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COVID-19 taking toll on education and youths

Two recent reports highlight the far-reaching impacts of the coronavirus pandemic on education and the world's youth. The outbreak has not only triggered what the UN calls "the largest disruption of education systems in history" but is also, according to the International Labour Organization, costing young people their jobs and employment prospects on a damaging scale.

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ECONOMICS
Trends & Analysis

131 Jalan Macalister
10400 Penang, Malaysia
Tel: (60-4) 2266728/2266159
Fax: (60-4) 2264505
Email: twn@twnetwork.org
Website: https://twn.my

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Editor: Chakravarthi Raghavan

Editorial Assistants: Lean Ka-Min, T. Rajamoorthy, Chee Yoke Heong

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Nearly 1.6 billion learners affected by COVID-19

The coronavirus pandemic has led to "the largest disruption of education systems in history", widening pre-existing learning inequalities and threatening a "generational catastrophe", says the United Nations.

by Kanaga Raja

GENEVA: The COVID-19 pandemic has created "the largest disruption of education systems in history", affecting nearly 1.6 billion learners in more than 190 countries, according to a United Nations report.

According to a Policy Brief by the UN Secretary-General on education during COVID-19 and beyond, closures of schools and other learning spaces have impacted 94% of the world's student population, and up to 99% in low- and lower-middle-income countries.

The UN report, released in August, said that the crisis is exacerbating pre-existing education disparities by reducing the opportunities for many of the most vulnerable children, youth and adults – those living in poor or rural areas, girls, refugees, persons with disabilities and forcibly displaced persons – to continue their learning.

"Learning losses also threaten to extend beyond this generation and erase decades of progress, not least in support of girls and young women's educational access and retention," it added.

Some 23.8 million additional children and youth (from pre-primary to tertiary) may drop out or not have access to school next year due to the pandemic's economic impact alone, said the report.

Similarly, the education disruption has had, and will continue to have, substantial effects beyond education. "Closures of educational institutions hamper the provision of essential services to children and communities, including access to nutritious food, affect the ability of many parents to work, and increase risks of violence against women and girls."

On the other hand, this crisis has stimulated innovation within the education sector, said the report. "We have seen innovative approaches in support of education and training continuity: from radio and television to take-home packages," said the UN Secretary-General.

Distance learning solutions were developed thanks to quick responses by governments and partners all over the world supporting education continuity, including the Global Education Coalition convened by the UN Educational, Scientific and Cultural Organization (UNESCO).

Daunting challenge

Before the pandemic, the world was already facing formidable challenges in fulfilling the promise of education as a basic human right, the report noted.

Despite the near-universal enrolment at early grades in most countries, an extraordinary number of children – more than 250 million – were out of school, and nearly 800 million adults were illiterate. Moreover, even for those in school, learning was far from guaranteed. Some 387 million or 56% of primary school age children worldwide were estimated to lack basic reading skills.

From a financing point of view, the challenge was already daunting before COVID-19, the report said, with the early 2020 estimate of the financing gap to reach Sustainable Development Goal (SDG) 4 – quality education – in low- and lower-middle-income countries amounting to a staggering $148 billion annually. It is estimated that the COVID-19 crisis will increase this financing gap by up to one-third, it added.

"The COVID-19 pandemic has caused the largest disruption of education in history, having already had a near universal impact on learners and teachers around the world, from pre-primary to secondary schools, technical and vocational education and training (TVET) institutions, universities, adult learning, and skills development establishments."

By mid-April 2020, 94% of learners worldwide were affected by the pandemic, representing 1.58 billion children and youth, from pre-primary to higher

education, in 200 countries.

The ability to respond to school closures changes dramatically with level of development, said the report. For instance, it noted, during the second quarter of 2020, 86% of children in primary education have been effectively out of school in countries with low human development – compared with just 20% in countries with very high human development.

In Africa, particularly in the Sahel region, nationwide school closures due to COVID-19 came at a time when a very large number of schools had already been closed for several months because of severe insecurity, strikes or climatic hazards.

COVID-19 is worsening the situation of education in sub-Saharan Africa where, prior to the pandemic, 47% of the world's 258 million out-of-school children live (30% due to conflict and emergency).

Disproportionate impact

According to the report, in the most fragile education systems, this interruption of the school year will have a disproportionately negative impact on the most vulnerable pupils, those for whom the conditions for ensuring continuity of learning at home are limited. "Their presence at home can also complicate the economic situation of parents, who must find solutions to provide care or compensate for the loss of school meals." There is growing concern that if these learners are not properly supported, they may never return to school.

"This would further exacerbate pre-existing disparities, and risk reversing progress on SDG 4 as well as other SDGs, as well as aggravating the already existing learning crisis and eroding the social and economic resilience of refugees and displaced persons," the report cautioned.

The disruptions caused by COVID-19 to everyday life meant that as many as 40 million children worldwide have missed out on early childhood education in their critical pre-school year. "They thus missed a stimulating and enriching environment, learning opportunities, social interaction and in some cases adequate nutrition."

In TVET systems, vulnerabilities including low levels of digitalization and longstanding structural weaknesses have been brought to light by the crisis. Disruptions in workplaces made it difficult to implement apprenticeship schemes and work-based learning modes, key elements of a functional and market-responsive technical and vocational system.

In the higher education sub-sector, while online learning has generally taken place through recorded lectures and online platforms, some universities have postponed learning and teaching until further notice, due to the lack of information technology (IT) infrastructure for both students and teachers, the report noted.

"An estimated 40% of the poorest countries failed to support learners at risk during the COVID-19 crisis, and past experiences show that both education and gender inequalities tend to be neglected in responses to disease outbreaks."

Domestic chores, especially for girls, and the work required to run households or farms, can also prevent children from getting sufficient learning time, said the report.

The most vulnerable learners are also among those who have poor digital skills and the least access to hardware and connectivity required for distance learning solutions implemented during school closures.

In half of 21 European countries examined, Grade 4 pupils from lower socio-economic backgrounds were half as likely to have access to the Internet as their more advantaged peers. In seven low-income countries, less than 10% of the poorest households have electricity.

Many learners in developing countries, especially the youngest and minority groups, are not fluent in the language of instruction, said the report. Even when they could access content that they could understand, living conditions, economic stress and low education levels of parents, including digital skills, meant that many children did not benefit from the stable environment and the learning support needed to adapt to these new modes of instruction.

In most European countries, children from lower socio-economic backgrounds are more likely to lack reading opportunities, a quiet room and parental support during school closure.

In low-income and upper-middle-income countries alike, children in the poorest households receive significantly less help with their homework.

The learning loss, in the short and long term, is expected to be great. Researchers in Canada estimate that the socio-economic skills gap could increase by more than 30% due to the pandemic, said the report.

According to the report, the World Bank identifies three possible scenarios for the loss of learning: a reduction in average learning levels for all students, a widening of the distribution of learning achievements due to highly unequal effects of the crisis on various populations, or a significant increase of students with very low level of achievement due in part to massive dropouts. This suggests that 25% more students may fall below a baseline level of proficiency needed to participate effectively and productively in society, and in future learning, as a result of the school closures only, it said.

In the foundational years of education, the impact might be the strongest, the report emphasized. Simulations on developing countries participating in the Programme for International Student Assessment (PISA) suggest that without remediation, a loss of learning by one-third (equivalent to a three-month school closure) during Grade 3 might result in 72% of students falling so far behind that by Grade 10 they will have dropped out or will not be able to learn anything in school. The economic loss might reach $16,000 of lost earnings over a student's lifetime, translating over time into $10 trillion of lost earnings globally, said the report.

