

## Global economy stalling, warns UNCTAD

The UN Conference on Trade and Development (UNCTAD) has drawn a bleak picture for the global economy, projecting world economic output growth to decelerate to 2.4 percent in 2023. In its flagship Trade and Development Report 2023, UNCTAD also called for a paradigmatic shift in the reform of the international financial architecture, as well as more pragmatic policies to address current challenges.

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# UNCTAD backs G90 proposal for more policy space, upholds S&DT

The UN Conference on Trade and Development (UNCTAD) has called on developing countries to revisit their existing trade agreements in order to create policy space to re-design their production, consumption and trading profiles. In this context, it has strongly supported the G90 proposal at the World Trade Organization that seeks to strengthen the existing flexibilities for developing countries.

*by D. Ravi Kanth*

YEREVAN: The Trade and Development Report (TDR) 2023 of the United Nations Conference on Trade and Development (UNCTAD) has drawn a bleak future for the global economy, with the growth of world economic output expected to decelerate to 2.4 percent in 2023, before registering a small up-tick to 2.5 percent in 2024.

According to UNCTAD's flagship report, released on 4 October, these are among the lowest growth rates of the last four decades, outside of crisis years.

Moreover, the figure for 2023 is below the conventional threshold of 2.5 percent which marks a recession in the global economy, it said.

All regions, except for East and Central Asia are expected to post slower growth this year than in 2022, with the largest drop (2.3 points) occurring in Europe.

The TDR also predicts that the larger emerging economies are unlikely to provide a robust offset to slower growth in advanced economies.

In this scenario, the challenges facing developing and least developed countries will continue to grow with low prospects of international trade being an engine of growth, it added.

According to the TDR, “after experiencing a roller coaster ride in 2020-2022, global trade in goods and services is forecast to grow about 1 per cent in 2023, significantly below world economic output growth. It is also lower than the average growth registered during the last decade, itself the slowest average growth period for global trade since the end of the Second World War. In the medium term, trade is heading back to its subdued pre-crisis trend; in the near

term, it will stand even below this figure, despite global trade in services showing a relative resilience, because the growth of merchandise trade hovers in negative territory in 2023”.

The TDR highlights that the subdued trade outlook coincides with a renewed focus on policy matters.

The asymmetry of gains from the international trading system has been building into a backlash against the rules of global governance and, increasingly, the very idea of free trade, it said.

The new buzzwords such as “fragmentation”, “de-globalization”, “slowbalization”, “re-shoring”, “near-shoring”, “friend-shoring”, “de-risking”, “decoupling”, “open strategic autonomy” and “new industrial policy” have contributed to this backlash and prompted policymakers to reassess their strategic prioritization of the role of trade.

The TDR further highlights that in the unfolding policy debate on the regulatory architecture of global trade, the potential costs of deeper trade relations are no longer seen as marginal.

Similarly, the notion that the benefits from deregulation reforms would flow automatically is being strongly contested.

To face the contemporary global challenges, the TDR suggests that the developing countries need to revisit their existing trade agreements at the bilateral, regional and multilateral levels in order to create policy space to re-design their production, consumption and trading profiles.

In this context, the TDR strongly supports the Group of 90 (G90) proposal at the WTO to revisit ten specific multilateral trade agreements, which include the Agreement on Subsidies and

Countervailing Measures (ASCM), the Agreement on Trade-Related Investment Measures (TRIMs), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

According to the report, the G90 proposal seeks to strengthen existing flexibilities for developing members to make them more precise, effective and operational so that they may be able to more effectively address their development goals.

"Failure to address these concerns may result in growing asymmetries, which will make it even more difficult for the world to deliver on its Agenda 2030."

In this context, the TDR also underscores the need to preserve the core WTO principles, namely "special and differential treatment" and "voice and solidarity", which is consensus decision-making at the WTO.

It has also expressed concerns over the new initiatives of advanced countries which will adversely impact global trade, namely, the carbon border adjustment mechanism (CBAM) and the Deforestation Regulation (EUDR).

The CBAM is scheduled to be implemented in October 2023, while the EUDR entered into force in June 2023.

According to the TDR, these initiatives have raised concerns around the world, especially among developing countries.

