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WTO faces trying times ahead

WTO member states will be appointing a new Director-General for the trade body after the incumbent, Roberto Azevedo, announced he will be stepping down at the end of August, a year ahead of the expiry of his term. What is expected to be a dramatic selection process will come at a challenging period for the WTO, with its much-vaunted dispute settlement system still hamstrung by a dysfunctional Appellate Body and question marks swirling around the viability of a proposed alternative appellate mechanism.

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Housing as both prevention and cure

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A witch's brew at the WTO

Testing times lie ahead for the WTO, with its Director-General about to step down ahead of schedule, an Appellate Body that remains incapacitated, and its proposed alternative itself attracting questions over its legality.

by Chakravarthi Raghavan

GENEVA: An already complicated situation at the World Trade Organization is now turning out to be a witch's brew, with the announcement by WTO Director-General (DG) Roberto Azevedo that he is quitting as of 31 August 2020, a full year before the expiry of his second term in office, and US President Donald Trump welcoming it.

It remains to be seen whether this will result in a temporary hiatus of a non-functioning WTO (at a time of the Covid-19 pandemic) until the Trump presidency ends or something more happens to the multilateral trading system.

Just look at the brew, with new contents being thrown in every day.

There is the document JOB/DSB/1/Add.12, "The Multi-Party Interim Appeal Arbitration Arrangement (MPIA)", notified to the WTO on 30 April by 19 members. The MPIA is envisaged as a temporary arrangement among these members to circumvent the problem of the Appellate Body (AB) mechanism of the WTO's Dispute Settlement Understanding (DSU) being rendered dysfunctional by the US' blocking of new appointments to the AB.

The participants listed in the document are: Australia; Brazil; Canada; China; Chile; Colombia; Costa Rica; the European Union; Guatemala; Hong Kong, China; Iceland; Mexico; New Zealand; Norway; Pakistan; Singapore; Switzerland; Ukraine and Uruguay.

The EU-Canada-led group has invoked Article 25 of the DSU to notify their temporary accord. However, their proposed MPIA is to kick in not at the start of a dispute but at the interim report stage of a dispute panel proceeding. This raises the issue of whether the MPIA is an "alternative" means for the DSU procedures or whether it is a colourable exercise of authority under Article 25 to create a "supplementary" means to the DSU which amounts to an amendment of the DSU. If the latter is the case, then the MPIA cannot be undertaken without going through the procedure for amendments to the WTO agreements as laid down in Article X of the Marrakesh Agreement Establishing the WTO.

The situation becomes more complicated in that the participating members have indicated that they envisage: (1) the appeal arbitrators under the MPIA will be provided with administrative and legal support by the WTO secretariat; and (2) that the dispute panel procedures will be "adjusted" to enable the functioning of the arbitrators.

The first requires the WTO DG, as head of the secretariat, to be provided such authority by the WTO budget, and his acquiescence in what may appear to be an attempt at disregarding DSU procedures to game the system. For budget authorization, among others, the US, which created the AB impasse in the first place, has to agree.

[If the WTO's budget committee does agree, this approval can be cited (in terms of the Vienna Convention on the Law of Treaties), if questions arise in future on whether Article 25 of the DSU could be invoked as in the case of the MPIA, to support the view that WTO participants, in their subsequent conduct, did support the view that the ambiguity in the wording of Article 25 enabled its being invoked during dispute panel proceedings.]

This situation, complex enough as it is, has now been thrown into further complications by the sudden announcement of DG Azevedo that he is quitting as of 31 August (see next article).

Amidst speculation on what was behind the Brazilian's announcement came President Trump's comment: "I am fine with the decision. You will be seeing many changes, many reforms in the WTO soon."

Within Brazil, where President Jair Bolsonaro's foreign policy has spawned united opposition from all former foreign ministers, there is even more intense speculation, and scathing comments from, among others, former foreign minister Celso Amorim and former finance minister Rubens Ricupero (https://www.thehindu.com/news/international/trump-first-brazil-next/article31603218.ece?homepage=tru). Some sources in the Brazilian foreign office have hinted that Mrs Azevedo, who had once been a chef de cabinet of foreign minister Amorim but is now a strong supporter of Bolsonaro's pro-US policy, is due to be named Brazil's envoy to Washington.

The DSU in the WTO

It is arguable that the MPIA participants are acting legally as envisaged by DSU Article 25, and that the MPIA needs neither approval of the WTO membership nor any amendment to WTO rules, though there may be practical hindrances to its effective operation.

However, a detailed examination of the DSU suggests that the MPIA, while purportedly an exercise invoking Article 25, could in fact be a new entity for dispute settlement among its participants, one that would entail an amendment of the DSU, which in turn requires unanimity among the WTO membership.

Such detailed examination is best done by looking at all the details of the DSU against the background of the WTO, a treaty organization for the multilateral trading system that replaced the General Agreement on Tariffs and Trade (GATT)-1947 (a provisional arrangement).

Until the final stages of the 1986-94 Uruguay Round of GATT-1947 multilateral trade negotiations which resulted in the Marrakesh Agreement Establishing the WTO, those negotiating agreements in different areas of trade (in goods, services and intellectual property) had no clear idea of how, when the results of the multilateral trade negotiations had been established, their international implementation would be decided.

The Uruguay Round negotiations began as a single undertaking in the area of trade in goods, and on a separate track on trade in services. Midway, the negotiations on goods trade became separated, with the issue of trade in counterfeit goods becoming one on "trade-related aspects of intellectual property rights" (TRIPS) but still part of the Round.

Each of the agreements had provisions on "consultations" and "dispute settlement" (a la Articles XXII and XXIII of GATT-1947, with a few having some additional or special rules).

By November-December 1993, when the talks concluded at official level, the final shape became clearer: a single international treaty to establish the WTO, with annexes comprising agreements on trade in goods, services and intellectual property (TRIPS), and an understanding on settlement of disputes (the DSU).

The DSU was among the last of the agreements negotiated during the Uruguay Round. An integral part of the WTO, it applies to all disputes under the "covered agreements" (in Annexes 1A, 1B and 1C to the Marrakesh Agreement), to all disputes arising out of the WTO treaty, and to the DSU itself.

The DSU sets down rules for a set of step-by-step procedures from the first stage of officially bringing complaints on disputes between parties to the WTO membership, through various stages leading to adjudication by dispute panels, with a right to appeal to the Appellate Body on issues of legal interpretation, to adoption of reports by "negative consensus", and surveillance and implementation of the rulings.

Within this framework, Article 25 of the DSU provides for "expeditious arbitration" between parties as an "alternative means of dispute settlement":

"1. Expeditious arbitration within the WTO as an alternative means of dispute settlement can facilitate the solution of certain disputes that concern issues that are clearly defined by both parties.

"2. Except as otherwise provided in this Understanding [the DSU], resort to arbitration shall be subject to mutual agreement of the parties which shall agree on the procedures to be followed. Agreements to resort to arbitration shall be notified to all Members sufficiently in advance of the actual commencement of the arbitration process.

"3. Other Members may become party to an arbitration proceeding only upon the agreement of the parties which have agreed to have recourse to arbitration. The parties to the proceeding shall agree to abide by the arbitration award. Arbitration awards shall be notified to the DSB [the WTO's Dispute Settlement Body] and the Council or Committee of any relevant agreement where any Member may raise any point relating thereto.

"4. Articles 21 and 22 of this Understanding [on surveillance of implementation and compensation or authorized retaliation] shall apply *mutatis mutandis* to arbitration awards."

The MPIA and Article 25

While arbitration is set out as an "alternative means of dispute settlement", Article 25 is silent on when it is to be invoked. The proposed MPIA invokes Article 25 at the interim report stage of a dispute panel.

The view of some former negotiators is that while some doubts can reasonably be raised about the MPIA, they do not cause infirmity to the process, nor does the MPIA involve amendment of the DSU. However, there may be practical hindrance to its operation.

Article 25 envisages arbitration as an alternative to the general panel-appeal process, whereas the MPIA starts only after some significant panel-appeal process has been gone through. To that extent, it appears to be a supplement to the panel-appeal process rather than a clearly independent alternative process. Thus, the MPIA may appear to violate the "alternative" criterion and thus lose the protection of Article 25, thereby appearing to be in the nature of amending the DSU process instead.