In addition to the learning loss, the economic impact on households is likely to widen the inequities in education achievement. Should millions be pushed into severe poverty, empirical evidence shows that children from households in the poorest quintiles are significantly less likely to complete primary and lower secondary education than those in the richest quintile. This divide can be greater than 50 percentage points in many sub-Saharan countries, as well as in Haiti, Jordan, Nepal and Pakistan.

UNESCO estimates that 23.8 million additional children and youth (from pre-primary to tertiary) may drop out or not have access to school next year due to the pandemic's economic impact alone. The total number of children not returning to their education after the school closures is likely to be even greater.

With the combined effect of the pandemic's worldwide economic impact and the school closures, the learning crisis could turn into a generational catastrophe, said the report.

Closures of schools and other educational institutions are also hampering the provision of essential

services to children and communities, it noted.

The loss of school meals and other health and nutrition services in the first months of the pandemic affected 370 million children in 195 countries, increasing hunger and nutritional deficiencies for the most disadvantaged. Some countries, however, have been able to adapt and maintain school feeding programmes.

According to the report, as with previous pandemics, COVID-19 has shown that education institution closures represent an increased risk for women and girls, as they are more vulnerable to multiple types of abuse, such as domestic violence, transactional sex, and early and forced marriages.

The closures have also affected the ability of many parents to work. A significant share of working parents rely on childcare and schools. In countries such as France, Germany, Italy, the UK and the US, 60% of parents have been unable to find alternative solutions for schools and daycare centres.

A recent study highlights that women are bearing the greater share of additional time spent on childcare and household tasks. Coupled with the present economic disruption, this will likely contribute to higher earning gaps, thus widening gender inequality.

Furthermore, studies project that working-hour losses will represent up to 400 million full-time jobs.

Government responses

As the health crisis unfolded, causing massive socio-economic disruptions, education systems around the world were swift to react and adapt, the report noted. Governments responded quickly to ensure education continuity and protect the safety of learners and education actors by closing schools and other learning spaces. However, the unequal provision of learning modalities during closures will likely create inequities in the longer term, said the report.

Ensuring learning continuity during the time of school closures became a priority for governments the world over, many of which turned to information and communication technology (ICT), requiring teachers to move to online delivery of lessons.

In areas with limited connectivity, governments have used more traditional distance learning modalities, often a mix of educational television and radio programming, and the distribution of print materials.

According to the report, relatively few countries are monitoring the effective reach and use of distance learning modalities. However, estimates indicate variable coverage: distance learning in high-income countries covers about 80-85%, while this drops to less than 50% in low-income countries.

This shortfall can largely be attributed to the digital divide, with the disadvantaged having limited access to basic household services such as electricity; a lack of technology infrastructure; and low levels of digital literacy among students, parents and teachers, said the report.

More than 70 countries have adapted their school feeding programmes to continue supporting children during school closures. Nearly 50 countries are providing take-home rations to children and their families in various forms, including through daily meal delivery and pre-packaged monthly rations. Twenty-two countries have opted to replace the meals with vouchers or cash that families can use to buy food or other essential items. Some 6.9 million learners in 45 low-income countries have been reached since the onset of the crisis with take-home rations by governments with the support of the UN system, said the report.

As countries began to see a "flattening of the curve" of new cases of COVID-19 among their population, many governments began to loosen restrictions in an effort to stabilize their economies, including through the reopening of schools, while others have been more cautious and maintained closures, fearing a "second wave". As of mid-July 2020, over one billion learners were still affected, representing 61% of the world's total enrolment. Some countries have opened schools and colleges, only to close them again after a resurgence of the virus.

Successive closures and reopenings are likely to continue, as the virus continues to circulate globally. Several countries are planning to implement a "hybrid" or blended model of education provision, the report noted. Meanwhile, other countries are significantly reducing class sizes or providing lessons outside, and in many countries, institutions require that almost all students and their teachers wear masks.

The COVID-19 crisis and the unparalleled education disruption is far from over, said the report. "As many as 100 countries have yet to announce a date for schools to reopen and across the world, governments, unions, parents and children are grappling with when and how to approach the next phase."

Preventing a learning crisis from becoming a generational catastrophe requires urgent action from all, said the report.

"Education is not only a fundamental human right. It is an enabling right with direct impact on the realization of all other human rights." It is a global common good and a primary driver of progress across all 17 Sustainable Development Goals as a bedrock of just, equal and inclusive peaceful societies. When education systems collapse, peaceful, prosperous and productive societies cannot be sustained, the report concluded. *(SUNS9178)*

COVID-19 having a devastating effect on youth

Besides affecting their education, the pandemic is also putting young people out of work and damaging their employment prospects, according to a report by the International Labour Organization.

by Kanaga Raja

GENEVA: Over 70% of young people who were either studying or combining study and work before the onset of the COVID-19 pandemic experienced school closures, and not all were able to transition into online and distance learning, the International Labour Organization (ILO) has said.

In a report on youth and COVID-19, the ILO said that COVID-19 has left one in eight young people (13%) without any access to courses, teaching or training.

The situation is particularly acute among youth in lower-income countries and one that serves to underline the sharp digital divides that exist between regions, it added.

Despite the best efforts of schools and training institutions to provide continuity through online delivery, 65% of young people reported having learnt less since the pandemic began, 51% believe their education will be delayed, and 9% feared their education would suffer and might even fail.

"The pandemic is inflicting multiple shocks on young people. It is not only destroying their jobs and employment prospects, but also disrupting their education and training and having serious impacts on their mental well-being. We cannot let this happen," said ILO Director-General Guy Ryder.

The ILO report, which was released in August, is based on findings from the Global Survey on Youth and COVID-19 conducted between April and May. The survey was aimed at capturing the immediate effects of the pandemic on the lives of young people (aged 18-29) with regard to employment, education, mental well-being, rights and social activism. Over 12,000 responses were received from 112 countries, with a large proportion coming from educated youth and those with Internet access.

The ILO study found the impact of the pandemic on young people to be systematic, deep and disproportionate. "It has been particularly hard on young women, younger youth and youth in lower-income countries. Young people are concerned about the future and their place within it," it said.

Employment obstacles

According to the study, young people aged 15-24 were around three times more likely to be unemployed than those aged 25 and over.

The COVID-19 crisis is expected to create more obstacles for young people in the labour market, it said.

For job seekers, a lack of vacancies is expected to lead to longer school-to-work transitions, while young workers risk losing their jobs amid the current wave of layoffs and the collapse of businesses and start-ups.

Prior to the COVID-19 outbreak, globally, 178 million youth were employed in the sectors hit hardest by the crisis, such as accommodation and food services, wholesale and retail trade, manufacturing, real estate and other business activities.

The ILO study found that almost one-quarter (23.1%) of respondents aged 18-24 who worked before the COVID-19 outbreak had stopped working, compared with 13% among older youth (aged 25-29) and 10.6% in the 30-34 age cohort.

Furthermore, youth (aged 18-29) were more prone to losing their jobs than those aged 30-34. A closer examination shows that 40% of those aged 18-29 who had stopped working gave job losses as the reason, compared with 29% among those aged 30-34.

Most of the job losses among youth resulted from businesses ceasing to operate or else youth being laid off, said the ILO. A majority of the young people surveyed (54.0%) who had lost their job since the onset of the pandemic gave as the reason either the business they worked for closing down or being let go. A further one-third (32.4%) indicated that a temporary job had ended, while only a small minority resigned (8.4%) or gave "moving places" (5.0%) as a reason for job loss.

The ILO also said that young workers in clerical support, services, sales, and crafts and related trades were more likely to have stopped working. Over one in four workers (27%) in these occupations – which are associated with lower levels of formal education – had stopped working, compared with only 7% in management positions, 15% in the professional category and 14% of those in the technical and associate professional occupational categories.

