy toolkit, stating that, in addition to their potential benefits, capital flows carry risks and that full liberalization is not always an appropriate goal.

According to UNCTAD, the IMF recognizes that capital account liberalization should be sequenced, gradual and not the same for all countries at all times, yet the IMF still treats capital account liberalization as a policy goal,

despite the lack of a strong correlation between capital account liberalization and economic growth, in particular in developing countries.

More importantly, developing countries need multiple instruments to integrate effectively into the global economy, without preconditions for their use. Such instruments should combine macroeconomic policies that secure economic growth and sustainable macroeconomic and external conditions with macroprudential measures, comprehensive and lasting capital controls and other regulatory measures that insulate domestic conditions from externally generated destabilizing pressures.

Such insulating measures, including capital controls, need to be country-specific, and determined by the nature and degree of a country's financial openness and by the institutional set-up of its financial system, said UNCTAD.

Many developing countries currently lack the institutional set-up required for the effective monitoring of capital controls, it pointed out. They may also have concerns that the adoption of capital controls might be perceived by international financial markets as a signal that an economy's underlying problems are worse than anticipated.

By contrast, having legislation in place that provides for comprehensive and long-lasting capital controls allows policymakers to act quickly and avoid lengthy debates and procedures, in particular during surges of capital inflows when the build-up of macroeconomic and financial vulnerabilities is greatest and when the political forces against regulation tend to be strongest.

According to UNCTAD, two factors could significantly facilitate the task of policymakers in this regard:

● Gaining the backing of domestic economic agents such as exporters that are more interested in a competitive exchange rate than in access to global finance, as well as members of the general public, who may have a collective memory of the adverse impacts of past boom-and-bust cycles of capital flows in developing countries, whether their own countries or elsewhere.

● Designing capital controls in the context of prudential measures, such as by casting them in the accepted discourse of the new welfare economics of capital controls and the need for macroprudential regulations. This could appease decision makers in global economic governance institutions such as the IMF and the World Trade Organization, as well as international financial markets, thereby alleviating fears, in particular in countries with chronic current account deficits, that controlling capital inflows could impede long-term access to international capital markets.

To enhance the effectiveness of domestic policies, two supportive measures appear to be indispensable at the international level, said UNCTAD.

The ability of policymakers to use capital controls requires keeping capital account management out of the purview of regional and bilateral trade and investment agreements or at least establishing safeguards in such agreements that allow countries the right to regulate capital flows without conflicting with their contractual commitments.

In addition, capital controls would be significantly more effective if capital flows were controlled at both ends. This could be achieved through multilateral endorsements of specific cooperative mechanisms, which would assist in particular recipient countries with limited capabilities to enact capital controls, either due to a lack of institutional capacity or due to legal constraints such as from trade and investment agreements.

Source-country governments may wish to regulate outflows in order to enhance the effectiveness of monetary policy by steering credit towards productive investment in their economies and preventing the leakage of monetary stimulus into financial investments abroad.

The coordination of capital controls might achieve greater stability in capital flows with relatively lower levels of restrictions at both ends rather than stricter controls at one end.

The recognition that such changes could be essential in achieving the SDGs may provide additional motivation for their enactment, said UNCTAD. *(SUNS9052)*

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Rising inequality affects more than 70% of the globe

A new UN report trains the spotlight on increasing inequality and four powerful global forces that have a bearing on the rich-poor gap.

NEW YORK: Inequality is growing for more than 70% of the global population, exacerbating the risks of divisions and hampering economic and social development.

But the rise is far from inevitable and can be tackled at a national and international level, says a flagship study released by the UN on 21 January.

The *World Social Report 2020,* published by the UN Department of Economic and Social Affairs (DESA), shows that income inequality has increased in most developed countries and some middle-income countries – including China, which has the world's fastest-growing economy.

The challenges are underscored by UN chief Antonio Guterres in the foreword, in which he states that the world is confronting "the harsh realities of a deeply unequal global landscape", in which economic woes, inequalities and job insecurity have led to mass protests in both developed and developing countries.

"Income disparities and a lack of opportunities," he writes, "are creating a vicious cycle of inequality, frustration and discontent across generations."

Winners take (almost) all

The study shows that the richest 1% of the population are the big winners in the changing global economy, increasing their share of income between 1990 and 2015, while at the other end of the scale, the bottom 40% earned less than a quarter of income in all countries surveyed.

One of the consequences of inequality within societies, notes the report, is slower economic growth.

In unequal societies, with wide disparities in areas such as healthcare and education, people are more likely to remain trapped in poverty, across several generations.

Between countries, the difference in average incomes is declining, with China and other Asian nations driving growth in the global economy. Nevertheless, there are still stark differences between the richest and poorest countries and regions: the average income in North America, for example, is 16 times higher than that of people in Sub-Saharan Africa.

The report looks at the impact that four powerful global forces, or mega-trends, are having on inequality around the world: technological innovation, climate change, urbanization and international migration.

Whilst technological innovation can support economic growth, offering new possibilities in fields such as healthcare, education, communication and productivity, there is also evidence to show that it can lead to increased wage inequality and displace workers.

Rapid advances in areas such as biology and genetics, as well as robotics and artificial intelligence, are transforming societies at pace. New technology has the potential to eliminate entire categories of jobs but, equally, may generate entirely new jobs and innovations.

For now, however, highly skilled workers are reaping the benefits of the so-called "fourth industrial revolution", whilst low-skilled and middle-skilled workers engaged in routine manual and cognitive tasks are seeing their opportunities shrink.

As the UN's 2020 report on the global economy has shown, the climate crisis is having a negative impact on quality of life, and vulnerable populations are bearing the brunt of environmental degradation and extreme weather events.

Climate change, according to the *World Social Report*, is making the world's poorest countries even poorer, and could reverse progress made in reducing inequality among countries.

If action to tackle the climate crisis progresses as hoped, there will be job losses in carbon-intensive sectors, such as the coal industry, but the "greening" of the global economy could result in overall net employment gains, with the creation of many new jobs worldwide.

For the first time in history, more people live in urban than rural areas, a trend that is expected to continue over the coming years. Although cities drive economic growth, they are more unequal than rural areas, with the extremely wealthy living alongside the very poor. The scale of inequality varies widely from city to city, even within a single country: as they grow and develop, some cities have become more unequal whilst, in others, inequality has declined.

The fourth mega-trend, international migration, is described as both a "powerful symbol of global inequality" and "a force for equality under the right conditions".

Migration within countries, notes the report, tends to increase once countries begin to develop and industrialize, and more inhabitants of middle-income countries than low-income countries migrate abroad.

International migration is seen, generally, as benefiting both migrants, their countries of origin (as money is sent home) and their host countries.

In some cases, where migrants compete for low-skilled work, wages may be pushed down, increasing inequality, but, if they offer skills that are in short supply or take on work that others are not willing to do, they can have a positive effect on unemployment.

Harness the mega-trends for a better world

Despite a clear widening of the gap between the haves and have-nots worldwide, the report points out that this situation can be reversed.

Although the mega-trends have the potential to continue divisions in society, they can also, as the UN Secretary-General says in his foreword, "be harnessed for a more equitable and sustainable world".