But, in the view of the above ex-negotiators, Article 25 does not prescribe precisely when this route is to be initiated and thus it does not prohibit taking the arbitration route midway, for example, after a panel has been formed and it has given an interim report.

Normally, the arbitration route is to be taken when two parties have specific issues between them and they decide to follow this route. At that stage they will decide on the procedure to be followed.

In the case of the MPIA, a set of members have agreed to adopt this arrangement in anticipation of possible disputes; the dispute has actually not arisen. They have laid out a detailed and clear procedure they intend to adopt.

So, instead of two members defining the agreed procedure in respect of their specific dispute at the time of going for the arbitration process, here, a set of members have prescribed a process that any two (or more) of them will follow when they resort to this process.

This may not be a valid criticism of the MPIA as not being in consonance with Article 25. Instead of defining the procedure at that time, they are defining the procedure right now, i.e., well ahead of the dispute arising.

While the MPIA is not seen as contravening Article 25 in this view, there may nevertheless be some practical problems in operating the MPIA. The process is sought to be serviced by WTO staff. This may be validly opposed by some WTO members which are not part of the MPIA. And there may be a heavy cost on the resources of the WTO secretariat. The WTO members that are not in the MPIA may object to these resources being utilized for this process.

Other former negotiators disagree with regard to the legal nature of the MPIA itself. They say that Article 25 is self-contained as an alternative mode of dispute settlement under the DSU and has no scope for further elaboration to hybridize the two-step process of panel findings and appellate review by introducing arbitration at the appellate stage.

Doing so, in this view, would not only amend Article 25 but change the very character of the DSU. It would also specifically change in part the specific provisions on panel processes and procedures.

Hence, according to these former negotiators, most of the provisions in the MPIA are in the nature of amendments to the DSU and cannot be implemented without going through the amendment procedure set out in Article X of the Marrakesh Agreement. These provisions being temporary measures does not change their legal character.

With differing views concerning the MPIA, it is difficult to secure resolution of this Kafkaesque situation in the absence of the AB.

Hence, until the issue of appointments to the AB is sorted out, it would be in the interests of the integrity of the system for members to use arbitration under Article 25 from the outset to settle their disputes.

Some of the former negotiators add that whatever the motivation for resorting to the MPIA (be it even helplessness and extreme frustration), it does not augur well for a rule-based multilateral trading system that the custodians of the system are prepared to abandon rules altogether as seems to be the case here.

However, key WTO members, in several cases, are in open violation of their obligations and no one is prepared to challenge them under the system.

One of the major purposes of the system is to restrain and constrain power play in trade relations, which it seems it is singularly failing to do. (*SUNS9123*)

WTO expected to see fierce selection process for next DG

With Roberto Azevedo announcing an early departure from office, member states of the WTO will be selecting a new Director-General amid rising US-China tensions, the devastating Covid-19 outbreak and questions over the future direction of the trade body itself.

by D. Ravi Kanth

GENEVA: The World Trade Organization is expected to witness a fierce process for choosing a new Director-General to replace the current DG, Roberto Azevedo, who is demitting office on 31 August 2020.

This comes amid an escalating war of words between the United States and China. On 14 May, US President Donald Trump threatened to cut off completely economic relations with China, repeating his accusations that Beijing had concealed information on Covid-19, allowing it to become a global pandemic. “There are many things we could do. We could do things. We could cut off the whole relationship,” Trump told the Fox Business channel. Cutting off all trade with China would save the US $500 billion, he asserted.

US relations with China have soured since the two countries signed off on a “phase one” trade agreement at the end of last year.

In a sharp response, China’s *Global Times* described Trump’s remarks as “lunacy” and a “clear by-product, first and foremost, of the proverbial anxiety that the US has suffered from since China began its global ascension.”

The Chinese daily said on 15 May that “it is also a combination of envy and panic on behalf of Washington elites who recognize the substantial gap between the US and China in how both countries responded to the pandemic.”

Against this backdrop, Azevedo’s short announcement about his stepping down at the end of August – a year before his second term expires – has come as a bombshell at this critical juncture for the global trade body, said trade envoys who asked not to be quoted.

Azevedo’s decision means that WTO members will be thrown into an election process for a replacement at a time when the organization is struggling to stay relevant and help keep trade flowing in the midst of the Covid-19 pandemic.

The WTO has also come under pressure, particularly from the US, to undertake major reforms, including to its dispute settlement process. Its Appellate Body has been out of service since last December because Washington continues to block the appointment of any new members.

Stepping down

At an urgently convened heads-of-delegation (HoD) meeting on 14 May, Azevedo said that the decision to step down a year early was taken after consulting his family members. He told the WTO members that he underwent knee surgery recently, but denied that any health issues or a desire to enter politics had played into his decision. “I hope the future holds new challenges in store, but as of right now, I do not know what they will be.”

"As members start to shape the WTO's agenda for the new post-Covid realities, they should do so with a new Director-General," he said.

He emphasized the need for meaningful reform, stating that "we know that the WTO cannot stand frozen while the world around it changes profoundly." He called for the WTO to keep pace with evolving realities, saying: "Ensuring that the WTO continues to be able to respond to members' needs and priorities is an imperative, not an option."

"The 'new normal' that emerges from the Covid-19 pandemic will have to be reflected in our work here," Azevedo said. But he did not suggest what this "new normal" is going to be.

"While I am convinced we have set out in the right direction, the road ahead will entail consequential choices and deep reflection," he added.

"MC12 [the WTO's 12th Ministerial Conference, which is likely to take place in June next year] will be a critical landmark for this exercise," he emphasized.

According to Azevedo, "MC12 should be a stepping-stone to the future of the WTO. It should tie together our various ongoing efforts in a coherent approach, and lay the foundations for subsequent reform. This means that MC12 will require careful preparation and execution from you, the members."

Explaining why he chose to leave now, he said that "for a mid-year ministerial, the selection process would overlap with the most intensive phase of pre-ministerial preparations, making it highly prone to compromise the planning and execution of MC12."

"Even if MC12 is held at the end of 2021, staying on through the end of my term would leave my successor mere weeks to prepare. I faced this situation when I first took office and I can tell you, first hand, that this is far from ideal," he said.

Members "must decouple these two processes: the DG succession process and the preparation of MC12. Doing both would inevitably compromise MC12 and the reform impetus. I care too much for this Organization to allow this to happen."

Azevedo, a former trade envoy from Brazil, said he had been working for the system since 1997, first as a counsellor in the Brazilian mission to Geneva. He described the DG's job as "most demanding," saying that he learnt a great deal during the past seven years.

He repeatedly defended the WTO and his tenure as DG. The WTO is a key pillar of global governance, he said, underscoring the need to remain creative and pragmatic to address the new challenges in the 21st century.

During his tenure, said Azevedo, major agreements such as the Trade Facilitation Agreement, the peace clause for food security purposes in developing countries, the Nairobi agreement to end export subsidies and an agreement on effective implementation of tariff rate quotas were concluded.

"We have achieved a great deal," the DG said, adding that much more needs to be accomplished in the post-Covid-19 trade framework.

But he did not mention that, on his watch, the two-tier WTO dispute settlement system was dealt a body blow with the near-demise of the Appellate Body.

"This one issue will be recorded when the history of his tenure is written," one trade envoy said, adding that it has caused irreparable damage to the system.

At the HoD meeting, trade diplomats from New Zealand, the European Union, Brazil, India, Australia and several other countries said they were saddened by the DG's decision to step down at this juncture, praising him for his yeoman services and extraordinary contribution to the WTO during the past seven years.

In a statement issued on 14 May, US Trade Representative Robert Lighthizer also praised Azevedo, saying: "Despite the many shortcomings of the WTO, Roberto has led the institution with grace and a steady hand. He will be difficult to replace ... In the coming months, the United States looks forward to participating in the process of selecting a new Director General."

Even Trump waded into the selection process, saying that he was "okay" with Azevedo's decision to step down early.