"Lockdowns and social distancing measures may explain the higher incidence of work halts among workers in occupations where tasks may demand frequent customer contact (i.e. sales) or the performing of subsidiary or support services reliant on a business remaining open," said the ILO.

The ILO study found that young workers in employment before the onset of the COVID-19 pandemic reported on average a 23% reduction in working hours, which meant a lower income for two in five (42%) of young workers.

Income losses are concentrated among those with either a partial or full decline in working hours to zero. Four in five (78%) of those reporting a full decline saw a decrease in their income. A majority (52%) of young workers who saw a partial reduction in their hours also reported a fall in income.

For slightly under one-third of youth (29%), their working hours remained the same; nonetheless, one-quarter still reported their income was lower than before the onset of the pandemic. With greatly diminished revenues, some businesses may have been driven towards reducing pay for the same number of working hours, said the ILO.

Three in five (61%) young workers reported a self-assessed decline in work-related productivity since the onset of the pandemic. Such a reduction in productivity was more prevalent among young women (64%) than among young men (59%).

Young workers employed in the private sector in support services and sales-related occupations appear the most vulnerable, the ILO reported. Three in five young private sector workers (61%) in these occupations reported a reduction in working hours, compared with around two in five workers in these occupations in the public sector (43%). Most strikingly, 64% of those working for a private sector employer in these occupations reported a reduction in income, compared with 23% in the public sector. "These differential impacts on private sector workers may again be linked to business shutdowns or temporary closure," said the ILO.

It also reported that reductions in hours worked, income and self-assessed productivity are highest in low-income and lower-middle-income countries. Two in three (67%) workers in low-income countries reported a partial or full decline in working hours, compared with 54% in lower-middle-income countries and 46% in high-income ones. Likewise, the proportion of young workers reporting a reduction in income and productivity was highest for low- and middle-income countries.

According to the ILO, the findings also show that among survey respondents, young men were more affected by stopping working, reductions to working hours and income losses, whereas young women were more likely to report lower self-assessed productivity.

Nearly three-quarters (72%) of young workers reported working either partly or fully from home since the onset of the pandemic. For those in managerial (82%),

professional (77%) and technical (78%) occupations, it is more common to work fully or partly from home than is the case for support, sales and other workers, of whom slightly over one-half (54%) had adopted this practice, said the ILO.

Fewer youth with a private sector employer reported working from home (68%) than those employed in the public sector (77%). The share for those working fully or partly from home is higher among young women (75%) than among young men (68%).

The study also found that 29% of the young people who had stopped working benefited from some form of government response to the crisis, compared with 43% of those who remained in employment and worked at least one hour per day.

Working youth received significantly higher levels of employee (26%) and company support measures (14%) and similar levels of income support. In fact, employee and income support measures were often conditional on being employed, for instance, through a coverage/wage subsidy for reduced working hours, said the ILO.

Youth education and training

According to the study, the closure of schools, universities and training centres affected over 73% of the youth surveyed who were in education or training.

The effect of this was felt slightly more by those who were studying only (74%), compared with those studying and working at the same time (69%).

In total, since the onset of the pandemic, four in five young students surveyed (79%) had their study or training interrupted.

Nearly one in eight (13%) young people saw their education and training come to a complete stop, with no courses, teaching or tests set since the pandemic began.

However, this overall finding has considerable regional differences: 44% of young students in low-income countries, 20% in lower-middle-income countries and 4% in high-income countries reported not having received any courses.

This points to reduced opportunities for the growth and development of youth and an increased risk of having school dropouts, particularly in lower-income countries, where some students, especially young women, may be unable to return to school due to a contraction in household income and the need to sustain a livelihood, said the ILO.

The ILO also said the transition to online and distance learning appears more widespread among youth in high-income countries, highlighting the large "digital divides" between regions.

Around the globe, education and training institutions closed their doors to students due to the pandemic and switched to delivering alternative learning opportunities. A majority of young people adopted such alternative learning methods after the COVID-19 outbreak. These included video-lectures given by teachers and trainers (57%), online testing (43%) and assignments to be completed at home (36%). Notably, 65% of youth in high-income countries were taught classes via video-lecture, compared with 55% in middle-income and 18% in low-income countries.

Nearly one in eight young people saw their education and training come to a complete stop.

The study found that despite efforts to ensure continuity in education and training services, 65% of young people reported having learnt less since the onset of the pandemic. With minor differences across country income level, 31% of youth reported having learnt significantly less and 35% slightly less.

Young women's perception of diminished learning was more acute than young men's (67% versus 63%, respectively). Students whose schools had been closed reported a higher rate (70%) of having learnt less, but even among the minority of students for whom schools continued to operate, almost one in two (48%) registered an impact on learning.

"This underscores the widespread disruption to learning caused by the pandemic," the ILO said.

Even when, to some extent, institutions managed to transition to distance delivery, teachers, trainers and students may not have been adequately equipped to ensure continuity in learning, it added. According to the ILO, factors hampering the effectiveness of online learning may include: (i) low levels of Internet access; (ii) insufficient digital (and other relevant) skills to learn and teach remotely; (iii) lack of IT equipment at home; (iv) lack of space; (v) lack of ready materials for remote teaching; and (vi) the absence of group work and social contact, both key components of the learning process.

According to the study, students' perceptions of their future career prospects are bleak, with 40% facing the future with uncertainty and 14% with fear. They reported high levels of possible anxiety or depression, which could be related to the closure of schools and learning institutions depriving young people of social contact.

Yet young people haven't given up, said the ILO – about half have sought out new learning opportunities despite the crisis and school closures. Forty-four percent of the young people surveyed had pursued new training courses since the start of the pandemic, with a greater incidence among those who had completed tertiary education (53%).

While most young people enrolled in courses to advance job-specific or technical skills (54%), young people reported being interested in a variety of different training offers, from foreign languages, ICT and communication skills to problem solving and teamwork.

Family stress, social isolation, risk of domestic abuse, disrupted education and uncertainty about the future are some of the channels through which COVID-19 has impacted the emotional development of children and youth, said the ILO.

The survey found that, globally, 1 in 2 (50%) young people aged 18-29 are possibly subject to anxiety or depression, while a further 17% are probably affected by it.

Urgent, large-scale and targeted employment policy responses are needed to protect a whole generation of young people from having their employment prospects permanently scarred by the crisis, said the ILO.

These include the protection of young people's human rights; employment and training guarantee programmes; social protection and unemployment insurance benefits for youth; greater efforts to boost the quality and delivery of online and distance learning; and stronger complementarities with mental health services, psycho-social support and sports activities.

"Only by working together, with and for youth, can we prevent the COVID-19 crisis from having not only a negative but a potentially long-lasting impact on young people's lives," said the ILO. *(SUNS9179)*

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South voices concerns over "vaccine nationalism" amid COVID-19

The coronavirus pandemic has underlined the urgency of overcoming barriers intellectual property rights pose to the availability of key medical products, including vaccines. These concerns were aired by developing countries in recent discussions at a WTO body dealing with intellectual property issues.

by D. Ravi Kanth

GENEVA: Several developing countries have expressed serious concerns at the World Trade Organization about rising "vaccine nationalism" and attempts to restrict affordable access to vaccines and therapeutics for combating the COVID-19 pandemic.

A meeting of the WTO's Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) that ended on 3 August witnessed sharp discussions on intellectual property (IP) measures in the context of COVID-19, among other issues.

With emerging IP disputes that could hinder development and production of COVID-19 vaccines, South Africa expressed concern that "the rush by developed countries to sign deals to gain preferential access to vaccines" will leave many countries behind.

"Vaccine nationalism may address short-term political demands of a country but drastically falls short of what is required to contain this pandemic," said a South African delegate at the TRIPS Council meeting.

"World leaders from the North and South have referred to vaccine as a global public good that should be fairly and equitably available globally, leaving no one behind," South Africa said, emphasizing that "now is the time to put it into action."