Both national governments and international organizations have a role to play in levelling the playing field and creating a fairer world for all.

Reducing inequality should, says the report, play a central role in policymaking. This means ensuring that the potential of new technology is used to reduce poverty and create jobs; that vulnerable people grow more resilient to the effects of climate change; that cities are more inclusive; and that migration takes place in a safe, orderly and regular manner.

Three strategies for making countries

more egalitarian are suggested in the report: the promotion of equal access to opportunities (through, for example, universal access to education); fiscal policies that include measures for social policies, such as unemployment and disability benefits; and legislation that tackles prejudice and discrimination, whilst promoting greater participation of disadvantaged groups.

While action at a national level is crucial, the report declares that "concerted, coordinated and multilateral action" is needed to tackle major challenges affecting inequality within and among countries.

The report's authors conclude that, given the importance of international cooperation, multilateral institutions such as the UN should be strengthened and action to create a fairer world must be urgently accelerated.

The UN's 2030 Agenda for Sustainable Development, which provides the blueprint for a better future for people and the planet, recognizes that major challenges require internationally coordinated solutions, and contains concrete and specific targets to reduce inequality, based on income. *(IPS)*

This story was originally published by UN News.

US spurns draft GC decision and makes AB dysfunctional

In what has been described as "the most severe blow to the multilateral trading system since its establishment", the WTO's Appellate Body has been rendered dysfunctional after the US rejected an attempt supported by other WTO member states to ensure its continued operation.

by D. Ravi Kanth

GENEVA: The United States spurned a revised draft WTO General Council decision for "unblocking" the selection process for filling six vacancies at the Appellate Body (AB), thus ensuring that the highest adjudicating body for trade disputes would be dysfunctional from 10 December.

The revised draft decision was presented for adoption at the General Council meeting on 9 December by Ambassador David Walker of New Zealand, the facilitator who has been tasked with breaking the AB impasse.

Except for the US, the entire membership of the WTO supported the draft decision, which included a package of reforms to improve the functioning of the AB as well as the immediate launching of the selection process for filling the six vacancies at the AB.

In rejecting the facilitator's package, the US ambassador to the WTO Dennis Shea argued that it failed to address the issues raised by Washington about the functioning of the AB.

The US has held the AB hostage for more than two years on intransigent grounds, while refusing to offer any concrete solutions itself for improving the functioning of the body, said several trade envoys who asked not to be quoted.

With the six vacancies thus remaining unfilled, the AB was reduced to just one member from 10 December, below the minimum three members required to hear new appeals.

At a media briefing on 9 December evening, WTO spokesman Keith Rockwell said that Walker's efforts to find a solution to address the US concerns had resulted in a draft General Council decision which was put to the membership with the goal of obtaining consensus. Unfortunately, that consensus was not achieved, Rockwell said, adding that there were quite a number of "disconsolate" interventions at the General Council meeting. "Members are clearly highly concerned about this," he noted.

According to Rockwell, the WTO Director-General Roberto Azevedo said he would now hold "intensive consultations of a political nature."

In remarks posted on the WTO website, Azevedo said: "A well-functioning, impartial and binding dispute settlement system is a core pillar of the WTO system. Rules-based dispute resolution prevents trade conflicts from ending up in escalating tit-for-tat retaliation – which becomes difficult to stop once it starts – or becoming intractable political quagmires.

"Obviously the paralysis of the Appellate Body does not mean that rules-based dispute settlement has stopped at the WTO. Members will continue to resolve WTO disputes through consultations, panels, and other means envisaged in the WTO agreements such as arbitration or good offices of the DG [Director-General] ... but we cannot abandon what must be our priority, namely finding a permanent solution for the Appellate Body."

Chinese ambassador to the WTO Zhang Xiangchen said: "Today's failure makes it happen that the Appellate Body, an important component of effective WTO dispute settlement mechanism, will temporarily go lights out. This is no doubt the most severe blow to the multilateral trading system since its establishment."

"I foresaw this result and therefore chose to wear a black tie today," Zhang said, remarking that the tie "was prepared by my wife for me to attend funerals."

Draft decision

The draft General Council decision had included some comprehensive changes in the rules governing the WTO's Dispute Settlement Understanding (DSU) to address the specific concerns raised by the US about the functioning of the AB.

It emphasized "the central importance of a properly functioning dispute settlement system in the rules-based multilateral trading system, which serves to preserve the rights and obligations of Members under the WTO Agreement and ensures that rules are enforceable."

It contained several amendments to address the US demands on what ought to be "transitional rules for outgoing Appellate Body members", the "90-day rule for completing the AB reports" (including a positive consensus that any party to the dispute can decide whether to go ahead or not), "scope of appeal", "advisory opinions", "precedent", "overreach", and "regular dialogue between the DSB [WTO's Dispute Settlement Body] and the Appellate Body."

The draft decision also called for unblocking the selection process for filling the six AB vacancies.

After Walker had presented the draft decision at the General Council meeting, several countries commended the effort put in by the facilitator.

"At the core of a functioning multilateral trading system is an effective dispute resolution mechanism," said India's WTO ambassador J.S. Deepak, who noted that the two-stage binding dispute settlement system had adjudicated hundreds of cases between WTO members. "Although not perfect, the dispute settlement system has led to meaningful reductions in unfair trade practices and has helped to strengthen the rules-based international trading system."

The US had been one of the bigger users of the dispute settlement system and also a beneficiary of "this public good", he said.

"Unless the membership acts in concert today [9 December] to lift the block on AB vacancies, we are going to lose this public good which has served all of us so well," the Indian envoy said. "This would be a tremendous loss for the majority of WTO members who lack the political and economic clout to enforce their rights and protect their interests in a system governed by power and not rules."

Members had made constructive efforts to address the concerns expressed by the US to break the current impasse, Deepak said.

"With just one day to go before the curtains come down on the Appellate Body, India calls upon all WTO Members to fulfil their treaty obligations under Article 17.1 and 17.2 of the DSU and adopt the draft decision put forth by the facilitator with a view to unblocking the [process for filling up] vacancies urgently in the Appellate Body," urged Deepak.

India, he said, "will join the consensus in adopting the draft decision so that the member blocking appointments also agrees to do so."

"The choice that we make today," he added, "will have lasting implications for the future of the rules-based trading system."

Several other countries such as Indonesia also made a fervent plea for adoption of the draft decision so as to start the selection process for filling the vacancies at the AB, said trade envoys who asked not to be identified.

US rejection

Despite these appeals, the US chose to reject the draft decision, saying that the AB had failed to adhere to the DSU during the past 16 years.

Its ambassador Shea said that "to find an appropriate and effective solution, it is imperative for members to engage in a discussion on how we have come to this point."

Acknowledging that there was "limited progress" made by members on addressing the issues raised by the US during the facilitator's consultations, Shea said however that "some members refuse to acknowledge a problem even exists, and there has been no discussion of why the Appellate Body has departed from its agreed role."

"Moreover, we fail to converge on how to ensure that the limitations imposed by members in the DSU are respected going forward, and what are the consequences for the continued failure to adhere to those limitations," he said.