"The World Trade Organization is horrible," the US president said. "We've been treated very badly. I've been saying it for a long time."

In conclusion, the war of nerves between the US and China following the Covid-19 pandemic will now come into play in the selection of the new WTO DG.

This is all the more so after the US claimed success in the selection of the Director-General of the World Intellectual Property Organization (WIPO), where its candidate from Singapore managed to defeat the Chinese nominee. The race for the WTO DG's post will indicate how Washington will play its cards.

The chairperson of the WTO General Council, Ambassador David Walker of New Zealand, will oversee the DG selection process. (*SUNS9122*)

South opposes attempts to foist trade liberalization measures

A virtual meeting of the WTO General Council on 15 May heard differing views among member states regarding trade liberalization initiatives proposed on grounds of responding to the coronavirus crisis.

by D. Ravi Kanth

GENEVA: A large majority of developing and least-developed countries at the World Trade Organization have opposed attempts to use the Covid-19 pandemic to negotiate far-reaching trade liberalization measures with binding commitments.

At a virtual WTO General Council meeting on 15 May, India, South Africa, Indonesia, the coordinators of the African, Caribbean and Pacific (ACP) Group and the African Group, and many other developing countries warned that it is unethical to use Covid-19 as an opportunity to foist new, binding trade liberalization measures, said trade envoys who asked not to be quoted.

In sharp contrast, Switzerland, on behalf of many developed and several developing countries, Japan, the European Union and the United States issued their trade agendas, including proposals to remove export restriction measures on agricultural products.

Significantly, the US adopted conflicting positions at the meeting. Washington indicated that it intends to diversify "supply chains and increase manufacturing capacity back home" but also pursue, along with other industrialized countries, a "consequential WTO" to deal with "market-oriented conditions" that could include new disciplines on industrial subsidies.

Surprisingly, the US seemed to echo WTO Director-General Roberto Azevedo's view, expressed a day earlier, that the WTO requires "consequential" reforms to address the challenges in the 21st century.

US Ambassador to the WTO Dennis Shea highlighted the multilateral initiatives that Washington will pursue to address the "existential crisis" at the WTO. He particularly emphasized graduation/differentiation among developing countries in availing of special and differential treatment (S&DT) in current and future trade negotiations, and enhanced "notification compliance" requirements centring on punitive measures against non-compliance.

However, a large majority of developing countries have already opposed the US reform proposals on grounds that they had paid a huge price in the Uruguay Round in order to secure the S&DT flexibilities.

Switzerland, which coordinates the "Friends of the System" coalition that includes major developed countries except the US and the EU, presented a long list of liberalizing measures, including the need to avoid export restrictions.

The EU, which supported the demands made by the "Friends of the System", called for accelerating negotiations on fisheries subsidies and on e-commerce.

Japan pressed for resuming work on fisheries subsidies and the plurilateral Joint Statement Initiatives (JSIs) such as on e-commerce, investment facilitation, and new disciplines on micro, small and medium enterprises (MSMEs).

Business-as-usual untenable

In a sharp response to the narratives advanced by the developed countries, India delivered a hard-hitting statement that said that "in formulating a response [to the Covid-19 pandemic], it is critical to bear in mind that the negative effects of this pandemic will be felt unevenly, though widely", and "the strain on economic, food and livelihood security will disproportionately impact developing countries and LDCs [least-developed countries] with large populations and limited resources."

Indian Ambassador to the WTO J.S. Deepak said "the economic hardship and other negative repercussions of Covid-19 make carrying on with negotiations in a business-as-usual format untenable."

Protecting human lives must remain a top priority for members at the WTO, he said. "Having agonized in the last few months of the pandemic at how people have been dying, we need to urgently turn our attention to alleviating the terrible conditions in which so many are forced to live, especially in the developing world."

Deepak placed five markers for WTO members to consider during the current battle against Covid-19:

1. India acknowledged "the importance of coordinating the global response in a way that avoids unnecessary disruption in the flow of vital medical supplies, food and other goods and services across borders."

2. India remained committed to taking emergency measures for combating Covid-19 on a "targeted, proportionate, transparent, and temporary" basis.

"The narrative-push by some WTO members to seek permanent tariff liberalization on a range of products in response to a temporary crisis, appears to be a thinly veiled bid to use the crisis as an opportunity to gain market access for their exporters," Deepak charged.

> *"The economic hardship and other negative repercussions of Covid-19 make carrying on with negotiations in a business-as-usual format untenable."*

"Developing countries seeking to shore up manufacturing capacity in medical products will require tariff protection for their nascent domestic industry" and "protection of job losses in many service sectors", he said.

Attempts to prohibit the use of export restrictions on medical and agricultural products are untenable because "developing countries being unable to match the deep pockets of buyers in developed countries will see these products vanish in times of shortage."

"Export restrictions are a WTO-consistent policy tool that is important to prevent critical domestic shortages of food, medicine and equipment," Deepak argued.

3. "If WTO members are serious about trade-related measures aimed

at combating Covid-19, then a useful starting point would be to enable the use of TRIPS (trade-related aspects of intellectual property rights) flexibilities to ensure access to essential medicines, treatments and vaccines at affordable prices," said Deepak.

4. "If additional temporary flexibilities are required to guarantee this fundamental objective, so be it," the Indian envoy said, adding that "the pandemic has also highlighted the need for ensuring easier cross-border movement of medical professionals and the need for multilateral initiatives in this respect."

5. Covid-19 underlined "the urgent need to build the capacity of developing countries and LDCs in areas like digital skills and broadband infrastructure, rather than negotiating binding rules on e-commerce, which will freeze the non-level playing field against their interests."

Preserving policy tools

Speaking after India, Indonesia said that "it is difficult to envisage any enhanced commitments" for pursuing far-reaching trade liberalization measures by developing countries.

South Africa's Ambassador Xolelwa Mlumbi-Peter said her country "implemented measures aimed at promoting public health in accordance with the exceptions available in the WTO." The measures included "the introduction of an export permit for essential medical products to fight Covid-19", and "trade facilitative measures were also implemented such as submission of electronic SPS certificates."

She voiced South Africa's support for "the multilateral, rules-based system as a means to build more resilient, diversified global supply chains."

"We cannot agree to proposals for global rule making that limit our policy options to respond to the crisis, enhance our preparedness for future crises and to pursue our plans for economic recovery," she said emphatically.

"It is not advisable to make binding decisions in a policy environment that is manifestly uncertain, including on tariffs and export restrictions which are legal in the WTO under Article XI of GATT [General Agreement on Tariffs and Trade] and Article 12 of AoA [Agreement on Agriculture]," Mlumbi-Peter argued.

She underlined "the need to preserve policy tools, including tariffs to address job losses, revive industries and build new sectors and capabilities", emphasizing that "one-size-fits-all approaches are not always appropriate."

Members must adopt measures that are "targeted, temporary, transparent and proportionate and should not create unnecessary barriers to trade", the South African envoy said.

The Covid-19 health crisis, she added, "has revealed 'strategic vulnerabilities' and we should expect more efforts to diversify supply chains and promote domestic manufacturing at least in some sectors."

"Some members are calling for strategic autonomy; this suggests a need for policy flexibility and signals that a re-balancing between global rules and national economic development imperatives is necessary and possible," she argued.

"We cannot agree to proposals for global rule making that limit our policy options to respond to the crisis"

Also, the crisis "has highlighted the importance of the role of governments in the economy, not only to close the gaps and address market failure but to regulate in the public interest."

South Africa proposed "a temporary umbrella 'peace clause' on all government measures implemented in the context of Covid-19."

"In this present context of global emergency, it is important for WTO members to work together to ensure that IP [intellectual property] rights such as patents, industrial designs, copyright and trade secrets do not create barriers to the scaling-up of research, development, manufacturing and supply of medical products essential to combat Covid-19."

Given the adverse disproportionate effects on developing countries due to the Covid-19 crisis, especially African countries, the South African envoy said it was important to "recognize the close inter-relationship between finance, debt and trade."

"The large gap between the international support currently on offer and financing needs of developing countries will therefore not only weaken the effectiveness of the immediate response to the crisis, but also delay the global economic recovery," she warned.