Several countries, including China, are expected to challenge it at the WTO, partly because the introduction of distinct carbon pricing certificates based on a product's country of origin might infringe upon the WTO's "most favoured nation" (MFN) principle. Moreover, they risk unfairly penalizing the exports of developing countries because these economies have often less capacity to adapt to new specific standards, it said.

Furthermore, by imposing equal carbon taxes on developed and developing nations, the proposed CBAM would also violate the Paris Agreement principle of "common but differentiated responsibilities (CBDR)".

With respect to the EUDR, the TDR said that exporting countries are concerned that the traceability requirement will be impractical and could constitute a de facto import ban.

Itemphasizes that while it is important for every nation to acknowledge its role in addressing a common global challenge like climate change or deforestation, it

is unfair to place equal demands on less affluent countries, compared to wealthier ones.

"Historically, wealthier countries have generated a greater amount of carbon emissions over time - and continue to do so. Many of them have also significantly reduced their forests."

This calls for better alignment between the non-discrimination and the CBDR principles, for which the coherence between special and differential treatment provisions (SDT) and CBDR is required, which could offer a starting point for understanding a development-sensitive approach to the trade-climate nexus, it said.

**"Failure to address these concerns may result in growing asymmetries, which will make it even more difficult for the world to deliver on its Agenda 2030."**

Another concern raised by the TDR is over the industrial policy initiatives being adopted in advanced countries, which may result in shorter supply chains. To counter this, developing countries will need to look for new outlets to diversify their export markets.

In this context, it said regional trade as well as South-South trade can provide a significant opportunity. Since 1995, South-South merchandise trade has grown faster than global trade and faster than North-South trade. In 2022, South-South trade accounted for around 54 per cent of South's total trade. South-South trade has also grown steadily in food, fuel, ores and metals, and fertilizers, with many developing countries, including Brazil, China, India, Indonesia and Thailand playing major roles.

An important issue raised in the TDR is regarding the growing food insecurity in the world and the restrictive rules of the Agreement on Agriculture which do not allow developing countries to design appropriate food security programs like the public stockholding of food.

Given the increasing volatility in food prices, at the 9th Ministerial Conference in Bali in 2013, it was agreed that there is a need to update the rules under the Agreement on Agriculture with respect to public stockholding of food. Until a permanent solution is found, a "peace clause" will prevail which implies that members would temporarily refrain from lodging complaints against any developing country which exceeds its de-minimis limits. While many proposals have been tabled with respect to public stockholding, even after a decade, a permanent solution has not been agreed.

The TDR underscores the urgency to provide flexibility in the existing rules and a permanent solution at the upcoming MC13 in February 2024.

Apart from the Aggregate Measurement of Support (AMS), advanced countries are also able to provide billions of dollars of subsidies to their farmers under the "green box" subsidy, which are supposed to be non-trade-distorting.

However, the TDR provides theoretical and empirical evidence which shows that the "green box" subsidies shift the global production of food towards un-competitive producers in advanced countries, which have the financial resources to provide these subsidies, thereby adversely impacting the incomes of farmers in developing countries.

Hence, there is a need to discipline "green box" subsidies to ensure more equitable distribution of gains from production and trade in food.

Furthermore, the TDR argues that there is a need to improve the integration of small farmers into the domestic and international markets, raising their bargaining power, and making the gains from trade reach the poorest farmer.

"This requires addressing the high concentration of food markets and discouraging speculative behaviour with adequate regulations. Breaking the food monopolies and revisiting WTO Agreements to provide policy space to developing countries becomes critical for progressing towards global food security."

The TDR concludes by underscoring that for the future trade outcomes to be positive, policymakers will need a bold pro-developmental and cooperative approach which can address both old and new fault lines in the international trading system. (SUNS #9869)

# World economy in dire straits, need for a “new paradigm” – UNCTAD

The UN Conference on Trade and Development (UNCTAD) has drawn a bleak picture for the global economy, projecting the growth of world economic output to decelerate to 2.4 percent in 2023, before picking up slightly to 2.5 percent in 2024.

by D. Ravi Kanth

YEREVAN: The world economy is apparently in dire straits with rising risks almost every day, contributing to a deceleration in global economic growth to 2.4 per cent this year from 3 per cent in 2022 and requiring a paradigmatic shift in reforming the international financial architecture, the United Nations Conference on Trade and Development (UNCTAD) said in its flagship report released on 4 October.