Shea listed all the issues in the draft decision that he said fell well short of the US expectations for a thorough reform of the AB.

Although "some progress has been made as more and more members are willing to admit the Appellate Body has departed from what members had agreed", it is not enough, the US envoy said. He insisted that members must first address the original sin committed by the AB, said a trade envoy who asked not to be quoted.

The US statement, however, failed to convince members that Washington wants an early resolution to this impasse at the AB, solely created by the US, to ensure that it remains dysfunctional for an indefinite time period, the trade envoy said.

"The US will pocket the changes made by the facilitator in the draft decision for improving the functioning of the AB and will ask members to provide more concessions next year," the envoy suggested.

At the General Council meeting, China's Zhang said "due to the opposition by the United States, the General Council today failed to adopt the draft decision on improving the functioning of the Appellate Body. Nevertheless, I do not want to show even the slightest frustration, since the setback could help us to stay cool, stay reflective, and push us to move forward."

"Unilateralism and protectionism are on the sharp rise," said the Chinese envoy. "It is therefore not surprising that someone attempts to use its might rather than WTO adjudications to change trade policies of other members. What does surprise me is that one member's persistence to go on its own way could finally lead to paralyzing the whole Appellate Body [and] this reveals the fragility of the multilateral trading system."

"What is the Appellate Body worth?" Zhang asked. "Obviously, for those who uphold multilateralism, it is an invaluable asset and for those who prefer the laws of the jungle, it is worthless."

"For the world trade order, the paralysis of the Appellate Body may bring irreparable damages and unintended consequences," Zhang said, cautioning that "the security and predictability we have enjoyed cannot be taken for granted."

Zhang said China would work with other members and the facilitator to restore the AB's functioning sooner or later.

In the absence of the AB, China has signalled, for the first time, that it will use "the arbitration under Article 25 of the DSU, regardless of whether a member is happy or not." Zhang insisted that although arbitration is not the same as appellate review, it could be utilized to preserve the two-tier dispute settlement system before the restoration of the AB. "The essentials of the current system could be preserved in spite of formality differences."

"To preserve the institutional memory is vitally important," the Chinese envoy added. "Regarding Appellate Body members, and experts within the Appellate Body secretariat, from its Director to each and every staff attorney, their knowledge, expertise and experience are of exceptional value which constitute the common treasure of the multilateral trading system."

European Union trade envoy Joao Aguiar Machado said the US had not offered "any single proposal or counter-proposal of its own" even as it rejected the draft decision.

He said "we will have an unprecedented situation in the World Trade Organization, which will no longer be able to deliver binding resolution of trade disputes and will no longer guarantee the right to appeal review".

"The actions of one member will deprive other members of their right to a binding and two-step dispute settlement system even though this right is specifically envisaged in the WTO contract – the actions of one member will have that re-

sult for the rights of all other members," he said.

No ideal alternatives

South Africa's Ambassador Xolelwa Mlumbi-Peter said "any of the options currently available under the DSU are not ideal alternatives to the current system."

She said Article 25, which was foreseen as an alternative for "certain disputes that concern issues clearly defined by both parties", had certain limitations.

"Parties to the dispute must agree on procedures to be followed which may lead to the fragmentation of the dispute settlement system," she said.

"There are therefore no alternatives to the two-stage system as they will limit rights of members to appeal, will subject disputes to power dynamics and are likely to fragment the system," Mlumbi-Peter cautioned.

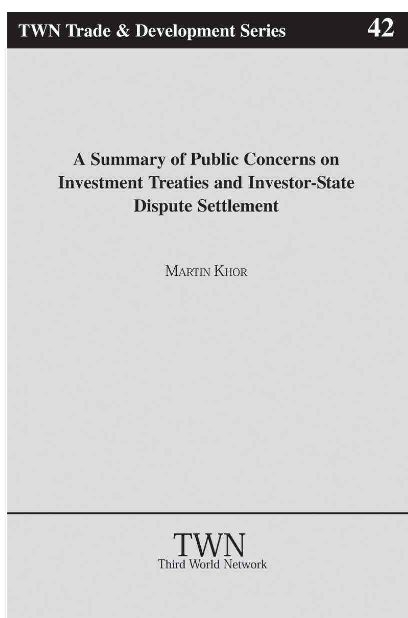
She posed a series of questions: "We have to ask ourselves what the consequences of this development will be. Have we come to the end of history as once famously proclaimed? How has an institution described as the jewel in the crown of the WTO become a poster child for all the ills that beset this organization?"

"The demise of the AB holds severe consequences for the multilateral trading system," she said. "Is it that might makes right? Are we returning to a pre-WTO dispute settlement system where power relations will override considerations of rule of law, fairness and justice? What would be the implications for smaller WTO members when justice is dispensed on the basis of unilateral decisions and coercion without consideration of binding multilateral rules-based system?"

"The AB impasse is certainly symptomatic of the challenges facing an inclusive, developmental rules-based trading system," the South African envoy said.

She said the process to strengthen the dispute settlement system should ensure independence and impartiality of the AB; preserve the current architecture of the dispute settlement system and the two-stage system; preserve negative consensus; and ensure an effective and efficient system.

"It would therefore serve the membership well if we can have a proposal from the concerned member as to what it would take to unblock the impasse," the South African trade envoy said. *(SUNS9038)*



A Summary of Public Concerns on Investment Treaties and Investor-State Dispute Settlement

by Martin Khor

INTERNATIONAL investment agreements, specifically bilateral investment treaties and the investment chapters in free trade agreements, have come under the spotlight for what are seen as skewed provisions that grant excessive rights to foreign investors and foreign companies at the expense of national policymaking flexibility. Of particular concern is the investor-state dispute settlement framework embedded in many of these treaties, which enables foreign investors to sue host-country governments in opaque international tribunals.The serious risks involved have prompted a rethink of investment pacts in developing and developed countries alike. In place of the current lopsided system, calls are growing for agreements which would balance legitimate investor rights with the rights of the state to regulate investment and formulate policies in the public interest.

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Efforts underway to establish plurilateral dispute settlement system

With the Appellate Body incapacitated, some WTO members are seeking to put in place an alternative mechanism for hearing trade dispute appeals.

by D. Ravi Kanth

GENEVA: Efforts are underway to establish a plurilateral dispute settlement system at the WTO, with arbitration under Article 25 of the Dispute Settlement Understanding (DSU) as its mainstay, following the Appellate Body becoming dysfunctional, trade envoys told the *South-North Development Monitor (SUNS).*

The European Union and several other countries have intensified their efforts to launch a "multi-party interim appeal arbitration arrangement" as a "stop-gap solution" in the absence of a functioning AB.

On a separate track, Australia, with support from Brazil, is proposing a plurilateral arbitration mechanism that may include the United States, with the WTO Director-General Roberto Azevedo playing a major role in implementing the mechanism, trade envoys told *SUNS*.

These two contrasting proposals have come to the fore after the AB became dysfunctional from 10 December due to US blocking of a process to fill six vacancies in the AB.