Mlumbi-Peter also called for "strengthening S&DT provisions which are critical to promote public health, accelerate industrialization, upgrade and modernize manufacturing, promote technology transfer and close the digital divide to promote an inclusive digital economy."

She lamented that while proposals by the developing-country G90 grouping have articulated these aspects, "yet members have not been willing to engage us. This pandemic highlights the importance of S&DT for developing countries and this matter should be taken up as a matter of priority."

Unprecedented health challenge

On behalf of the ACP Group, Jamaica said that Covid-19 "represents an unprecedented health challenge to all members."

"For the most vulnerable, that is, developing countries and LDCs which have weaker health systems, access to affordable medicines, vaccines, diagnostics and medical equipment, as well as access to technologies to produce them, are indispensable to the fight against this pandemic," Jamaica argued, stressing the importance of TRIPS flexibilities.

"In order to better facilitate access, it is important that any Covid-19 invention or other technologies be temporarily treated as global public goods so that they can be manufactured and distributed in the required quantity, but in line with acceptable standards, by multiple producers, including those in developing countries and LDCs," said Jamaica.

The TRIPS Agreement "should continue to be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all," Jamaica added.

"The WTO has a vital and ethical role to play in striking an acceptable balance between, on the one hand, preserving the health of our populations and, on the other, saving the lives of our people, when looking at the commercial aspects of intellectual property rights," Jamaica said, emphasizing that members "must bear in mind that an unhealthy population can neither engage in nor facilitate trade."

Botswana, on behalf of the African

Group, said "the WTO could spur global cooperation on a number of fronts" including:

1. Help to ensure that the Covid-19 treatment is accessible and affordable to the world as a public good. The TRIPS Agreement, including its flexibilities, can contribute to this objective.

2. The use of appropriate trade policy tools to ensure that patents and other intellectual property rights do not create avoidable barriers to facilitate the local manufacturing or import of essential medical supplies, devices or technologies, including diagnostics, medicines and vaccines.

3. The strengthening of S&DT provisions to promote inclusive growth and ensure a development-oriented multilateral trading system.

4. To progress the implementation of the 1998 work programme on e-commerce that addresses the developmental aspects of e-commerce.

While Covid-19 has highlighted the importance of digital transformation, it has more importantly brought to light the implications of the digital divide, both within and between countries, particularly infrastructural gaps to enable e-commerce in Africa.

In conclusion, it is clear that developing countries need to remain vigilant about the open and ambitious trade agenda being advanced by the developed countries using the Covid-19 crisis as a justification, trade envoys said. (*SUNS9123*)

Global trade values fell 3% in first quarter of 2020

Global trade has declined as a result of the Covid-19 crisis, as have commodity prices, according to a UN-coordinated report which also documents the impacts of the pandemic on employment, education and aviation, among other sectors.

by Kanaga Raja

GENEVA: Global trade values fell by 3% in the first quarter of this year due to the Covid-19 pandemic, a joint report by 36 international organizations has said.

According to the report by the Committee for the Coordination of Statistical Activities (CCSA), coordinated by the UN Conference on Trade and Development (UNCTAD), most of the impact of the measures taken to contain the Covid-19 pandemic will however affect global trade in the second quarter of the year, with an estimated quarter-on-quarter decline of 26.9%.

The report also found that the drop in global trade has been accompanied by marked decreases in commodity prices, which have fallen precipitously since December last year.

According to the report, UNCTAD's Free Market Commodity Price Index (FMCPI), which measures the price movements of primary commodities exported by developing economies, lost 1.2% of its value in January, 8.5% in February and 20.4% in March.

Fuels were the main driver behind this development, recording a price fall of 33.2% in March, while minerals, ores and metals, food and agricultural raw materials saw prices decreasing by less than 4%.

The fall of more than 20% in one month is unique in the history of the FMCPI, said the report. From July to December 2008, after the outbreak of the global financial crisis, the maximum month-on-month decrease was 18.6%. At that time, the descent lasted six months.

The duration and overall strength of the current downward trend in commodity prices and global trade are yet uncertain, the report noted.

"Everywhere governments are pressed to make post-Covid-19 recovery decisions with long-lasting consequences," said UNCTAD Secretary-General Mukhisa Kituyi. "Those decisions should be informed by the best available information and data. I'm proud that UNCTAD has played a central role in bringing so many international organizations together to compile valuable facts and figures to support the response to the pandemic."

Some main findings

According to the joint report, the prospects of aviation worldwide have taken a dramatic turn for the worse with rapid and drastic declines in air travel demand amplified by stringent travel restrictions.

With around 90% of fleet being grounded and travel demand hitting nearly zero, the traffic reduction has far exceeded the level observed in events such as SARS and the terror attacks of 11 September 2001, putting the aviation industry under extreme strain.

The International Civil Aviation Organization (ICAO)'s economic impact analysis of Covid-19 on aviation indicates that in the month of March when the pandemic was declared, 38% of seat capacity was cut globally compared with the same period of 2019. Passenger numbers plunged by 54% or 198 million, due to dampened load factor. Asia/Pacific recorded the biggest fall in passenger numbers by 85 million, followed by Europe and North America, by 50 and 35 million, respectively. Air cargo traffic dropped by 19% in March.

The slump in air traffic has further caused severe financial pressure on all stakeholders in the aviation sector. Only in March, airlines were estimated to lose $28 billion in revenues, and airports and air navigation service providers have lost around $8 billion and $824 million, respectively.

According to the report, the halt in activity due to the pandemic also had an immediate and sweeping impact on employment.

In response to the exponential rise in Covid-19 infections, many countries across regions are implementing lockdowns, travel restrictions, social distancing policies, and workplace and school closures. These necessary measures aim to slow the spread of the virus, minimize lives lost and avoid catastrophic outcomes for national health systems, but they also have a sudden and drastic impact on workers and enterprises.

According to the report, by the beginning of April, 81% of the global workforce lived in countries with mandatory or recommended workplace closures. By 22 April, their share had decreased to 68%, mainly driven by the lifting of workplace closures in China. However, the situation has worsened elsewhere.

The total amount of hours worked by workers around the world could drop by around 10.5% in the current quarter, equivalent to 305 million full-time workers with a 48-hour work week, said the report. It is the worst global crisis since the Second World War. Indeed, the drop in hours worked already outpaces that of the 2008-09 financial crisis, it added. Worryingly, Covid-19 is now also impacting the developing world, where capacities and resources are severely constrained.

Among the other findings in the report is that trade in medical products which have been described as critical and in severe shortage during the Covid-19 crisis totalled about $597 billion in 2019, accounting for 1.7% of total world merchandise trade.

The report also said that throughout 2019, world manufacturing was already experiencing a consistent decline in production growth. Especially industrialized countries registered a noticeable contraction of production. China still showed high quarterly growth rates of more than 5% at the end of the year.

For the first two months of 2020, China showed a sharp reduction of output, which can be explained by the celebrations of the Chinese New Year at the end of January 2020 as well as the beginning of the lockdown of Wuhan and other regions to contain the virus at the same time. It remains to be seen how fast China will catch up the losses made during the first quarter of 2020, said the report.

For industrialized countries, aggregated to the country groups North America, Europe and East Asia, direct impacts of Covid-19 cannot be measured with the latest data of February 2019 as most of the countries started the economic restrictions in March, it added. Nevertheless, these countries started the year 2020 with further decreases of manufacturing production which will be reinforced by largely Covid-19 measures made by the countries so far.

According to the report, tourism is also facing an unprecedented challenge. After increasing almost uninterruptedly and more than doubling since 2000, the UN World Tourism Organization expects international arrivals to decrease by 60-80% in 2020 with respect to 2019, depending on when travel restrictions are lifted. Available data show that arrivals in the month of March dropped by 60% with respect to the same month in 2019. Countries with the highest number of reported cases account for about 55% and 68% of global inbound and outbound tourism expenditure, respectively.

The report also said that in mid-February 2020, 300 million learners were affected by nationwide closures of schools and universities. Two months later, this number had grown to nearly 1.6 billion students in 192 countries, representing 90% of the global student population. In addition, 140 million students live in countries with localized school closures.