South Africa pointed out that "beyond access to pharmaceuticals and biosimilars, the effects of patents have also hindered the introduction of affordable vaccines in developing countries, with the focus on pneumococcal conjugate vaccines (PCV) and human papillomavirus vaccine (HPV)."

South Africa suggested that "the patents increase uncertainty, costs and delays in competition, resulting in high prices for low- and middle-income countries."

"The challenge before us," said South Africa, "is to produce an effective vaccine to meet the needs of the world population of 7.8 billion in as short a time frame as possible."

It will require "the sharing of knowledge and technology of successful vaccines so that the widest distribution at lowest cost can be achieved," South Africa stressed.

[Separately, World Health Organization (WHO) Director-General Tedros Adhanom Ghebreyesus warned on 6 August against "vaccine nationalism", saying that it "is not good, it will not help us." During his interaction with the US-based Aspen Security Forum, the WHO chief argued that "for the world to recover faster, it has to recover together, because it's a globalized world: the economies are intertwined. Part of the world or a few countries cannot be a safe haven and recover."]

At the TRIPS Council meeting, South Africa emphasized that "curbing the pandemic and limiting the social and economic fallout is dependent on an unprecedented timely rollout of sufficient quantities of medical supplies to all countries in need including masks, personal protective equipment, ventilators, diagnostic kits as well as therapeutics and vaccines as they are identified."

It requires "global solidarity to transfer technology and massively scale up manufacturing globally," South Africa suggested, noting that "there are vast shortages of medical products within a country as well as between developed and developing countries."

Moreover, with possible second waves of the coronavirus, "countries must take measures to ensure that they are able to restock medical products that will be needed to fight the virus," South Africa said.

WHO has estimated that around 500 million tests are needed during the next 12 months in low- and middle-income countries.

"Testing, if deployed in a timely way, could contribute to saving at least 9 million lives and avert at least 1.5 billion COVID-19 infections," South Africa said. There is an urgent need to develop new rapid diagnostic tests that are reliable and affordable, it added.

South Africa underlined that "the challenge of intellectual property is most apparent in the area of therapeutics."

Commenting on Gilead Sciences, the pharmaceutical company that developed the drug remdesivir, South Africa said that "Gilead has entered into nine licensing agreements with generic manufacturers from three countries for the supply to 127 countries."

"These limited, non-transparent exclusive licences seem to be an attempt to contain competition by creating an oligopoly and generic manufacturers globally that can contribute to expanding global supply have been excluded," South Africa said.

It cautioned that "the lack of transparency and accountability in the present dire times is extremely worrying and dangerous."

"It is an indicator of the IP and access challenges ahead of us, that the WTO Members need to address effectively and swiftly," South Africa emphasized.

In its intervention during the discussion on COVID-19 at the TRIPS Council, India noted that "while the disease has no preventive vaccines at the moment, more than 100 candidate vaccines are in various stages of development" and "similarly, many medicines are being tried for treating this disease."

"Though a safe and effective vaccine may still be a few months away, countries are already competing to lock in assured access, which may drive up the prices and crowd out others who may find it difficult to access it at affordable prices," India warned.

India called on WTO member states to work together in the TRIPS Council to "ensure that IP rights do not block access to critical technology required for rapid scaling up and augmenting the manufacturing capacity for such medicines, vaccines and other goods."

The African, Caribbean and Pacific (ACP) Group of countries called for holding a workshop to discuss IP-related challenges with respect to access and to

explore approaches to deal with COVID-19 in the context of IP rights. This call was supported by South Africa, India and several other countries.

Overcoming IP barriers

South Africa said the WTO should be cognizant of IP obstacles across essential medical products needed to contain the pandemic and take urgent steps to address these barriers in a comprehensive manner. The time has come, it said, for taking a fresh look at the WTO's TRIPS Agreement, which provides a number of flexibilities that may be utilized by member states to overcome IP obstacles.

"In anticipation of such barriers," said South Africa, "some WTO members have undertaken urgent changes to national patent legislation to make it easier to issue compulsory licences." However, it added, there are a number of challenges, including:

- IP barriers go beyond patents, and flexibilities to address other forms of intellectual property such as industrial designs, copyright and trade secrets are often less understood and implemented nationally.

- Developing-country members may face legal, technical and institutional challenges in using flexibilities under the TRIPS Agreement. This is especially true for countries that have never utilized flexibilities such as compulsory licences.

- When a country is producing under a compulsory licence mainly for export, the mechanism established by an August 2003 WTO decision, later translated into an amendment of the TRIPS Agreement (Article 31*bis*), would be applicable. This mechanism waives the condition in Article 31(f) of the Agreement that a compulsory license should be predominantly for the supply of the domestic market.

  However, experience in using the Article 31*bis* mechanism is largely non-existent. In 2006, the humanitarian organization Medecins Sans Frontieres attempted to use the procedures to export HIV medicines from Canada to Rwanda but it concluded that the mechanism was neither expeditious nor workable. The implementation of the mechanism at a national level is rather limited or may not achieve its intended objectives. Further, some countries have opted out of using this system as importers, which may pose a challenge to access.

- Several voluntary initiatives have emerged since the outbreak of COVID-19, including pledges and voluntary licences. While these initiatives are commendable, they are ad hoc initiatives and simply inadequate to systematically and comprehensively address IP barriers. Holders of IP on essential technologies may also decide not to participate in such initiatives.

  Commenting on WHO's COVID-19 Technology Access Pool (C-TAP) which calls on IP holders to voluntarily issue global non-exclusive licences or to voluntarily surrender IP rights to facilitate the wide-scale production, distribution, sale and use of health technologies throughout the world, South Africa said that there has been no response from any pharmaceutical company.

  "Instead, limited, exclusive and often non-transparent voluntary licensing seems to be the preferred approach and these are insufficient to address the needs of the current COVID-19 pandemic," South Africa argued.

South Africa called for considering the following approaches to deal with the IP challenges:

- Countries must explore international collaborations and binding commitments to facilitate open sharing and right to use technologies, know-how, data and global non-exclusive rights to use and produce COVID-19 medical products.

- Countries must take policy and legislative measures to ensure that patents and other intellectual property do not erect barriers to access to medicines, diagnostics, vaccines and medical supplies and devices. These include addressing "evergreening" of patents by restricting the grant of secondary patents on known medicines and excluding from patentability second medical uses as being mere methods of treatment in terms of Article 27 of the TRIPS Agreement.

- Countries are encouraged to take measures to facilitate the local manufacturing or import of essential medical supplies, devices or technologies including diagnostics, medicines and vaccines. *(SUNS9176)*

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Digital rules in FTAs may undermine capacity to tax tech firms

A new report examines how free trade agreements are setting rules that would curb the ability of governments to tax and regulate the digital economy to raise revenue and enhance domestic industrial capacity.

by D. Ravi Kanth

GENEVA: Despite the global economy being mired in a recession due to the COVID-19 pandemic, five US tech giants – Google, Amazon, Facebook, Apple and Microsoft – have continued to generate profits running into tens of billions of dollars.

Amazon, for example, witnessed almost a 100% increase in its net income in the first quarter of 2020 as compared with 2019. Further, the company's overall sales skyrocketed to $88.9 billion, with a 40% year-over-year growth in its second fiscal quarter which ended in June 2020.

During US Congressional hearings on 29 July, David Cicilline, the chair of the House of Representatives sub-committee looking into anti-competitive practices by the tech giants, concluded that "these companies as exist today, have monopoly power" and "all need to be properly regulated and held accountable."

The hearings showed that they have accumulated so much financial and political power as to make them "the emperors" of the online economy.

That these companies are currently mainly beyond the reach of regulation or taxation by national governments, is by now well established.