Consequently, the AB, now reduced to one member, will not be able to take up new appeals, thereby undermining "the Members' right, under the WTO agreements, to a binding adjudication of disputes and their right to appeal review", said a "confidential" proposal discussed at a meeting of more than a dozen countries hosted by the EU on 13 December.

Significantly, the proposal for a "multi-party interim appeal arbitration arrangement", seen by *SUNS*, seeks to use the services of the existing AB staff as well as former AB members to ensure a high degree of "independence and impartiality", said a trade envoy who asked not to be quoted.

Further, the proposal also intends the arbitration review process to function without involving the WTO Director-General, except in choosing arbitrators from the pool of former AB members.

In contrast, the Australian proposal attempts to involve the Director-General in the arbitration process in a big way and without involving the former AB members, so as to make it palatable to the US, said a trade envoy who asked not to be quoted.

The two proposals dominated discussions among key WTO members within 48 hours after the AB became dysfunctional.

Meanwhile, the WTO Director-General simultaneously launched discussions with members in different configurations on 13 December on what needs to be done in the absence of the AB, the trade envoy said.

EU-led proposal

The EU, which has been working on the arbitration mechanism under Article 25 of the DSU for the past nine months, managed to mobilize support rapidly to ensure that it would be acceptable to a large group of countries, the envoy suggested.

The proposal circulated by the EU at the 13 December meeting says that "the objective of the multi-party interim arrangement would be to offer a stop-gap solution, pending the resolution of the issue of appointments, by closely replicating the Appellate Body review process in the framework of Article 25 of the DSU. That stop-gap solution would apply within a group of interested Members. It will preserve both the access to a binding adjudication of disputes and the right to appeal review."

According to the proposal, "the objective is not to reform the system." "Reform of the Appellate Body will be pursued on a separate track, including through maintaining or building on the 'Walker process', in order to restore the functioning of the WTO dispute settlement system that includes all WTO Members. This remains the priority objective."

Earlier, the EU and Canada had notified to the WTO the arbitration mechanism under Article 25 of the DSU. Later, Norway joined these two countries and now the canvas is being spread to include many countries such as China and Russia among others, said another trade envoy who asked not to be quoted.

According to the proposal discussed at the EU-hosted meeting, "the negotiations should focus on how to make this operational quickly while relying on the tested features of the WTO dispute settlement process."

The "vehicle" for "the multi-party interim arrangement would be in the form of a communication to the DSB [WTO's Dispute Settlement Body] where the group of Members would take a political commitment to apply model appeal arbitration procedures, based on Article 25 of the DSU, in disputes among themselves", the proposal has suggested.

"The model appeal arbitration agreement would be annexed to the communication (cf. the structure of the interim arrangements circulated as JOB/DSB/1/Add.11/Rev.1 and JOB/DSB/1/Add.11/Suppl.1)," it is suggested.

According to the proposal, the "interim" arrangement "would apply to all future disputes and to all pending disputes that have not yet reached the stage of interim panel report."

As regards the procedure that would be adopted for the operation of the mechanism, the proposal suggests that "the appeal arbitration agreement under Article 25 of DSU would closely replicate the AB review process, and would leave the panel proceedings largely unaffected (cf. the arbitration procedures set out in the Annexes to JOB/DSB/1/Add.11/Rev.1 and to JOB/DSB/1/Add.11/Suppl.1)."

It says that the "convergence elements" proposed by the facilitator, Ambassador David Walker of New Zealand, to break the impasse at the AB will not be "incorporated into the interim arrangement that pursues a different objective."

"This being said, participants may wish to discuss whether to include the elements enhancing the procedural efficiency of appeal proceedings, i.e. specific directions

to appeal arbitrators on the issue of 90 days and on focussing appeal findings on issues raised by the parties and necessary for the resolution of the dispute," the proposal has suggested.

On who ought to be the "appeal arbitrators", the proposal says that "the objective is not to create a 'second panel' but to preserve, as much as possible, the qualities and features of a Standing Appellate Body."

Therefore, "appeal arbitrators must be persons who meet the standards for Appellate Body members, and give the same guarantees of impartiality and independence, and who have been 'vetted' by the WTO Members," says the proposal.

Effectively, "in the short term, in order to make the arrangement operational quickly, [it] is proposed to rely on current and former Appellate Body members."

"In order to ensure broad representativeness of the WTO Membership, one option would be to rely on the pool of last seven Appellate Body members per 'slot', to the extent they are available to serve," it is suggested.

"In the longer term, participants could envisage a system of appointment for the pool/roster of arbitrators, by all participants to the interim arrangement, after appropriate vetting. That pool could include former Appellate Body members but could also include other persons of similar standing."

Three appeal arbitrators to serve on a specific case would be selected randomly from the pool. That selection would be done by the WTO Director-General on the basis of the same principles and methods that apply to form a division of the AB under Article 17.1 of the DSU and Rule 6(2) of the Working Procedures for Appellate Review.

The appeal arbitrators would be provided the requisite "support structure", including "appropriate administrative and legal support."

"Given the nature of their task (appeal review), this support must offer the necessary guarantees of quality and independence," the proposal has suggested.

It is further clarified that "the support structure must be entirely separate from the WTO Secretariat staff supporting the panels and be answerable, regarding the substance of their work, only to appeal arbitrators. The Appellate Body Secretariat is an existing structure meeting these criteria and should therefore provide the administrative and legal support to arbitrators, to the extent this is consistent with any remaining work on Article 17 DSU appeals."

At a time when the AB division is expected to be dismantled, the proposal intends to use the services of the existing AB staff, who had operated independently from the Secretariat.

As regards "financing" for the appeal arbitrators under Article 25 of the DSU, it is suggested that funds would be allocated from the WTO budget.

Commenting on the "legal effects of awards", the proposal has said that "pursuant to Article 25.3 of the DSU, the parties to a dispute shall agree to abide by the arbitration award, which shall be final. Pursuant to Article 25.4 of the DSU, Articles 21 and 22 of the DSU shall apply mutatis mutandis to appeal arbitration awards."

As a "stop-gap solution", the interim appeal arbitration "would only apply as long as the Appellate Body itself is not able to hear appeals."

The interim appeal arbitration would be "reviewed" after one year. "The review could concern any feature of the arrangement, including the pool of arbitrators (potentially moving to the appointment system). At that point in time, any participant could decide to withdraw from the communication, on the understanding that any pending appeal arbitration would be completed," it is suggested.

More importantly, "any WTO Member could join the multi-party arrangement at any time, by endorsing the multi-party communication", says the proposal.

Australian proposal

In sharp contrast to the discussions held at the EU-hosted meeting, the Australian proposal seems to be aimed at roping the US into a "plurilateral" arbitration arrangement for finalizing trade disputes.

Australia, which is being aided by Brazil in finalizing the proposal, wants to ensure that the WTO Director-General would play a major role in the arbitration process, said a trade envoy who asked not to be quoted.

Australia said that "until we again have a fully functioning Appellate Body, Australia believes a multi-party (plurilateral) approach to temporary arrangements is highly desirable. This approach should be open to every WTO Member interested in joining."