Globally, the nationwide closures affect approximately 155 million children in pre-primary education, 691 million primary school pupils, 537 million secondary school pupils, and 191 million students in tertiary education.

Central and Southern Asia is home to 30% of the 1.6 billion students whose schools have been closed. Some 28% of these students live in Eastern and South-Eastern Asia, 16% in sub-Saharan Africa, 11% in Latin America and the Caribbean, and 8% each in Europe and Northern America and in Northern Africa and Western Asia.

The report further said that nearly three-quarters of the population in sub-Saharan Africa lack basic handwashing facilities at home, a fundamental mechanism to prevent Covid-19, leaving the already vulnerable people at further disadvantage. As many as 3 billion people lack handwashing facilities with soap and water available: 1.6 billion have facilities lacking soap or water, and 1.4 billion have no facilities at all.

In short, for many people, the most basic and effective method of preventing the spread of Covid-19 is out of reach, said the report. (*SUNS9120*)

Making Covid-19 innovations available and affordable

In a 15 May open letter to health funding body Unitaid, the World Health Organization (WHO) and its member states, 86 civil society groups from around the world voiced concerns over the lack of governance mechanisms and binding commitments to ensure equitable access to Covid-19 medical tools. The full text of the letter is reproduced below.

As initiatives, commitments, principles and resolutions for the research and development of new Covid-19 medical tools and health technologies take shape between member states, WHO and philanthropic institutions, we the undersigned, are writing to share our concerns and recommendations.

While there is great hope as new diagnostics, therapeutics and vaccines for Covid-19 make their way through the development process, there are growing concerns regarding how these will be made available and affordable for the people and vulnerable communities who need them most.

Funding and voluntary approaches for intellectual property licensing alone are not sufficient to guarantee that life-saving health technologies and medical tools will be delivered into the hands of health ministries, treatment providers and patients around the world.

This is apparent with Gilead's approach to remdesivir, which creates a disturbing precedent for the pharmaceutical industry on Covid-19 technologies and medicines. Even as publication of data is awaited on the safety and efficacy of the drug, Gilead has opted to pursue secret voluntary licences of its IP [intellectual property] and technology to specific manufacturers while excluding others despite the potential need to ramp up global production. There is no transparency or accountability with respect to its actions or the terms of the licence agreements, in particular how and whether they are aligned with global public health needs. The US corporation also recently announced that it was donating a significant portion of its entire supply of 1.5 million doses to the US government for distribution, with no further explanation on supply guarantee to the other countries. This means that if remdesivir is proven effective, most countries will have limited, delayed or no access to the medicine.

In these extraordinary times, this "business as usual" approach simply cannot be accepted. There needs to be oversight to ensure transparent allocation of existing limited resources based on public health needs and special protection for vulnerable countries, with increased production of Covid-19 medical tools including medicines and vaccines to achieve equitable access.

The Access to Covid-19 Tools Accelerator (ACT) was launched as an opportunity to address some of the challenges that have emerged with the management of supply and access to Covid-19 medical tools including new drugs like remdesivir. This will only be possible if the ACT is more than just a collection of global health agencies that seek to distribute funds and set out production timelines. Ensuring timely development and access to these medical technologies is fundamentally a political challenge that requires the agreement and backing of governments to work cooperatively to overcome long-standing barriers to equitable access.

Therefore, we would highlight the following commitments that must be made:

1. Leadership of Member States and the World Health Organization: While we understand that some Member States are engaged in the governance of the ACT, and that WHO has a role to play in the operation and management of the ACT, the decision to hand over control of the ACT to several global health funding agencies that are funded by only a few governments and primarily serve the needs of low-income countries, means that the ACT will not truly be a global mechanism. Only the proper oversight and management of the ACT, through agreement of Member States, and under the overall guidance of WHO, can ensure that it can act on behalf of all countries – low, middle and high income.

2. Concrete binding mechanisms with respect to equitable allocation: There must be more than just a commitment to equitable access. We note the first commitment of the ACT is "the shared aim of equitable global access to innovative tools for Covid-19 for all". However, there is no concrete mechanism that defines "equitable global access" and holds manufacturers and other stakeholders accountable to this commitment. Nor is there any clear plan on how equitable global access will be achieved.

3. Mandatory commitments for unhindered global sharing of intellectual property, technology and know-how and establishing platforms for open innovation and technology transfer: We also recognize the Accelerator's commitment to collaboration and solidarity but it is truly lacking in the ability for concrete action given the absence of clear mechanisms that guarantee the sharing of technology, know-how, data and intellectual property, needed to counter Covid-19 and ramp up global manufacture of needed medical products. We express concern with WHO's continued reliance on voluntary approaches at the detriment of commonly agreed on TRIPS flexibilities. Voluntary mechanisms are insufficient in these extraordinary times of dire global need. We also note that several of the global health agencies and foundations within the ACT are reluctant, unwilling or hostile to appropriately support the right of countries to use such flexibilities to address intellectual property barriers that undermine equitable and affordable access to health technologies.

4. Ensure transparency governance and oversight of the ACT: The original ACT was conceptualized through a closed-door process on the basis of a White Paper developed in part by the Gates Foundation. This paper has still not been published, thereby limiting any understanding of the basis for choices that have already been made, and what other approaches may have been considered as the ACT was developed. At present, while pharmaceutical companies have been integrated into the governance of the ACT, there has been no role or engagement of civil society in the development, oversight and operation of the ACT. These choices seem to have reversed the role of civil society and industry over the last two decades in ensuring innovation and access to medicines. We request full transparency of international policy making process and meaningful participation of civil society organizations in shaping global initiatives concerning access to Covid-19 medical tools.

As the multilateral response takes shape, these are concrete steps that governments and WHO need to take to ensure their good intentions turn into tangible medical tools in the hands of treatment providers and patients.

We look forward to hearing from you on how WHO and member states will address our concerns regarding the lack of governance mechanisms, binding commitments and transparency to ensure equitable and timely affordable access to critical health technologies and products for Covid-19 for people across the world.

The letter and list of its signatories is available at https://twn.my/announcement/Open%20Letter%20on%20CS%20concerns%20over%20lack%20of%20governance%20and%20binding%20commitments%20on%20IP%20in%20Covid%20response.pdf

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Covid-19 straw breaks free trade camel's back

While the coronavirus crisis has dealt a blow to international commerce, trade growth was already sluggish long before, notes *Jomo Kwame Sundaram*.

Economic growth is supposed to be the tide that lifts all boats. According to the conventional wisdom until recently, growth in China, India and East Asian countries took off thanks to opening up to international trade and investment. Such growth is said to have greatly reduced poverty despite growing inequality in both subcontinental economies and many other countries. Other developing countries have been urged to do the same, i.e., liberalize trade and attract foreign investments.

However, multilateral trade negotiations under World Trade Organization (WTO) auspices have gone nowhere since the late 1990s, even with the so-called Doha Development Round begun in 2001 as developing countries rallied to support the US after 9/11.

After the North continued to push their interests despite their ostensible commitment to a developmental outcome, the Obama administration was never interested in completing the Round, and undermined the WTO's functioning, e.g., its dispute settlement arrangements, even before Trump was elected.

To be sure, the Doha Round proposals were hardly "developmental" by any standards, with most developing countries barely benefiting, if not actually worse off following the measures envisaged, even according to World Bank and other studies.

GVC miracle?

According to the World Bank's annual flagship *World Development Report (WDR) 2020* on "Trading for Development in the Age of Global Value Chains", GVCs have been mainly responsible for the growth of international trade for two decades from the 1990s.

GVCs now account for almost half of all cross-border commerce due to "multiple counting", as products cross more borders than ever. Firms' creative bookkeeping may also overstate actual value added in some tax jurisdictions to minimize overall tax liability.

WDR 2020 claims that GVCs have thus accelerated economic development and even convergence between North and South as fast-growing poor countries have grown more rapidly, closing the economic gap with rich countries.

Automation, innovative management, e.g., "just-in-time" (JIT), outsourcing, offshoring and logistics have dramatically transformed production. Labour processes are subject to greater surveillance, while piecework at home means self-policing and use of unpaid household labour.