UNCTAD's Trade and Development Report (TDR) 2023 warns that "elevated commodity prices" are harming "the most vulnerable and creating food insecurity for 350 million people worldwide."

Addressing the challenges in the global trading system, it calls for "a new paradigm" that "goes beyond the traditional boundaries of globalization and trade liberalization."

Over the years, the TDR has assumed enormous importance, as a barometer for assessing the overall strengths and weaknesses in the world economy.

It calls for pragmatic policies to tackle inflation, inequality, and sovereign debt, as well as suggests stronger oversight of key markets because of some worrisome developments in the financial markets.

## Stalling global economy

Aside from these important messages, the TDR issued several warnings about the stalling international economy, particularly Europe being the ailing patient.

It notes that the US economy is likely to experience a soft landing, while Japan, China, Brazil, Mexico and Russia are expected to buck the stalling trend but not strongly.

Although inflation has come down from its highs in late 2022, the report cautions that it's an uneven descent,

largely due to the easing of supply-side pressures as well as the recent oil price hikes.

According to the report, the cost of living and insufficient wage growth continues to squeeze household budgets across countries.

More disturbingly, the TDR says somewhat emphatically that "the current wrong-footed international financial architecture and global trading system undermines the pursuit of the harmonious and stable order required to meet the goals of Agenda 2030 (the UN Sustainable Development Goals) or the Paris Agreement targets."

Worse still, the TDR also said somewhat ominously that "international trade and its related power asymmetries have contributed to further worsening global labour income share", as well as "unilateral shifts in industrial policies in developed countries (the United States) are generating tensions among trading partners, (while) hampering prospects for structural transformation in developing countries."

The TDR said that tighter monetary policy has so far contributed little to price easing and at a steep cost in terms of inequality and damaged investment prospects.

In light of these dynamics, it proposed some key messages for governments to follow over the next 12 months, including:

- \* Building a new consensus for international trade that can better accommodate policy priorities such as building resilient supply chains, achieving a just energy transition, delivering decent jobs, tackling corruption and corporate tax avoidance, and developing a secure digital infrastructure.
- \* Revisiting existing international

trade agreements to create policy space for countries to redesign their production, consumption and trading profiles to face contemporary global challenges.

- \* Strengthening South-South trade cooperation, for instance, by revitalizing the Global System of Trade Preferences (GSTP).
- \* Establishing effective mechanisms for debt restructuring and relief based on the participation of all developing countries with agreed procedures, incentives and deterrents.

Speaking on the salient features of the report, the Secretary-General of UNCTAD, Ms Rebeca Grynspan, said that governments must avoid past policy mistakes so as to "safeguard the world economy from future systemic crises."

"We need a balanced policy mix of fiscal, monetary and supply-side measures to achieve financial sustainability, boost productive investment and create better jobs," she said.

"Regulation needs to address the deepening asymmetries of the international trading and financial system," she emphasized.

The TDR notes that while the US is heading for a softer landing due to "a combination of mild fiscal expansion and intermittent quantitative easing (even as interest rates have risen and remain high)," Europe is the ailing economy of the world right now with all the major countries slowing sharply from last year and Germany in recession.

It said that even inflationary pressure remains high in European countries. According to the TDR, "Monetary tightening and policy rates at their peak since the euro's debut have been compounded by fiscal contraction and weak consumer spending. Investment growth in Europe is of particular concern as the region struggles to embark on an energy transition and continues to rely on exports for its growth."

The TDR said that the world's largest economy China is expected to grow "more than 10 times faster than the Eurozone, albeit not as fast as expected during its first year of post-lockdown recovery."

China apparently needs stronger policies to hit its 5 percent growth target next year.

In contrast, the World Bank, in its report released on 3 October, said that China is expected to grow at 4.4 percent in 2024 compared with India's 6.3 percent.



The TDR notes that stuttering growth for the period 2022-24 will fall short of the pre-Covid rate in most regions of the world economy. There is a danger of repeating the missed opportunity for reforms that the 2008-09 Global Financial Crisis offered, it suggested.