"Our objective," said Australia, "is to ensure disputes are finalized and panel reports are not appealed 'to the void'."

"Since this is uncharted territory, we should be open to practical changes to the existing system – any approach should be pragmatic, flexible, efficient, and effective," Australia said.

In its proposal, aimed at "synthesizing key ideas and practical considerations for a multi-party approach to temporary arrangements to review panel report", Australia said that "we fully support the Director-General's efforts towards this goal, and thank Ambassador Walker for his leadership of the General Council Informal Process on these issues."

"Within the existing terms of the Dispute Settlement Understanding, it is hard to see an alternative to using Article 25 of the DSU as the legal basis for a temporary review arrangement, incorporating relevant DSU principles and processes," Australia said.

"Australia sees value in an overarching approach which supports the basic tenet that Members should examine carefully whether it is possible to accept a panel report without appealing," it is argued.

Australia said that "it has recent experience of this in its dispute with Indonesia (concerning Australia's anti-dumping measure on A4 copy paper from Indonesia)."

Australia said that it would also support "the idea that there should be a pre-agreed template that would guide temporary review arrangements — that disputing parties can amend by agreement."

"With respect to that template, Australia supports many elements of the approach outlined in Brazil's 'Elements for a Plurilateral Temporary Arrangement'," Australia said.

"In particular," Australia said, it "supports the creation of a new 'pool' of arbitrators with each participating Member nominating an individual."

"Further, we support leaving the issue of Secretariat support to the Director-General," Australia added.

"Finally, we support the arbitrator's report being treated as an 'arbitration award' within the meaning of DSU Article 25.3, by which the parties to the dispute shall abide," Australia has suggested, adding that "we do not see a legal basis for deeming an arbitrator's report to be an Appellate Body report."

Compared with the proposal discussed under the EU-led process, in which former AB members and existing AB staff would play a major role and which does not envisage substantial involvement by the WTO Director-General, the Australian proposal seeks to lend a preeminent role to the Director-General in the implementation of the interim arbitration mechanism, said trade envoys who are familiar with both proposals.

Further, Australia and Brazil want to bring the US into the plurilateral arbitration mechanism and to make proposals that are palatable to Washington, said trade envoys who asked not to be quoted.

Australia has suggested several "key elements of Article 25 temporary arrangements – subject to modification by consent of disputing parties." These elements include:

1. Up to a defined period before circulation of the panel report, either party may suspend panel proceedings to initiate this arrangement, but the panel continues with the provision of the final report to the parties and third parties.

2. A party submits a notice of review of legal issues with the WTO Secretariat. The other party may file its own notice within a defined period. Neither party will make claims under DSU Article 11 (but as with other elements, this can be amended by consent of the disputing parties).

3. Each party nominates one arbitrator and the Director-General appoints a third arbitrator (as chair) from the pool, in consultation with the parties. Or the Director-General appoints all three arbitrators.

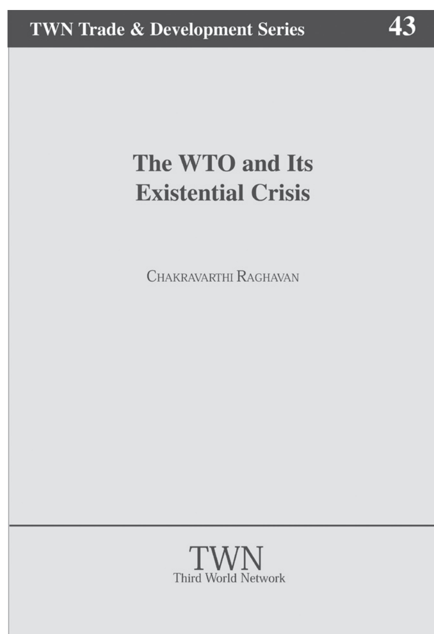
4. The Director-General is requested to provide WTO Secretariat support for arbitrators, provided that no member of the Secretariat involved in panel proceedings can also be involved in the arbitration.

5. Arbitrator establishes working procedures to support expeditious review so that the report is issued no later than 90 days after filing of a notice. This can include page limits on submissions.

6. There should be no exchange of views between arbitrators on disputes that are not connected [cf. Rule 4(3) of the Working Procedures for Appellate Review].

7. The parties agree to abide by the report, which will constitute an "arbitration award" under Article 25.3 of the DSU.

In short, it appears that attempts to launch a plurilateral dispute settlement system based on Article 25 of the DSU were already underway months before the AB became dysfunctional, said trade envoys who asked not to be quoted. *(SUNS9042)*



The WTO and Its Existential Crisis

By Chakravarthi Raghavan

The multilateral trading system centred in the World Trade Organization (WTO) faces no less than an existential threat stemming from the United States' blocking of new appointments to the WTO's Appellate Body (AB) — a standstill which could effectively paralyze the entire mechanism for resolving trade disputes between countries.

While the US stance has been seen as a means to force through a reshaping of the WTO in Washington's own interests, it has also cast a spotlight on longstanding flaws in the WTO dispute settlement system.

The priority now, asserts the paper, is to "call the US bluff" and address the AB impasse at the highest political decision-making level of the WTO. Separately, a review of the WTO dispute settlement regime, which is long overdue, should be undertaken in order to ensure that the system enshrines principles of natural justice.

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Third World ECONOMICS No. 691, 16-31 January 2020

A New Deal for sustainable development

Jomo Kwame Sundaram and **Anis Chowdhury** make the case for a global New Deal to promote sustainable development through national stimulus initiatives and multilateral cooperation.

Almost nine decades ago, newly elected US President Franklin Roosevelt introduced the New Deal in 1933 in response to the Great Depression.

The New Deal consisted of a number of mutually supportive initiatives, of which the most prominent were: a public works programme financed by budget deficits; a new social contract to improve living standards for all working families, including creation of the US social security system; and financial regulation to protect citizens' assets and channel financial resources into productive investments.

The New Deal was effectively a fiscal stimulus for recovery, employment, development and environment goals. The Citizens Conservation Corps (CCC) created two million jobs in environmental projects for young Americans aged 18-25 years when the US population was 125 million. The best-known public works project was the Tennessee Valley Authority (TVA), an integrated regional development programme for an underdeveloped region. It built infrastructure to generate hydroelectric energy to sustain industrial and agricultural growth in the US Southwest.

Thus, the New Deal helped ensure US economic recovery, but also successfully addressed unsustainable practices that had caused widespread ecological, social and economic crises in environmentally fragile regions, and helped usher in a new era of economic growth and expanding prosperity, especially in poorer regions.

A new New Deal

Today, the world is in protracted economic slowdown. This crisis needs a similarly bold response, as the United Nations urged following the 2008-09 financial crisis. But the UN's proposed New Deal was to be more global and sustainable.

Public works programmes should move countries to more sustainable development pathways to achieve the UN's 2030 Agenda for the Sustainable Development Goals (SDGs).

First, it has to involve international solidarity, following decades of globalization, and inequalities among and within countries.

Second, it has to be sustainable – economically, socially and ecologically. We face profound environmental crises, with global warming the greatest new threat with unprecedented ramifications. While much attention has recently focused on climate change, sustainability is also threatened by air and water pollution, natural resource degradation, loss of forests and biodiversity, as well as socio-political instability due to growing inequalities, repression and resistance.