Yet, the United States Trade Representative (USTR) continues to threaten countries that plan to impose even a modest tax on these companies.

The Trump administration has threatened to slap retaliatory measures worth billions of dollars on France and other countries if they go ahead with their plans to levy a modest tax on the American tech companies that are generating tens of billions of dollars in profits from their operations without paying any taxes.

In June, Washington suspended talks with European countries at the Paris-based Organization for Economic Cooperation and Development (OECD) on taxing the tech giants.

USTR Robert Lighthizer has defended his administration's stance against countries that are planning to impose taxes on American tech giants, declaring at a Congressional hearing in June: "The reality was, they all came together and agreed that they'd screw America, and that's just not something that we're ever going to be a part of." He said, "I don't want tax systems that unfairly treat American companies."

Meanwhile, developing countries at the WTO led by South Africa and India have called for a "rethink" on the existing moratorium on customs duties on e-commerce, given the loss of more than $10 billion in revenue.

Surely, taxing the digital firms can be an important way forward which will ensure equity and inclusive growth in the post-pandemic digital age.

The industrialized countries, including the US, have admitted that there would be a revenue impact for developing countries but maintained that the revenue loss is insignificant if measured on the basis of applied instead of bound customs duties.

Faced with falling fiscal revenues and growing socio-economic demands, governments urgently need additional sources of finance. Surely, taxing the digital firms can be an important way forward which will ensure equity and inclusive growth in the post-pandemic digital age. However, the rules which are being negotiated in various free trade agreements (FTAs) may seriously undermine governments' capacity to do so.

Trade rules and taxation

It is in this context that four authors in their report *How "Digital Trade" Rules Would Impede Taxation of the Digitalised Economy in the Global South* have provided important insights for policymakers, trade negotiators, tax authorities and other stakeholders.

The 144-page report, written by Jane Kelsey, John Bush, Manuel Montes and Joy Ndubai, and published by the Third World Network, has provided a detailed account of the numerous issues involved in the taxation debate.

The authors come from academia and international policy backgrounds. Kelsey is a Professor of Law at the University of Auckland, New Zealand, where she specializes in international economic regulation. Bush is an adviser in private sector development and assists governments in preparing laws and procedures to support the establishment, growth and long-term financial viability of enterprises in developing countries. Montes is a Senior Adviser of the Society for International Development and previously worked as Permanent Observer to the UN and Senior Adviser on Finance and Development at the South Centre. Ndubai is currently pursuing a Doctorate in Law at Vienna University.

The report is divided into seven parts.

Part 1 identifies the major challenges that the digital revolution poses for public finance and tax authorities, especially in the Global South, and for achieving the Sustainable Development Goals (SDGs).

Part 2 discusses the most relevant and proposed trade rules that affect the taxation of the digitalized economy.

Part 3 provides an analysis of the implications for national tax revenue, digital development and the policy space of developing countries if the WTO moratorium on customs duties on electronic transmissions became permanent.

Part 4 examines the initiatives towards more effective corporate income taxation of digital companies that are being developed at the OECD under the Inclusive Framework, and proposed by the G24, and how they would interact with digital trade rules.

Part 5 discusses the development of digital services taxes, including the US' arguments against France's version of the tax, moves to apply value-added taxes to cross-border digital transactions, and moves in several countries to cap the royalty payments used as a means of profit shifting by transnational digital companies. Each of these is assessed against the trade rules.

Part 6 analyzes the extent to which moves to ensure that governments can access critical information and require disclosure may be constrained by existing and proposed trade rules. This includes a review of the only WTO dispute that has judged contemporary taxation measures against the obligations and exceptions in the General Agreement on Trade in Services (GATS), in which Panama challenged restrictions imposed by Argentina on grounds of non-cooperation in the disclosure of tax-related information.

Part 7 identifies the main sources of leverage that multinational enterprises (MNEs) and their parent states, especially the US, use to influence the decisions of other governments on taxing the digitalized economy, and the potential chilling effect that may have on regulatory decisions. These measures include unilateral investigations by the US under Section 301 of its Trade Act 1974, as well as trade rules on "transparency" that aim to ensure companies and their home states are consulted when countries are developing digital tax measures that might affect them.

The report's authors caution against the adoption of trade rules that will undermine developing countries' digital development, tax justice and progress towards the SDGs.

According to them, the past decade has seen a significant expansion of trade rules which restrict governments' capacity to regulate the digital economy and which consolidate the dominance of digital platforms. This favourable digital trade regime is now being facilitated through FTAs at the regional level and also currently being negotiated between a group of countries under the Joint Statement Initiative (JSI) on Electronic Commerce.

The existing and proposed rules in FTAs include: unrestricted cross-border transfer of information related to business and prohibitions on requirements to hold data locally; the right to use servers and other computing facilities located in any country, and no requirements to use local computing facilities, including servers; non-disclosure of source codes and algorithms; prevent requirements for offshore service providers to have a local presence or take a particular legal form if they have a presence; "reasonable, objective and impartial" administration of laws of general application; and a permanent moratorium on levying customs duties on electronic transmissions.

The past decade has seen a significant expansion of trade rules which restrict governments' capacity to regulate the digital economy and which consolidate the dominance of digital platforms.

The report shows how such digital trade rules will diminish the tax policy space of the developing countries and exacerbate the harmful tax practices of MNEs, making them richer at the cost of the impoverishment of a large proportion of the population.

The authors underscore the need to adopt an alternative approach to taxing MNE income, such as one based on "significant economic presence", as proposed by the G24 group of developing countries in 2019 and supported by the African Tax Administration Forum. This approach would require a shift towards treating MNEs in accordance with the economic reality that they operate as unitary enterprises and allocating taxation rights using factors that reflect a balance of demand side (sales) and supply side (employees, users, physical assets).

Meanwhile, transaction-based digital services taxes (DSTs) target income or revenue from designated online activities, principally services delivered via the Internet, especially advertising; digital platform or interface services or an Internet marketplace; and the collection and exploitation of data by an Internet provider.

However, ambiguous classifications of commitments in GATS schedules add to the legal uncertainty of DSTs. Further, proposed e-commerce rules prohibit access to source codes and algorithms that may be essential to assess liability based on the domestic share of globally integrated activities, including user-generated data. The available exceptions provide limited protection.

The report says developing countries need regional and national strategies to strengthen their domestic revenue mobilization, enhance their domestic industrial capacity, bridge the digital divide and reduce dependence on the dominant corporations.

For this, all countries and especially those from the Global South should refrain from participating in the process of digital trade negotiations that would limit their policy space, the authors warn.

One important and immediate step towards preserving their fiscal policy space, mobilizing financial resources and promoting digital industrialization would be removal of the WTO moratorium on customs duties on electronic transmissions. According to the authors, "those who demand that developing countries accept a permanent ban on this tax policy option seek to lead them, handcuffed and blindfolded, into the fiscal unknown."

The report also highlights that trade rules aim to strengthen the lobbying power of digital corporations and their parent states in the name of "transparency", even as other trade rules assist the corporations to remain opaque and unaccountable.

Transparency provisions that are already found in the regional FTAs have been proposed in WTO plurilateral agreements on e-commerce, domestic regulation and investment facilitation. If adopted, the authors warn, they would further empower the tech companies and their home governments to intervene, lobby and threaten sanctions against sovereign governments, such as the US government investigations under Section 301 over France's digital services tax. *(SUNS9180)*

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Renewed JSI efforts to extend e-com duties moratorium to services

Proposals being discussed by a group of countries could see the WTO moratorium on customs duties on electronic transmissions apply to services as well.

by D. Ravi Kanth

GENEVA: The facilitators of the plurilateral Joint Statement Initiative (JSI) group on electronic commerce have stepped up their efforts to "parachute" into the World Trade Organization an agreement on extending the current moratorium on customs duties on electronic transmissions to services.