WDR 2020 presumes trends that no longer exist. Trade expansion has been sluggish for more than a decade, at least since the 2008 global financial crisis when the Group of 20 largest economies and others adopted protective measures in response.

GVC growth has slowed since, as economies of the North insisted on trade liberalization for the South while abandoning their own earlier commitments as the varied consequences of economic globalization fostered reactionary jingoist populist backlashes.

Meanwhile, new technologies involving mechanization, automation and other digital applications have further reduced overall demand for labour even as jobs were "offshored".

Trump-initiated trade policies and conflicts have pressured US and other transnational corporations to "onshore" jobs after decades of "offshoring".

Nonetheless, *WDR 2020* urges developing countries to bank on GVCs for growth and better jobs. Success of this strategy depends crucially on developed countries encouraging "offshoring", a policy hardly evident for well over a decade!

As the last World Bank chief economist, albeit for barely 15 months, Yale Professor Pinelopi Koujianou Goldberg recently agreed, "the world is ... retreating from globalization". "Protectionism is on the rise – industrialized countries are less open to imports from developing countries. In addition, there is by now a lot of competition."

The Covid-19 crisis has further encouraged "onshoring" and "chain shortening", especially for food, medical products and energy.

Although the Japanese and other governments have announced such policies, ostensibly for "national security" and other such reasons, Goldberg has nonetheless reiterated the case for GVCs in Covid-19's wake.

Trade does not lift all boats

After claiming that "economists have argued for centuries that trade is good for the economy as a whole", Goldberg has also noted that "trade generates winners and losers", with many losing out, and urges acknowledging "the evidence rather than trying to discredit it, as some do."

Following Samuelson and others, she recommends compensating those negatively affected by trade liberalization, claiming "sufficient gains generated by open trade that the winners can compensate the losers and still be better off" without indicating how this is to be done fairly.

Compensation and redistribution require transfers which are typically difficult to negotiate and deliver at low cost. Tellingly, like others, she makes no mention of international transfers, especially for fairly redistributing the unequal gains from trade among trading partners.

Interestingly, she also observes, "There are plenty of examples, especially in African countries, where wealth is concentrated in the hands of a few ... even when the tide rises, only very few boats rise. Growth doesn't trickle down and doesn't improve the lot of the poor."

After decades of World Bank promotion of the "East Asian miracle" for emulation by other developing countries, especially in Africa, Greek-born American Goldberg insists that what worked for growth and poverty reduction in China will not work in Africa today.

Echoing long-time Bank critics, she argues, "If trade with rich countries is no longer the engine of growth, it will be more important than ever to rely on domestic resources ... to generate growth that does trickle down and translates to

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poverty reduction."

As if supporting some contemporary pan-Africanists, she argues, "Africa needs to rely on itself more than ever. The idea that export-led industrialization as it happened in China or East Asia is going to lead growth in Africa becomes less and less plausible."

She argues that "the African market is a very large market with incredible potential. It has not been developed yet. So, regional integration might be one path forward. Rather than opting for global integration, which may be very hard to achieve these days when countries are retreating from multilateralism, it might be more feasible to push for regional trade agreements and create bigger regional markets for countries' goods and services."

While acknowledging that "we are still a very long way from there because most countries are averse to this idea – they see their neighbours as competitors rather than countries they can cooperate with" – Goldberg does not seem to recognize the historical role of the Bank and mainstream trade economists in promoting the "free trade illusion" and discrediting pan-Africanism. (*IPS*)

***Jomo Kwame Sundaram**, a former economics professor, was Assistant Director-General for Economic and Social Development at the UN Food and Agriculture Organization (FAO), and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

Another chance to transform the global food trade

The coronavirus crisis has laid bare the failings of the world food trade system – and presented an opportunity for change.

by Rhonda Ferguson

For the second time this century, the interdependence of the global food supply is in sharp focus. In the first instance, the economic crisis of 2008 created high food prices and pushed an additional 100 million people towards hunger.

For many, though, that crisis neither began nor ended in 2008. Now, amid the Covid-19 pandemic, the fragility of the globalized system of trade in food is apparent again.

In addition to conflict, climate change and impoverishment, Covid-19 threatens 265 million people with famine and billions with food insecurity.

Hunger was on the rise in 2019 before the pandemic began. Despite ongoing calls for change, trade organizations and top food-exporting countries have yet to acknowledge that the current global food trade system is ill-suited to respond to local needs in an increasingly volatile world.

In the years following 2008, Olivier De Schutter, the then-United Nations Special Rapporteur on the right to food, argued that food trade should be restructured around the idea of food as a right – not merely a commodity. He advocated returning decision-making power to communities, investing in agroecological practices for our health and environment, and moving away from a dependence on food imports.

In short, he argued in favour of transforming a system that was ineffective long before the price increases in 2008 were referred to as a crisis.

The same transformative opportunity is presented to us today.

Full Covid-19 impact still unknown

Encouraging predictable supplies and stable markets are the stated aims of the trade system. But markets are repeatedly destabilized when financial, energy or health challenges emerge.

While the full impact of the pandemic on food security is still unknown, it's likely to take different shapes around the world.

The logistical challenges of moving food around the world during the pandemic are exacerbated by the globalized nature of supply chains. Disruptions to planting and harvesting due to illness outbreaks have an impact on food supplies, and restrictions on the movement of migrant farm workers compound the issue as well as reduce worker incomes.

It's also clear that food availability is easily threatened in a trade system that encourages import dependence and export-oriented agriculture, but cannot *require* countries to export food.

For example, grain-exporting countries like Russia and Ukraine are restricting exports due to domestic supply concerns. These types of restrictions are detrimental to countries that depend on imported food.

Restrictions also lead to price shocks; even if there's enough food globally, it becomes inaccessible to many people. Even small price increases can push staple items out of reach. As in 2008, low-income people who spend large portions of their budgets putting food on the table are most affected.

Global South left out

In response to the 2008 price spikes, tools were created to improve market transparency and policy responses in crises. But few countries from the Global South developed or participate in them – and many do not have the capacity to respond to market changes even if information is available to them.

New concerns over animal-to-human virus transmission could also have serious implications in domestic and international trade settings. Countries have curbed access to wet markets where wild animals are sold for the purpose of consumption. But if zoonotic spillover concerns are used to erect new food safety barriers, they'll impact exporters in the Global South who are already disproportionately burdened by food safety standards set by the North.

It could also affect Indigenous peoples, who face challenges trading and sharing what is known as "country food" because of safety standards set by governments (and aligned with international standards). When food is produced, harvested and consumed locally, communities ensure culturally appropriate safety standards.

Community food security organizations propose policies and undertake activities that are already transforming local food systems. International food agencies are also responding to challenges exacerbated by the pandemic.

WTO opposed to local control over food

The multilateral trade focus has been on minimizing market disruptions, but fails to acknowledge that trade rules can impede local solutions. In fact, World Trade Organization leaders have actively opposed localized control over food systems; they have spoken against food sovereignty and self-sufficiency and failed to resolve disagreements over public stockholding, when developing countries purchase and stockpile food and distribute it to people in need. That's despite the WTO admissions that food security is a legitimate objective.

The joint statement by the World Health Organization, the United Nations Food and Agriculture Organization and the WTO in March was a minor departure from the otherwise siloed approach to food in trade discussions, where food is positioned as an agricultural commodity, distinct from health, labour and the environment.

Michael Fakhri, the newly appointed Special Rapporteur on the right to food, sees the pandemic as a "warning shot" and says trade must be restructured around food security as climate change intensifies.

Fakhri suggests that the right to food can be used as a tool for civil society to engage with trade institutions internationally.

Indeed, transforming trade so that it complements rather than displaces localized food systems is the key to recognizing and honouring the right to food for people all over the world.

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Housing as both prevention and cure

The Covid-19 pandemic has highlighted not only the importance of adequate shelter but also how the global housing system has fallen far short of realizing this basic right.

by Maimunah Mohd Sharif and Leilani Farha

Public health officials are calling the "stay home" policy the sacrifice of our generation. To flatten the curve of Covid-19 infections, this call of duty is now emblazoned on T-shirts, in street art and as a celebrity hashtag.