A New Deal for our times should have key elements similar to Roosevelt's, namely public works programmes and measures to encourage productive investments for output and job recovery, social protection and prudent financial regulation.

Most developing countries are vulnerable to the global financial system. While varied, they are generally less resilient and more susceptible to market volatility, often forced to pursue pro-cyclical macroeconomic policies, exacerbating economic instability and undermining long-term growth.

This New Deal should support counter-cyclical responses in three main ways.

First, national stimulus packages in both developed and developing countries to revive and "green" national economies.

Second, international policy coordination to ensure that developed countries' stimulus packages not only create good jobs in the North but also have strong developmental impacts in the South.

Third, greater financial support for developing countries, as long promised, especially for development and climate change.

The North should also enable the South to more effectively mobilize domestic resources, especially through taxation and stemming illicit outflows of funds.

In light of the slowing world economy and dim prospects for imminent recovery, resources are needed to strengthen social protection to contain poverty and hunger. Hundreds of millions in developing countries are at risk due to lower incomes, declining export earnings and other challenges.

A strong fiscal response should make long-term investments to accelerate ecologically sustainable and socially inclusive growth. Frontloading massive, multilaterally cross-subsidized public investments in developing countries in renewable energy and sustainable smallholder food agriculture should induce complementary private investments as spontaneous market forces alone will not generate the investments needed.

The Global Green New Deal (GGND) should include mutually beneficial collaborative initiatives between governments of rich and poor countries. Reforms of the international financial and trading systems should support sustainable development for all.

There was a glimmer of hope for such a bold coordinated multilateral initiative at the 2009 London Summit of the G20 major economies, but cooperation and progress have been disappointing since, e.g., little meaningful progress on its Global Jobs Pact. With the mid-2010 G20 Toronto Summit U-turn, fiscal austerity became the new normal.

Meanwhile, creeping protectionism all around set recovery back further. Growing precariousness and declining living standards, blamed on imports and immigrants, have fuelled the ethno-populist backlash against Others, with multilateralism as collateral damage.

Global Green New Deal urgent

The urgency of an ambitious GGND has risen as most countries drift further off-track in achieving Agenda 2030.

After almost a decade of stagnation, countries must prioritize recovery, but not at the expense of others. Stimulus packages must lay the foundation for sustainable development.

Policy coordination among major economies should minimize adverse spillover effects, especially on developing countries, which have become more vul-

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An intergovernmental UN tax commission – why we need it and how we can get it

The Group of 77 (G77) – representing more than 130 developing countries – has repeatedly proposed the establishment of an intergovernmental tax body under the United Nations to fix the broken global tax system. Here's why this proposal would benefit everyone – and how it can be realized.

by Eurodad (European Network on Debt and Development)

Why we need it

1) A coherent global system. Despite the fact that tax dodging by multinational corporations and wealthy individuals is a global problem, we do not yet have a coherent global solution. The international tax system consists of a diverse set of approaches, guidelines and standards which have resulted in a complicated web of thousands of bilateral tax treaties and different national and regional regulations. Negotiation of a globally agreed system is the only way to remove the complexity, confusion, inconsistency and mismatches that exist today. An intergovernmental UN tax commission is a crucial first step towards this goal.

2) Stronger cooperation between tax administrations. In order to stop transboundary tax dodging, tax administrations need access to information about shell companies, hidden bank accounts and economic activities of their citizens and the multinational corporations operating in their country. A coherent global system will make it easier for tax administrations to communicate and cooperate.

3) Less unilateral action. Blacklisting, special taxes and restrictions on financial transfers, corporate reporting and documentation are only some of the measures individual governments are currently introducing to protect their tax base. If the crisis in the global tax system continues to be unresolved, we are likely to see many more of these kinds of self-protective measures. Only truly global cooperation can ensure that all governments have a real alternative to unilateral action.

4) Ending the race to the bottom. The fear of losing investments is currently driving governments to introduce tax incentives, loopholes and other harmful tax practices in a tragic "race to the bottom", which is costing countries billions of dollars in lost tax income. Through truly global cooperation, we can turn this troubling trend around.

5) Better business environment. Clear, consistent, global and stable rules are good for business. Operating across diverse, inconsistent national tax systems creates heavy administrative burdens, legal uncertainty and high risks for international business.

6) A level playing field. Today, governments which commit to increasing transparency and closing loopholes fear that being a "first mover" will result in businesses and wealthy individuals registering themselves in other jurisdictions. This has resulted in special rules and loopholes that allow the richest and most powerful multinational corporations and individuals to dodge taxes, while national companies, small and medium-sized enterprises and ordinary citizens are left to pay their taxes. Through truly global negotiations, governments can agree on coordinated global action and ensure a level playing field.

7) Stronger implementation. No government will feel obliged to implement tax standards and norms that were adopted in closed rooms where it was not welcome. The UN is the only global institution where all governments participate as equals, and therefore the only place to achieve a global commitment to action.

8) Less double taxation and double non-taxation. The wide variety of mismatches between national tax systems is the core reason why some get taxed twice on the same income while others don't get taxed at all. Only truly global cooperation can put an end to these problems. A global approach can also ensure that those governments that refuse to cooperate and, for example, insist on being tax havens are faced with global pressure to comply.

9) More financing for development. Currently, the international tax rules often don't take into account the realities and interests of the least developed countries. This means lower tax income and less available financing for development in these countries. If the world's poorest countries were able to participate effectively in the development of global tax rules and standards, they would be able to ensure that the global system also works for them. However, while the impacts of tax dodging are felt most keenly in the world's poorest countries, rich nations are losing billions of dollars too.[1] A global solution to the problem could generate large amounts of new financial resources in both developed and developing countries, and help to achieve global development and environmental protection.

10) Fair and consistent global action against tax havens. Many governments are currently trying to protect their tax base through national or regional "blacklists" based on criteria that are often both unclear and inconsistently applied. For example, the European Union member states are exempted[2] from the EU blacklist, despite the fact that several member states have a multitude of harmful tax practices[3] and others have very high levels of financial secrecy[4] that can be abused to conceal transboundary tax dodging by corporations and wealthy individuals.

However, in today's globalized economy, financial assets can be quickly moved from one tax haven to another. Therefore, while random blacklisting can be burdensome for impacted countries, it will not solve the tax haven problem. Action against tax havens must be fair, consistent and globally coordinated in order to be effective.

What's wrong with the current system?

Negotiation of new global tax rules currently takes place within a body known as the Inclusive Framework, hosted by the Organization for Economic Co-operation and Development (OECD), which also acts as the secretariat for the talks.

Despite its name, the Inclusive Framework does not include all countries. One key reason for this is that membership of the framework comes with certain very specific conditions.[5] First and foremost, countries must commit to following the outcome of the 2015 negotiations on base erosion and profit shifting

(BEPS).[6] This is controversial, not least because of the fact that over 100 developing countries were excluded when the package was negotiated,[7] and the fact that the negotiations followed an agenda set by the OECD and G20 countries – meaning that richer-country interests dominated the negotiations.[8] The growing concerns about BEPS having failed to solve international corporate tax avoidance,[9] as well as the high administrative requirements associated with implementing the BEPS rules, are not making it any easier to get countries to commit to BEPS.