The TDR cautions about rising debt burdens and how they are crushing "too many developing countries but the stress is less on emerging markets but rather frontier markets that started to tap international capital markets mostly after GFC (Global Financial Crisis of 2008)."

During the last ten years, according to the TDR, "external public and publicly guaranteed (PPG) debt in Frontier Markets tripled, reaching \$651 billion in 2021. The increasing debt service obligations have strained public finances significantly. Debt service on external public debt relative to government revenues surged from nearly 6% to 16% between 2010 and 2021."

### Global trading system

Meanwhile, in chapter two of its report, titled "International Markets: Trade, Capital Flows, Commodities," UNCTAD noted that "the asymmetry of gains from the international trading system, apparent in both the advanced and developing countries, has been building into a backlash against the rules of global governance and, increasingly, the very idea of free trade."

"This backlash," according to the TDR, "is prompting policymakers to reassess their strategic prioritization of the role of free trade."

It suggests that ongoing shifts in international trade have given rise to a "new lexicography", with a series of buzzwords such as "fragmentation", "de-globalization", "slowbalization", "re-shoring", "near-shoring", "friend-shoring", "de-risking", "de-coupling", "open strategic autonomy" and "new industrial policy" among others.

It notes somewhat prophetically that, "If history is any guide, as national security and geopolitical considerations move to the centre of the policy stage, not only will multilateral options struggle for attention, but many developing countries risk being caught in the crossfire of trade disputes or face growing pressure to take sides in economic conflicts they neither want nor need."

The TDR warned that "the rise of

protectionist unilateral trade measures and the more widespread use of industrial policies in large economies can adversely impact developing economies' exports and hinder their prospects for structural transformation."

Commenting on the "green investment boom" that may bring opportunities for some fortunately-endowed countries, such as exporters of strategic minerals, the TDR pointed out that "sustainable developmental success will require parallel support to promote access to reliable (and cheaper) sources of finance, a re-balancing of trade rules and leveling the playing field."

Against this backdrop, the TDR argued that a "healthy trading system is crucial for meeting the 2030 Agenda."

The report, however, notes that "it remains unclear whether there is the political will among key trade partners to guide it through its current difficulties."

**"For the future outcome to be positive, policymakers will need a bold pro-developmental and cooperative approach to address the fault lines in the international trading system, both old and new."**

Therefore, it said, "for the future outcome to be positive, policymakers will need a bold pro-developmental and cooperative approach to address the fault lines in the international trading system, both old and new."

According to the TDR, "the ideal response is neither to double down on free trade nor to return to the situations in place prior to the COVID-19 shock. Building such an approach means revisiting existing agreements at the bilateral, regional and multilateral levels to create policy space for all countries to redesign their production, consumption and trading profiles to face contemporary global challenges."

At a time when the WTO Director-General and the General Council chair have allegedly glossed over the ten specific multilateral trade agreements that have been identified by the G90 developing countries at the WTO, the TDR underscores the need for an immediate agreement on them.

The G90's ten-Agreement specific proposals cover the Agreement on Subsidies and Countervailing Measures (ASCM), the Agreement on Trade-Related Investment Measures (TRIMs), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) among others.

The TDR said that "the G90 proposal seeks to strengthen existing flexibilities for developing members to make them more precise, effective and operational so that they may more effectively address development aims of members," while warning that "a failure to address these concerns may result in growing asymmetries, which will make it even more difficult for the world to deliver on its Agenda 2030."

For securing the requisite "policy space" for developing countries, it said that "reforms should build upon some of the core General and Special Principles (GSP) that Member States agreed upon at the creation of UNCTAD in 1964."

The GSP scheme remains relevant to the governance of international trade relations and trade policies in support of development, namely "policy space", "special and differential treatment" and "voice and solidarity", the TDR suggested.

Against the backdrop of a proliferation of industrial policy initiatives in major developed countries that could shorten their existing supply chains, the TDR urges the developing countries "to look for new outlets to diversify their export markets."

It advocated for "regional trade as well as South-South trade", noting that "South-South merchandise trade has grown faster than global trade and faster than North-South trade."