The JSI agreement, as and when it is concluded, risks being used as a fait accompli at the WTO to restrict the flexibilities available in the General Agreement on Trade in Services (GATS) for developing countries to regulate their imports of services.

It would deal a big blow to the developing countries by denying them the policy space to regulate imports of electronic transmissions in the digital era, and thereby ensure that developing countries will not be able to digitally industrialize and will forever remain dependent on imports of digital products, said an analyst who asked not to be quoted.

In a restricted proposal on "Services Market Access" circulated on 23 July, the three JSI facilitators – Japan, Australia and Singapore – said that various JSI participants (particularly the European Union) "mentioned the need for greater clarity in relation to proposals on Services Market Access."

The JSI proponents agreed that they want to limit the scope to only those services that are directly relevant to e-commerce.

The JSI members are also simultaneously engaged in a discussion on the value of distinguishing between service sectors that are "core" and "ancillary" to e-commerce.

The list of relevant sectors and possible commitments for market access would include:

(1) computer and related services, advertising services, technical testing and analysis services;

(2) communication services, courier services, telecommunication services in which there are several ancillary services such as voice telephone services and packet-switched data transmission services, electronic mail among others;

(3) distribution services;

(4) financial services (banking and other financial services excluding insurance);

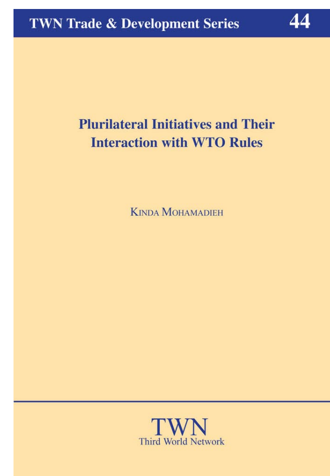
(5) transport services, including maritime transport services, air transport services, rail transport services, road transport services; and

(6) services auxiliary to all modes of transport such as cargo-handling services, storage and warehouse services, and freight transport agency services.

According to the above analyst, "including services under the scope of the moratorium on electronic transmissions [would increase] the trade coverage of the moratorium manifolds for developing countries."

The analyst further warned that "while developed countries may use this as a bargaining chip, developing countries should be aware that extending the moratorium now will set the ball rolling and it will only gather speed later."

"The moratorium needs to be removed permanently," the analyst said, arguing that this latest proposal by the JSI group only vindicated studies done by various scholars which have cautioned that there will be severe non-tariff development impacts due to the moratorium in addition to the loss of fiscal revenue for developing countries. *(SUNS9174)*



Plurilateral Initiatives and Their Interaction with WTO Rules

By Kinda Mohamadieh

Plurilateral initiatives – which involve a limited number of World Trade Organization (WTO) Member countries – on several issues such as domestic regulation of the services sector, investment facilitation and electronic commerce were announced at the 2017 Ministerial Conference of the WTO. Key players in these talks have indicated the intention to incorporate the eventual outcomes of the negotiations into the body of WTO law.

This paper looks into whether and how this can be done, examining the less-than-straightforward relation between, on the one side, the nature and scope of the issues covered under the plurilateral initiatives and, on the other, the relevant WTO rules. It also reviews plurilateral outcomes which were added to the WTO framework in the past, and finds that these are dissimilar to the current initiatives and cannot provide precedent for dealing with the latter.

Besides questions surrounding the legality of importing their outcomes into the WTO system, the proliferation of plurilateral initiatives may undermine the multilateral character of the WTO. At risk could be the collective, consensus-based approach to negotiations aimed at striking a balance among the interests of the entire WTO membership, including the developing and least developed among them.

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Fight pandemic, not windmills of the mind

Macroeconomic policy must pursue a countercyclical course instead of being guided by financial market whims, as governments seek to combat the COVID-driven slump.

by Anis Chowdhury and Jomo Kwame Sundaram

With uneven progress in containing contagion, worsened by the breakdown in multilateral cooperation due to mounting US-China tensions, recovery from the COVID-19 recessions of the first half of 2020 is now expected to be more gradual than previously forecast.

In the face of the pandemic, many governments, especially of developed economies in the Organization for Economic Cooperation and Development (OECD), have introduced massive fiscal and monetary packages for contagion containment, relief and recovery.

Such efforts represent a U-turn after long eschewing countercyclical fiscal policy, mostly for ideological reasons, such as a dogmatic commitment to "budgetary balance" and "fiscal consolidation", besides giving central banks more economic policy discretion since the 2008-09 global financial crisis (GFC).

The International Monetary Fund (IMF) estimated new government measures through mid-June 2020 at almost $11 trillion. The Fund projected new borrowing by all governments to rise from 3.7% of global output in 2019 to 9.9% in 2020. Projecting gradual recovery from the second half of 2020, it expects average fiscal deficits to rise by 14% as global public debt reaches an all-time high, exceeding 101% of gross domestic product (GDP) in 2020-21.

After much wrangling, EU leaders compromised on a new $2.1 trillion (€1.8 trillion) package on 21 July. The European Commission has also activated the general escape clause in EU fiscal rules, allowing deficits to exceed 3% of GDP.

Complementary monetary initiatives include relaxing recommended Basel 3 capital buffers, lowering mandatory reserve ratios and easing terms for additional temporary credit facilities for banks and businesses.

Thus, central banks have committed an estimated $17 trillion to extend "unconventional" measures to buy corporate bonds, besides government bonds and government-sponsored mortgage-backed securities introduced during the GFC.

Windmills of financial minds

Macroeconomic policymakers must resist quixotic impulses to fight against financial "windmills of the mind", instead fulfilling their responsibility to pursue consistently countercyclical macroeconomic policies.

Financial market analysts exaggerate real concerns, even using discredited research. Citing old research, even doubted by *The Economist*, a *Forbes* columnist insisted that "the surge in government debt" would cause "economic growth to decline", claiming that government debt beyond 85% of GDP would slow growth.

Global public debt came to 83% of world output in 2019, up from 60% in 2008, before the GFC. This sharp rise happened despite austerity measures since 2010 when many G20 and OECD countries adopted fiscal consolidation.

That turn to austerity followed advice from the IMF, the OECD and the European Central Bank, which invoked influential but misleading academic research. But fiscal consolidation "after the Great Recession was a catastrophic mistake", concluded a *Forbes* columnist. It failed to deliver robust recovery, let alone sustained growth.

Subsequent IMF research found fiscal consolidation raised short-term unemployment, with even harder impacts in the long term, hurting wage-earners much more than profit- and rent-earners. IMF chief economist Olivier Blanchard and his colleagues found Fund advice for early fiscal retrenchment inappropriate.

Windmills can block recovery

Reversing emergency expansionary measures too soon risks aborting recovery and may even trigger new recessions. Even an assets fund manager has acknowledged, "Like a course of antibiotics, an economic relief package is most efficacious when administered to completion."

When US President Franklin Delano Roosevelt tried to balance the budget in 1937 after securing re-election, the ensuing downturn ended the recovery, which was revived only after deficit spending resumed in 1939.

Also, countries that abandoned fiscal expansion for consolidation from 2009 had worse recovery records than others.

Deficits and debt have, in fact, not been reliable indicators of long-term growth prospects. Obsessed with debt and deficits, while ignoring spending composition and efficiency, "deficit hawks" tend to downplay the potential growth impacts of expansionary fiscal policy. Nevertheless, the Fund continued to warn in January 2019 that high and rising public debt constituted "a potential fault line".

Pre-pandemic economic stagnation, tax cuts and poor commodity prices induced larger fiscal deficits, requiring more government debt, now compounded by COVID-19 containment, relief and recovery efforts.