But for the 1.8 billion people around the world living in homelessness and inadequate shelter, an appeal to "stay home" as an act of public health solidarity is simply not possible.

Such a call serves to highlight stark and longstanding inequalities in the housing market. It underscores that the human right to shelter is a life-or-death matter.

Throughout this global pandemic, governments are relying on access to adequate housing to slow the viral spread through self-isolating or social distancing policies.

Yet, living conditions in poor or inadequate housing actually create a higher risk of infection, whether from overcrowding which inhibits physical distancing or a lack of proper sanitation that makes regular handwashing difficult.

At the most extreme, people experiencing homelessness must choose between sleeping rough or in shelters where physical distancing and adequate personal hygiene are almost impossible. Homeless populations and people living in inadequate housing often already suffer from chronic diseases and underlying conditions that make Covid-19 even more deadly.

It is now clear, housing is both prevention and cure – and a matter of life and death – in the face of Covid-19.

Governments must take steps to protect people who are the most vulnerable to the pandemic by providing adequate shelter where it is lacking and ensuring the housed do not become homeless because of the economic consequences of the pandemic.

These crucial measures include stopping all evictions, postponing eviction court proceedings, prohibiting utility shut-offs and ensuring renters and mortgage payers do not accrue insurmountable debt during lockdowns.

In addition, vacant housing and hotel rooms should be allocated to people experiencing homelessness or fleeing domestic violence.

Basic healthcare should be provided to people living in homelessness regardless of citizenship status, and cash transfers should be established for people in urgent need.

Steps should be quickly taken to establish emergency handwashing facilities and healthcare services for at-risk and under-served communities and informal settlements.

In many cities and countries, emergency measures are already moving in this direction.

Berlin opened a hostel to temporarily house up to 200 homeless people, catering to all nationalities. The Welsh government pledged GBP10 million to local councils for emergency homeless housing by block-booking empty lodging like hotels and student dormitories.

In South Africa, where under half of all households have access to basic handwashing facilities, and in Kenya, where it is under a quarter of households, governments are increasing access to water for residents living in rural areas and informal settlements by providing water tanks, standpipes, and sanitation services in public spaces.

Many jurisdictions, such as Canada's province of British Columbia, have suspended evictions. The eviction ban means landlords cannot issue a new notice to end a tenancy for any reason and existing orders will not be enforced.

Spain, France, the United Kingdom and the United States have announced mortgage postponements in an effort to curb potential defaults.

National and local governments are also working with the private sector to tackle housing issues. For example, Singaporean firms with government backing are providing accommodation for Malaysian workers who had been commuting to Singapore daily.

And as there are no tourists in Barcelona, the city has agreed with the Association of Barcelona Tourist Apartments to allocate 200 apartments for emergency housing for vulnerable families, homeless people and those affected by domestic violence.

Some cities are leveraging citizen solidarity. Residents of Los Angeles are making handwashing stations for homeless people living in a depressed area known as Skid Row which are installed and maintained by a local community centre.

All of these urgent measures and more are desperately needed and demonstrate the way in which housing is inherently connected to our collective public health.

These successful interventions also show concrete ways that governments and communities can effectively tackle the pre-existing global housing crisis – a crisis which affected at least 1.8 billion people worldwide, even before the pandemic.

In 2018, the European Federation of National Organizations Working with the Homeless reported that homelessness had skyrocketed across the continent.

In the United States, 500,000 people are currently homeless, 40% of whom are unsheltered.

In April last year, the Organization for Economic Cooperation and Development (OECD) warned that rent is currently the biggest expense for households, accounting on average for one-third of their income.

In the last two decades, housing prices have grown three times faster than incomes.

The current global housing system treats housing as a commodity. In times of crisis, the inefficiencies of the market are clear, with the public sector expected to absorb liabilities.

This is not sustainable and many cities are struggling to find shelter for their citizens. Covid-19 has brought into sharp relief the housing paradox – in a time when people are in desperate need for shelter, apartments and houses sit empty. This market aberration needs correcting.

Governments are at a crossroads. They can treat Covid-19 as an acute emergency and address immediate needs without grappling with hard questions and fundamental questions about the global housing system.

Or they can take legislative and policy decisions to address immediate needs, while also addressing the present housing system's structural inequalities, putting in place long-term "rights-based" solutions to address our collective right to adequate shelter. Housing must be affordable, accessible and adequate.

Covid-19 is unlikely to be the last pandemic or global crisis that we face. What we do now will shape the cities we live in, and how resilient we will be in the future. (*IPS*)

Maimunah Mohd Sharif *is United Nations Under-Secretary-General and Executive Director of UN-Habitat.* ***Leilani Farha*** *is a former UN Special Rapporteur on the Right to Adequate Housing, and Global Director of The Shift.*

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It's time for a solidarity tax

As cash-strapped governments struggle to mobilize the financial resources needed to tackle the Covid-19 crisis, the idea of a solidarity tax on the wealthy is steadily gaining impetus.

by Kavaljit Singh

In April, Peru's President Martin Vizcarra proposed a solidarity tax to mitigate the economic impact of the Covid-19 pandemic. The proposed tax would be temporarily imposed on wealthy and super-rich Peruvians earning more than $3,000 a month. The tax authorities are expected to raise 300 million soles ($88 million) per month in additional revenue from the levy.

Targeted at the wealthier sections of society whose livelihoods have been less disrupted by government-enforced lockdown restrictions, the proposed tax is inspired by the principle of solidarity. "It is important for those who have the most to show solidarity with those who have the least," said Vizcarra.[1] He is seeking permission from Congress to make fast-track changes in tax laws to implement the proposed solidarity tax on wealthier income brackets.

Peru was among the first in the region to impose nationwide restrictions on people's movement, starting 15 March. Despite more than 50 days under nationwide lockdown and considerable public support to "flatten the curve", the country has the second-highest number of confirmed cases and deaths in Latin America, next to Brazil. As of 11 May, there were more than 67,000 confirmed cases and 1,889 deaths from Covid-19 in Peru, out of a total population of 32 million.

A simple but potent idea

While exact details of the tax proposal are eagerly awaited, the idea behind the solidarity tax is straightforward but potent: affluent Peruvians should shoulder a larger share of the economic burden of addressing the Covid-19 pandemic and its economic fallout. The Vizcarra administration has launched a massive fiscal stimulus package worth $26 billion (equivalent to 12% of the country's gross domestic product) to support millions of jobless citizens and the mining sector affected by the Covid-19 lockdown. No other country in Latin America has enacted a fiscal stimulus equivalent to 12% of its GDP.

The proposed solidarity tax is a small step towards filling the massive fiscal holes created by the pandemic. Peru's fiscal deficit is likely to widen to 8% of GDP this year due to a fall in tax revenues and a sharp contraction in economic activity. In addition to the solidarity tax, Peru is also seeking an $11 billion loan from the International Monetary Fund (IMF) under a two-year Flexible Credit Line after successfully issuing $3 billion in US dollar-denominated bonds in international capital markets in mid-April. These myriad domestic and international resource mobilization initiatives are directed at raising additional funds for the battle against the pandemic.

In response to the pandemic, Colombia also introduced a three-month solidarity tax, which shall remain in force during May-July 2020, on public servants with a monthly salary of over 10 million pesos ($2,500).

Taxing the rich gaining traction

As Covid-19 has an unprecedented impact on people and economies across the world, policymakers, tax officials and other stakeholders in advanced and emerging economies are exploring new revenue-raising measures to fund public expenditures on relief and recovery programmes. These include fine-tuning the existing taxes as well as introducing new taxes (such as solidarity and wealth taxes) targeted at the super-rich and high earners.

Even prior to Covid-19, presidential hopefuls Senator Elizabeth Warren and Senator Bernie Sanders proposed wealth taxes to reduce income and wealth inequality in the US. By adding new momentum to such tax proposals, the Covid-19 pandemic has reignited policy and academic discussions on raising revenues through new wealth and inheritance taxes, financial transaction taxes, besides reforming the international tax regime.