Each country that wishes to join the Inclusive Framework must also commit to paying an annual membership fee of around €20,000 to the OECD.[10] This has raised concerns because the lack of available funding was a key argument raised by OECD countries against conducting tax negotiations at the UN.[11] With this in mind, there are concerns about developing countries now being asked to pay fees to an organization that they are not members of, instead of using those funds to finance a UN-led process.

The fact that the OECD is the host and secretariat is also controversial. The body, which has 36 member countries and is commonly referred to as a "rich countries' club", has been leading the development of the global tax rules for over half a century.[12] However, as the Indian government highlighted in a recent public consultation paper,[13] the OECD is – according to its founding convention – focused on ensuring "the highest sustainable economic growth and employment and a rising standard of living in Member countries".[14] The bias towards the interests of its members makes it an unconventional lead on international negotiations. This is particularly controversial in international negotiations about something as sensitive as global tax rules, including splitting taxing rights, and thus income, between countries.

Currently, out of the world's 195 countries, over one-third have decided not to join the Inclusive Framework. For the world's least developed countries, the share of countries not taking part in the Inclusive Framework is over two-thirds.[15] The number of countries that are part of the Inclusive Framework (117 as of August 2019) is significantly lower than the official number of members (134).[16] This is due to the fact that a number of jurisdictions have joined as individual members. For example, no less than 10 UK territories and crown dependencies are currently members, including Bermuda, the British Virgin Islands, Cayman Islands, Guernsey and Jersey.

The alternative – a truly global negotiation

Developing countries have not accepted the current system of international decision-making on tax without objections. For years, the G77 has been calling for the establishment of an intergovernmental tax body under the UN to lead the setting of global tax standards. In April 2019, the group released a statement saying, "We recognize with concern that there is still no single globally inclusive intergovernmental forum for international tax cooperation," and called for an intergovernmental UN tax body.[17]

The group reiterated its call during a UN high-level meeting on combating illicit financial flows in May 2019.[18] At the high-level meeting, Senegal – speaking on behalf of the African Group – also called for "the upgrading of the existing committee of experts in tax matters to a universal intergovernmental body under the auspices of the UN with a mandate to deal with all aspects of [illicit financial flows]". In the statement, Senegal also highlighted that the African Group believes existing UN tools do "not sufficiently cover illicit flows emanating from tax avoidance, trade misinvoicing, profit shifting and other illegal commercial activities, especially those by multinational enterprises," and added, "We therefore call for a separate international convention on tax. We believe that such a convention will serve as the backbone for our envisioned upgraded international tax committee, and will assist in tackling all aspects of [illicit financial flows]."[19]

Unfortunately, the calls from developing countries for an intergovernmental UN process on tax have so far been rejected by a number of OECD member states.[20] However, in July 2019, the government of Norway entered into a new partnership with the UN and contributed 35 million Norwegian kroner to support the UN's work on tax. In that context, the Norwegian Minister of International Development, Dag-Inge Ulstein, highlighted the UN as "the one organization with a universal mandate to develop international tax rules," and added that "[t]he world is on the cusp of some very substantial changes in global tax norms, and the UN must be at the centre of these discussions".[21]

How should governments approach international decision-making on tax?

Bearing in mind that the global tax rules affect citizens all over the world, and that fair and effective rules are vital for ensuring financing for development, environmental protection and the achievement of the Sustainable Development Goals, it is important that governments insist that negotiations about global tax rules:

- are transparent and allow participation of observers
- take place in a forum where all countries are on a truly equal footing. Among other things, this means that no developing countries should be asked to commit to following existing rule packages in order to join the negotiations; that all countries

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nerable than ever, after decades of economic liberalization and globalization.

Socially useful public works could contribute to climate change adaptation and mitigation, and improve public goods provision.

To be sure, many other complementary interventions are needed. But such investments and government spending require significantly improved public finances. While revenue generation requires greater national incomes, tax collection can be greatly enhanced through fairer international tax cooperation.

Clearly, the agenda for a new New Deal requires not only bold new national developmental initiatives, but also far better and more equitable multilateral cooperation, through improvement of the inclusive multilateral United Nations system. *(IPS)*

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should be allowed to participate in setting the agenda; and that the secretariat leading the negotiations should be neutral

- are free of bias towards the interests of a certain group of countries, and recognize the interests of all countries, including the poorest developing countries.

In practice, the obvious forum for this would not be the OECD and its Inclusive Framework, but rather the UN. Therefore, governments should support the establishment of a well-resourced, transparent tax commission under the auspices of the UN, with a mandate to address all aspects of international tax cooperation, including international corporate tax.

The new UN tax commission should:

- Be intergovernmental: It should consist of representatives negotiating on behalf of governments, as opposed, for example, to being an expert body where members speak in their personal capacity and where the outcomes are not intergovernmental decisions.
- Have universal membership: All countries should be able to participate on an equal footing.
- Be adequately resourced: It must have the secretariat capacity and resources to operate effectively.
- It could also be supported by a subsidiary technical body: The technical work could form the basis of the political decisions, which should be taken by the intergovernmental body. The expert body could be a strengthened version of the existing UN Expert Committee.
- The overall purpose of the intergovernmental UN tax body should be to stop international tax dodging and illicit financial flows by ensuring that governments commit to not eroding each other's tax bases and create an international tax system that is transparent, coherent and supports equality and development.
- In the longer term, and with a view to ensuring implementation of the decisions of the tax body, we should have a legally binding UN Tax Convention. Developing such an agreement should therefore be one of the key tasks of the intergovernmental body.

The above is the text of a briefing paper (December 2019) by Eurodad (European Network on Debt and Development). The paper was produced through Eurodad's membership of the Financial Transparency Coalition (FTC), a global civil society network working to curtail illicit financial flows through the promotion of a transparent, accountable and sustainable financial system that works for everyone. The publication reflects the views of Eurodad and is not intended to represent the positions of other members of the FTC.