Clearly, government macroeconomic policies should not be guided by financial market whims. Leaving policymaking to such influential market signals can push an economy in recession into a lasting depression.

The recent IMF leadership transition appears to have led to greater pragmatism just in time.

The Fund's April 2020 Fiscal Monitor report urged governments to take advantage of historically low borrowing costs to invest for the future – in health systems, infrastructure, low-carbon technologies, education and research – while boosting productivity growth. After all, a year ago, advanced economies were spending only 1.77% of their combined GDP on debt interest – the lowest since 1975.

Unusually, it also advised governments to enhance automatic stabilizers, including a tax and benefit system to stabilize incomes and consumption, involving progressive taxation and social security payments or unemployment assistance.

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To be sure, politicians are often tempted by lower debt costs to borrow to spend more on "populist" programmes while cutting taxes. Such irresponsible fiscal policies need to be corrected. Clearly, governments need to look at how money, borrowed or otherwise, is spent. If, for example, borrowed money goes into investments enhancing productivity, public assets can contribute not only to growth but also to revenue.

COVID-19 recessions are quite different from recent ones following financial crises. Yet, all recessions threaten to become depressions if not quickly and appropriately addressed.

We are in for a long hard struggle, on both public health and economic fronts. Policies must not only be appropriate for the problems at hand, but should also create conditions for a better future, rather than simply trying to return to the status quo ante COVID.

As visionary leaders did during and after the Second World War, we need appropriate plans, not only to revive economies and livelihoods, but also to build a more dynamic, sustainable and equitable economy. *(IPS)*

Anis Chowdhury*, Adjunct Professor at Western Sydney University (Australia), held senior United Nations positions in New York and Bangkok.*

Jomo Kwame Sundaram*, a former economics professor, was UN Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

False promises, questionable term

The "development" narrative is shaped by colonial legacies and rife with inherent contradictions, contend *Aram Ziai* and *Julia Schöneberg*.

The term "development" originally comes from biology and suggests an evolutionary process. In the context of policies concerning social, economic and political matters, "development" is seen as a linear maturation process culminating in an ideal state. The term has had this normative meaning since US President Harry Truman stated in 1949 that the "development" of "underdeveloped" countries was a central goal of his foreign policy.

To criticize a term and its impact, one first needs a clear definition of it. But for the past 70 years, the term "development" has been filled with various, often contradicting meanings.

Strategies of "development" have ranged from modernization and structural adjustment with a focus on industrialization and economic growth, to a focus on satisfying basic human needs (Basic Needs Strategy) and reducing poverty (Millennium Development Goals – MDGs). More recently, "development" has also embraced sustainability (Sustainable Development Goals – SDGs). The SDGs apply to industrialized countries as well. They conceive of all nations as developing nations that must continue to develop according to shared but differentiated responsibilities.

All these strategies have something in common, despite their shifting focus on different aspects: "development" points out a deficiency and prescribes a universal way to fix it.

The long history of the "development" debate is marked by some consistent features:

1. "Development" was always regarded as normatively good and universally desirable. The term implies a promise of prosperity, with consumption levels matching the Western model. At the same time, the negative consequences that development projects have for the intended beneficiaries are typically neglected. For example, even well-intended programmes and policies often weaken social systems and local economies, thus creating dependencies and vulnerabilities. Infrastructure projects such as major dams, for example, cause displacement, resettlement and loss of livelihoods. An estimated 10 million people lose their homes in the name of "development" every year (see *Peripherie*, No. 154/155).

2. In the decision-making apparatus concerning "development", only people with Western education can claim to be experts. Local and indigenous knowledge usually counts for nothing. However, the employees of development agencies often have only a vague understanding of life in the societies they want to change. Typically, they do not even speak the languages of the people concerned.

3. Development-policy action is typically an intervention in societies that are defined as foreign. The promise of "development" makes interventions seem necessary and morally imperative. Technical projects and apolitical programmes are presented as solutions to problems of inequality. Though power relations matter very much, they are typically ignored. Aid agencies pretend that the dominance of social forces that benefit from large land holdings, for example, or from global capitalism does not matter.

4. The West's standard of living is posited as the ideal and universally desirable. Other societies are regarded as backward in relation to it. Such thinking essentially reflects a colonial mindset and perpetuates colonial hierarchies. Indicators such as gross domestic product (GDP) or the UN's Human Development Index assume that a "good life" is measurable. Other important factors such as hospitality, wellbeing and equality are swept aside – as are institutionalized racism and the imperial mode of living, which is dependent upon systems of production, extractivism and consumption that rely on cheap labour and resources from faraway places.

In sum, Eurocentric paternalism has always tainted the "development" debate.

Colonial notions and assumptions about power continue to shape "development" rhetoric. Critical scholars, on the other hand, question the entire development narrative with Europe at its centre. The current globalized world order is historically rooted in colonialism, imperialism and slavery. Moreover, many "development" projects are designed mainly to serve the interests of donors in the Global North.

In spite of all the "development" talk, the gap between the global rich and poor has been widening year after year. This is true in spite of some progress in areas such as literacy or maternal mortality. In view of the climate crisis, moreover, the consumer lifestyle seen in the West is becoming ever less sustainable. The more other countries copy this model, the more impossible it becomes to achieve global sustainability.

The SDGs are supposedly a list of goals and indicators for people, societies, nature and the environment to interact sustainably, but they are riddled with inherent contradictions. The growth goal of SDG 8, for example, is plainly inconsistent with global sustainability. European policies relating to the economy and "development" typically measure success in economic terms. As long as the growth paradigm persists, "development" will never lead to sustainability. Worse still, the term "development" is used to legitimize the overexploitation of nature.

Alternatives to "development"

There are, however, alternatives to the Western way of life and its economic paradigm. A collection of essays titled *Pluriverse – A post-development dictionary*, edited by Ashish Kothari and others (Kothari et al., 2019), presents a variety of views from different parts of the world on what can be considered the hallmarks of a "good life". Relevant issues include:

- interpersonal solidarity instead of permanent competition;
- interdependence between human and non-human beings; and
- autonomous communities and societies.

These critical scholars condemn the overextraction of resources and demount the unthinking faith in economic growth. They question the wisdom of perpetuating development policies that have turned our geological era into the Anthropocene in which human activity is changing the climate and the global environment.

If we assume for a moment that the goal of "development" was ever really to eradicate poverty and global inequality, then one thing is strikingly clear: "development" has failed miserably, in both vision and practice. What we need now is a radical policy change. We must address the historical roots of global inequality. We need systemic and structural solutions. In the words of Gurminder K. Bhambra, a professor of postcolonial studies at the University of Sussex, "the inextricable combination of the rhetoric of modernity (progress, development, growth) and the logic of coloniality (poverty, misery, inequality), has to be central to any discussion of contemporary global inequalities and the historical basis of their emergence".

Colonial notions and assumptions about power continue to shape "development" rhetoric.

Focusing on global inequalities shows that change is most urgently needed in the Global North. Its current level of consumption perpetuates injustice – and so does its continued claim to hegemony. Colonial legacies are at the root cause of the power asymmetry of North and South.

Jason Hickel, an economic anthropologist and a fellow of the Royal Society of Arts in London, has spelled out tangible proposals to achieve a fairer global economy. Among other things, he calls for:

- the democratization of international financial institutions (World Bank, IMF);
- global tax justice and transparency;
- fair trade and fair wages;
- debt relief for highly indebted countries; and
- the re-regulation of intellectual property rights concerning pharmaceuticals and agriculture to the benefit of the poor.

Simply redefining the term "development", or extending it as in the case of the SDGs, will not do. The world remains mired in thinking based on competition and the notion of Western superiority. To overcome global inequality, these modes of thought must be replaced. In their place, we need an ethos of global justice and solidarity.