In Latin America, the idea of a wealth tax is not new as Argentina, Colombia and Uruguay are already implementing such taxes at different rates. Brazil, Colombia and Argentina have implemented taxes on banking and financial transactions in the past. It is worth noting that growing interest in solidarity and wealth taxes is part of a broader framework of implementing progressive tax policies.

Understandably, some Latin American governments may be hesitant to implement solidarity and wealth taxes for ideological or political economy reasons. Nevertheless, solidarity and wealth taxes are increasingly gaining traction as the region's tax systems are currently biased towards indirect taxes and place a low tax burden on the rich, thereby increasing wealth concentration and income inequality.

As noted by Brenden O'Boyle, debates over new tax measures targeting the ultra-wealthy and high earners have begun in at least nine countries across the Latin American region since March.[2] In Brazil, Bolivia, Chile, Ecuador and Paraguay, such tax proposals have been put forward by opposition parties and candidates. It is too early to predict the outcome of these initiatives, but the exploratory work to estimate the tax potential has already begun.

In the midst of the current crisis, one should not be surprised if some governments introduce higher taxes on the rich in the form of a solidarity tax or a wealth tax as they are struggling with a "scissors effect" of decreasing tax revenues due to the sudden stop in economic activity and rising expenditure due to the higher demand for health, social protection and welfare services.

The fiscal response to Covid-19

Although fiscal stimulus measures vary in size and design across countries, their overarching goal is to provide temporary support to households and businesses most affected by the pandemic. Unlike developed economies that enacted swift and sizeable fiscal support measures in response to the pandemic, only a few emerging market and developing economies (EMDEs) announced large fiscal stimulus packages. High public debt, coupled with the tightening of global financial conditions, constrains the space for fiscal stimulus in many EMDEs. Also, one cannot overlook the fact that the pandemic erupted at a time when many EMDEs were already facing severe financial stress.

Nevertheless, the Covid-19 crisis would widen the fiscal deficit in all major EMDEs. The increased government spending and fall in tax revenues would inevitably push deficits to record levels. There can hardly be any country in the world that would not run a higher fiscal deficit this year. The fiscal deficits in major advanced and emerging economies would be much wider than witnessed in the aftermath of the 2008 global financial crisis.

In the present scenario, any attempt to cut back government expenditure to rein in the fiscal deficit would undermine economic recovery efforts. To support vulnerable households and businesses, governments need to explore new and innovative ways to mobilize additional financial resources that can provide governments with increased means for addressing the economic impact of the pandemic. Given the gravity of the current crisis, solidarity and wealth taxes could be viable financing tools to quickly mobilize revenues for additional public spending for Covid-19 relief and recovery measures.

The underlying rationale

There are several justifications for the adoption of solidarity and wealth taxes to mitigate the economic shocks of Covid-19, some of which are summarized below:

Firstly, tax revenues are expected to remain subdued over the next two years due to a slowdown in economic activity. In particular, the loss in tax revenues would be severe for those EMDEs that depend significantly on commodities and natural resources for government and export revenues. The fall in tax revenues would also be substantial in economies that rely heavily on trade and tourism or serve as a part of global value chains. A steep drop in consumption would decrease consumption tax revenues, which are the most critical source of government revenue for many EMDEs.

Secondly, increased expenditure for healthcare and social spending would require substantial increases in financial resources. In the wake of Covid-19, governments across the world are enhancing spending on public health, social protection and economic relief programmes. As a result, their fiscal positions are under considerable pressure, particularly in EMDEs that generally have weak health infrastructure and lack social safety nets to protect the poor.

Thirdly, it is clear that economic recovery would be mostly dependent on the effectiveness of public health and economic responses. Economies that would adopt strong stimulus and enforce social distancing policies would recover quickly from the Covid-19-induced recession.

Fourthly, although the political fallout of the pandemic remains to be seen, the rise in hunger, unemployment and poverty would fuel widespread protests and civil unrest in many poor and developing countries. Even before the Covid-19 outbreak, large-scale public demonstrations in Chile, Colombia and Ecuador had demanded better social safety nets and public services. The International Labour Organization (ILO) has recently estimated that the Covid-19 outbreak and resulting lockdowns threaten the livelihoods of 1.6 billion workers in the informal economy – nearly half of the global workforce.[3] To avoid potential political risks arising from Covid-19, the incumbent governments need to mobilize resources to provide basic means of survival to the poor and vulnerable populations.

Fifthly, taxes on wealth, estate and inheritance are the most effective policy tools to reduce inequalities. Specifically targeted only at the super-wealthy, such taxes redistribute wealth in addition to raising revenue for public spending.

Lastly, there are historical precedents for taxing the rich at higher rates in times of wars, natural disasters and epidemics. Covid-19 is a once-in-a-lifetime epidemic and poses an existential threat to humanity.

No silver bullets

While supporting the idea of solidarity and wealth taxes, we are not suggesting that these taxes alone would mobilize the trillions of dollars needed to address the humanitarian and economic impacts of the Covid-19 pandemic.

There is no one-size-fits-all solution. The design and implementation of solidarity and wealth taxes should reflect country-specific economic and institutional circumstances. The tax authorities should design these taxes in a manner that maximizes revenue and minimizes the scope for evasion. Admittedly, the scope for tax evasion is far greater in Peru, Brazil and other Latin American countries where the super-wealthy park the bulk of their wealth abroad.

If carefully designed and used in conjunction with other taxes, solidarity and wealth taxes could mobilize substantial resources to tackle the Covid-19 pandemic.

Apart from taxes, EMDEs could also use other sources to finance public expenditures to combat the pandemic. These include borrowings from multilateral financial institutions such as the IMF and World Bank (provided fiscal tightening measures are not imposed), issuing sovereign bonds in domestic and international capital markets (albeit at higher costs due to rising spreads), and monetary financing (or “printing money”).

EMDE governments can choose an appropriate funding mix, but the fact remains that direct taxes can raise revenues fairly and efficiently to not only meet Covid-19-related costs but also finance equitable and sustainable development over the long term.

Overhauling the tax system

The unprecedented nature of Covid-19 offers a window of opportunity to make tax systems more progressive at both national and international levels.

At the national level, governments should promote greater policy coherence and inter-sectoral coordination. The domestic tax policy should not be viewed in isolation from health, social care, trade, financial and monetary policies. Instead, tax policy should be closely aligned with a comprehensive development strategy aimed at achieving inclusive growth and sustainable development.

At the international level, taxation policy should be an integral part of a comprehensive policy response consisting of health, debt relief, aid, trade and investment policies geared towards faster economic recovery from the Covid-19 crisis.

International cooperation is also essential to ensure that tax disputes do not escalate into trade wars. In a post-crisis world, the growing demands for implementing measures to ensure that multinational enterprises pay a minimum level of tax cannot be ignored. The time is ripe for taxing the digital economy.

On the corporate tax avoidance front, international initiatives such as the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project are underway, but they fall short of an inclusive multilateral approach to address weaknesses in the current global corporate tax regime.

To conclude, exceptional times call for exceptional measures. Covid-19 has dramatically changed the way people live and work. The post-Covid-19 world would be completely different from the pre-Covid-19 world.

As the world prepares to adjust to a "new normal", policymakers need to deploy every financial tool at their disposal to the fullest to recover quickly and strongly from the Covid-19 crisis. Policymakers need to be reminded that the post-Covid-19 economic recovery should be green and inclusive. A green and inclusive recovery is not only desirable but also necessary for building an inclusive, sustainable and resilient future.

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Notes

1. Quoted in John Quigley, "Peru Plans 'Solidarity' Tax Measures as Virus Spending Grows", Bloomberg News, 24 April 2020. Available at: https://news.bloombergtax.com/daily-tax-report-international/peru-plans-solidarity-tax-measures-as-virus-spending-grows-1

2. Brenden O'Boyle, "Latin America's Plans to Tax the Rich", *Americas Quarterly*, 7 May 2020. Available at: https://www.americasquarterly.org/article/latin-americas-plans-to-tax-the-rich/

3. International Labour Organization, "As job losses escalate, nearly half of global workforce at risk of losing livelihoods", press release, 29 April 2020. Available at: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_743036/lang--en/index.htm