Notes

1 The UN Conference on Trade and Development (UNCTAD) has estimated that one type of corporate tax avoidance alone is costing developing countries from $70 billion to $120 billion per year. UNCTAD. (2015). *World Investment Report*: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf. Meanwhile, another (conservative) estimate says that the EU is losing €50-70 billion per year due to corporate tax avoidance: Dr Robert Dover, Dr Benjamin Ferrett, Daniel Gravino, Professor Erik Jones and Silvia Merler. (2015). Bringing transparency, coordination and convergence to corporate tax policies in the European Union. Research paper published by the European Parliament: http://www.europarl.europa.eu/RegData/etudes/STUD/2015/558773/EPRS_STU(2015)558773_EN.pdf

2 The EU blacklist will include only "third countries", i.e., non-EU member states. Furthermore, countries that are found to be cooperative with the EU will be exempted, despite the fact that these countries might still be acting as tax havens towards, for example, developing countries. Source: European Commission. (2016). Communication from the Commission to the European Parliament and the Council on an External Strategy for Effective Taxation: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1454056581340&uri=COM:2016:24:FIN

3 For an overview of harmful tax practices in EU member states, see Ramboll Management Consulting and Corit Advisory. (2015). Study on Structures of Aggressive Tax Planning and Indicators. Commissioned by the European Commission: http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_61.pdf

4 See Tax Justice Network. (2018). Financial Secrecy Index. Published 30 January 2018: https://www.financialsecrecyindex.com/en/

5 See OECD. (2018). OECD/G20 Inclusive Framework on BEPS. June 2018: https://www.oecd.org/tax/flyer-inclusive-framework-on-beps.pdf

6 OECD. BEPS Actions: https://www.oecd.org/tax/beps/beps-actions.htm

7 OECD. (2015). OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors: http://www.oecd.org/g20/topics/taxation/oecd-secretary-general-tax-report-to-g20-FMCBG-september-2015.pdf, page 11.

8 The background report and action plan for the BEPS negotiations were developed by the OECD following a mandate from the G20. See G20. (2013). Tax Annex to the St. Petersburg G20 Leaders' Declaration. September 2013: https://www.mofa.go.jp/files/000013928.pdf

9 See above under "4.0 Pillar two: a minimum effective corporate tax rate?".

10 See OECD. (2018). OECD/G20 Inclusive Framework on BEPS. June 2018: https://www.oecd.org/tax/flyer-inclusive-framework-on-beps.pdf

11 The issue has been debated a number of times among government representatives at the UN, including during the negotiations leading up to the Third International Conference on Financing for Development in Addis Ababa in 2015.

12 See, for example, OECD. (2018). Secretary-General's Report to Ministers 2018. 30 May 2018: https://www.oecd-ilibrary.org/economics/secretary-general-s-report-to-ministers-2018_sg_report-2018-en;jsessionid=WpvWbmU-4WQUo8bZ-

bQTqeLeOS.ip-10-240-5-34, page 16.

13 Government of India. (2019). Public Consultation on the proposal for amendment of Rules for Profit attribution to Permanent Establishment-reg. F. No. 500/33/2017-FTD.I, 18 April 2019: https://www.incometaxindia.gov.in/news/public_consultation_notice_18_4_19.pdf, paragraph 101.

14 OECD. (1960). Convention on the Organisation for Economic Co-operation and Development. 14 December 1960: https://www.oecd.org/general/conventionontheorganisationforeconomicco-operationanddevelopment.htm

15 As of August 2019, 195 sovereign states are recognized by the UN, of which 193 are UN member states and two are permanent observers to the UN. Of these 195, 117 are members of the Inclusive Framework. Forty-seven countries are recognized as least developed countries, of which 10 are members of the Inclusive Framework. See UN, Member States, https://www.un.org/en/member-states/; UN, Non-member States, https://www.un.org/en/sections/member-states/non-member-states/index.html; OECD (2019), Members of the Inclusive Framework on BEPS, updated August 2019, https://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf; and UN Committee for Development Policy (2018), List of Least Developed Countries, as of December 2018, https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf

16 OECD. (2019). Members of the Inclusive Framework on BEPS. Updated August 2019: https://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf

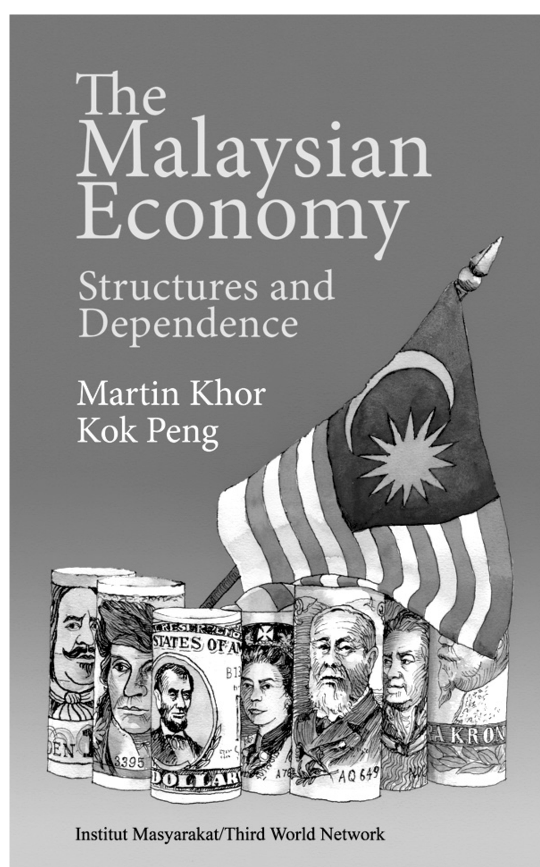
17 G77. (2019). Statement on behalf of the Group of 77 and China by H.E. Minister Dr. Riyad Mansour (State of Palestine), Chair of the Group of 77, at the 2019 ECOSOC Forum on Financing for Development Follow-up, 15 April 2019: https://www.g77.org/statement/getstatement.php?id=190415c

18 G77. (2019). Statement on behalf of the Group of 77 and China by H.E. Minister Dr. Riyad Mansour (State of Palestine), Chair of the Group of 77, at the High-Level Meeting of the UN General Assembly on Combating Illicit Financial Flows, 16 May 2019: http://www.g77.org/statement/getstatement.php?id=190516b

19 The full statement by Senegal can be found here: http://webtv.un.org/watch/part-1-high-level-meeting-on-international-cooperation-to-combat-illicit-financial-flows-and-strengthen-good-practices-on-assets-return/6037733391001 (starting at 2:49:30).

20 See Eurodad et al. (2017). Tax Games – the Race to the Bottom: https://eurodad.org/files/pdf/1546849-tax-games-the-race-to-the-bottom.pdf, page 49.

21 Norway in the UN. (2019). Norway enters into partnership with the UN Tax Committee. 16 July 2019: https://www.norway.no/en/missions/UN/news/news-on-development-and-humanitarian-efforts/norway-enters-intopartnership-with-the-un-tax-committee/



The Malaysian Economy

Structures and Dependence

By Martin Khor Kok Peng

This book provides an analysis of the structures of the Malayan and the Malaysian economies using the perspective of dependence.

It analyses the structures of dependence in colonial Malaya established by the British, in foreign ownership of key sectors, in trade, finance, the public sector and technology. Estimates are provided on the amounts of surpluses transferred out of colonised Malaya under British rule.

The book then examines the post-colonial situation, as continuity as well as changes took place after Independence. It provides details on and changes in ownership and control of the Malaysian economy, and in trade, finance and technology-related issues. Methods by which economic surpluses have been transferred out of the economy and the large amounts are meticulously described.

The framework used in this book distinguishes it from other works on the performance and transformation of the Malaysian economy. The present economy has many elements of the structures and dynamics described. This book is thus essential reading for those interested in knowing how the Malaysian economy was shaped in the colonial and post-colonial periods, and many of the features that characterise the present economy.

To purchase visit https://www.twn.my/title2/books/TheMalaysianEconomy.htm