Aram Ziai *is professor of development policy and postcolonial studies at the University of Kassel, Germany.*

Julia Schöneberg *is a post-doctoral researcher in the Theorizing Post-Development project at the University of Kassel.* *The project is funded by DFG (Deutsche Forschungsgemeinschaft, a German research funding organization).*

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How the shadow of slavery still hangs over global finance

By transforming human lives into profit-making opportunities, contemporary financialization bears some disturbing parallels to the Atlantic slave trade.

by Philip Roscoe

When the infamous Zong trial began in 1783, it laid bare the toxic relationship between finance and slavery. It was an unusual and distressing insurance claim – concerning a massacre of 133 captives, thrown overboard the Zong slave ship.

The slave trade pioneered a new kind of finance, secured on the bodies of the powerless. Today, the arcane products of high finance, targeting the poor and troubled as profit opportunities for the already-rich, still bear that deep unfairness.

The Gregsons, claimants in the Zong trial, were merchant princes of 18th-century Liverpool, a city that had quickly grown to be one of the world's leading commercial capitals. The grandiose Liverpool Exchange building, opened in 1754, boasted of the city's commercial success and the source of its money, its friezes decorated with carvings of African heads.

But Liverpool's wealth also stemmed from its innovations in finance. The great slave merchants were also bankers and insurers, pioneers in what we today call financialization – they transformed human lives into profit-bearing opportunities.

From the point of view of merchants, the Atlantic trade was slow, unreliable and risky. Ships were threatened by disease, by poor weather, and by the constant threat of insurrection. To speed up the flow of money, merchants began to issue credit notes that could travel swiftly and safely across the ocean.

Slaves would be purchased in Britain's African colonies and transported to the Americas where they were sold at auction. The merchant's agent would take the money received and rather than investing it in commodities like sugar or cotton to be sent back to Liverpool, they would send a bill of exchange – a credit note for the sum plus interest – across the Atlantic.

The bill of exchange could be cashed at a discount at one of the many banking houses in the city, or replaced by another, again at a discount, to be dispatched to Africa in payment for more human chattels. Credit flowed swiftly, cleanly and profitably.

Obscenely novel

This evolution of private credit did not originate in Liverpool. It had underpinned the Florentine banking dynasties of the 15th century and gave rise to money as we know it now.

The obscene novelty of the slavers' banking system was that this financial value was secured on human bodies. The same practices continued on the plantations, where the bodies of slaves were used as collateral on loans allowing the expansion of estates and the acquisition of yet more productive bodies. The slaves were exploited twice: their freedom and labour stolen from them, their captured "economic value" leveraged by cutting-edge financial instruments.

The Liverpool merchants also pioneered the use of insurance as a means of guaranteeing the financial value of their commodities. The slavers had long recognized that the only way to survive the occasional total losses that expeditions incurred was to gather together in syndicates and share the risk.

So when the captain of the Zong realized he was unlikely to land his cargo of sickening and malnourished slaves, he ordered 133 souls to be thrown overboard. The perverse legal logic was that if part of the cargo had to be jettisoned to save the ship, it would be covered by the insurance.

These bodies-as-financial-commodities had only speculative value. Insurance made it real and bankable. This was true in 18th-century Liverpool and it remains so in 21st-century Wall Street.

Financialization today

Financialization has since taken many forms, but basic elements remain the same. It is based on uneven power relations that capture future individual obligations and make them saleable.

The contracts underlying the 2008 credit crisis, for example, turned future mortgage payments into tradeable financial securities with actual present value. For those issuing the bonds, the profit was risk-free. The risk was borne by predominantly poor Americans, whose adverse credit ratings and lack of financial skills made them easy prey for the issuers of mortgages so constructed as to lock them into economic bondage. These people were disproportionately black, Latino or migrant.

Insurance played a part here, solidifying the speculative value of investments to the benefit of traders. And when the bubble finally burst, governments stepped in to maintain this system, the US Federal Reserve supporting giant insurer AIG to the tune of $182 billion while many people lost their homes.

The credit crisis bailout is eerily reminiscent of another. By the time of abolition, slave ownership was so embedded in British society that the government was forced to compensate individual owners for the loss of their capital – it required an enormous loan that taxpayers only finished paying off in 2015.

I'm not saying that bankers today are like slave traders. But I am saying that contemporary finance is still riddled with regimes of dominance and exploitation at work.

Take contemporary philanthrocapitalism, where finance seeks to do good while also benefiting investors. Novel financial instruments position social problems as an opportunity for profit. The bodies of prisoners, for example, become implicated in schemes to prevent recidivism, with personal character reform the trigger for investment payouts.

Schemes such as this make social problems the responsibility of individuals and ignore the structural relations of austerity that lie behind them. Finance wins twice, praised for solving the very same problems that it has benefited from creating.

Beware financiers bearing gifts. Student loans, mortgage bonds, social impact bonds, even biodiversity investing

– all earning rents from the captured future activities of relatively powerless individuals – bear the shadow of the Atlantic trade.

***Philip Roscoe** is Reader in Management at the University of St Andrews, Scotland. This article was first published on The Conversation (theconversation.com).*

TWN Climate Change Series no.4

The Equitable Sharing of Atmospheric and Development Space: Some Critical Aspects

Tackling the climate change crisis demands urgent actions to cut atmospheric emissions of the heat-trapping greenhouse gases that are causing global warming. The responsibilities this entails should at the same time be divided equitably between developed and developing countries, as recognised in the United Nations Framework Convention on Climate Change (UNFCCC).

The equity imperative is rooted in the development needs of the developing countries and in the fact that emissions of carbon dioxide and other greenhouse gases over the years mostly originated in the developed countries. This paper fleshes out how this historical "carbon debt" and other equity considerations could be taken into account in the sharing of the global atmospheric space. Such an arrangement would, as envisioned by the UNFCCC, involve the developed countries taking the lead in emission reductions and in providing financial and technological support for a shift by developing countries to low-emission growth pathways.

Martin Khor *was Adviser to the Third World Network.*

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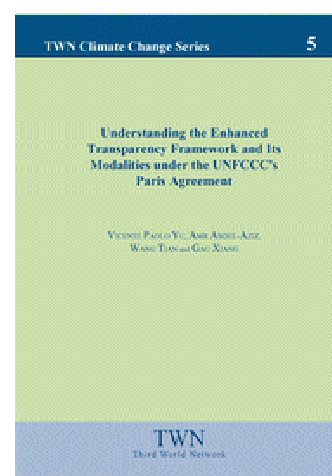
TWN Climate Change Series no.5

Understanding the Enhanced Transparency Framework and Its Modalities under the UNFCCC's Paris Agreement



To assess progress towards curbing global warming, Parties to the United Nations Framework Convention on Climate Change are required to provide information on actions taken to reduce emissions of greenhouse gases, deal with the impacts of climate change, and support implementation of the UNFCCC commitments. Such reporting has now been significantly scaled up under the Enhanced Transparency Framework (ETF) established by the UNFCCC's Paris Agreement. Complying with these more rigorous reporting rules under the Paris Agreement may pose a challenge for developing countries given their capacity constraints.

VICENTE PAOLO YU *is a Senior Legal Adviser of the Third World Network, Visiting Research Fellow at the United Nations Research Institute for Social Development (UNRISD), and Associate Fellow at the Geneva Center for Security Policy.* **AMR ABDEL-AZIZ**, *president of Integral Consult, has more than 25 years of consulting experience in environment and energy sectors, including climate change.* **WANG TIAN** *is an assistant professor at the National Center for Climate Change Strategy and International Cooperation (NCSC) in China.* **GAO XIANG** *is a professor and Director of the Division of International Policy Research at the NCSC.*

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