According to the TDR, in 2022, "South-South trade accounted for around 54 per cent of South's total trade" and "South-South trade has also grown steadily in food, fuel, ores and metals, and fertilizers, with many developing countries, including Brazil, China, India, Indonesia and Thailand playing major roles."

The report cautioned that while "South-South trade should not be seen as an alternative to North-South trade, it can provide an opportunity for developing countries to diversify their production and export basket."

It said that "regional integration programmes - such as the African Continental Free Trade Area (AfCFTA) - to the extent they support diversification and the benefits are broadly shared - can also mitigate the negative effects of the current situation, including with respect

to climate change and food insecurity."

The TDR pointed out that "to further boost South-South trade, the Global System of Trade Preferences (GSTP) initiative of UNCTAD can play a critical role by providing an opportunity to negotiate inter alia tariff reductions among developing countries in products based on mutual preferences."

"GSTP can also support a just green transition in the developing countries by focussing on green products and facilitating green technology transfers.

Doing so will, however, need a more integrated policy nexus of financial-investment-industrial-technology-trade cooperation among developing countries," it argued.

"There is a need to revisit existing agreements at the bilateral, regional and multilateral levels to create policy space for all countries to redesign their production, consumption and trading profiles to face contemporary global challenges," it concluded. (SUNS #9869)

## The Potential Impact of UPOV 1991 on the Malaysian Seed Sector, Farmers and Their Practices

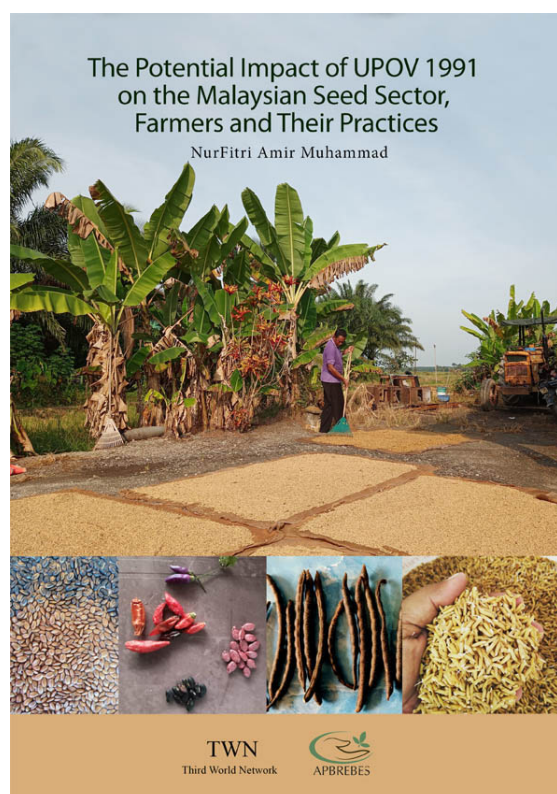
*NurFitri Amir Muhammad*

Malaysia has a unique and functional system in place for protecting intellectual property on plant varieties. Its Protection of New Plant Varieties Act 2004 provides for the granting of rights to plant breeders while also recognizing farmers' innovations and safeguarding exceptions for their rights to save, use, exchange and sell seeds.

This delicate balance could however be upended if Malaysia signs on to the 1991 Act of the International Convention for the Protection of New Varieties of Plants (UPOV 1991). Designed to further the interests of commercial breeders in developed countries, the UPOV 1991 regime will severely restrict the age-old farming practice of seed saving and promote corporate seed monopolies in its stead, thereby undermining farming livelihoods, food security and agricultural biodiversity.

Drawing on rigorous research and interactions on the ground with domestic food farmers, this report sounds a clarion call to resist pressures for Malaysia to join UPOV 1991, and makes the case for a plant variety protection framework that is more attuned to the needs of the country's agricultural system.

Available at <https://twon.my/title2/books/pdf/Potential%20Impact%20UPOV%20Malaysia.pdf>



# WTO forecasts grim outlook for global trade in 2023

Economists at the World Trade Organization have scaled back their forecast for growth in global merchandise trade to 0.8% this year, less than half the 1.7% increase projected earlier this April.

by D. Ravi Kanth

YEREVAN: Global merchandise trade is apparently in dire straits due to a manufacturing slump, with growth now being scaled down to 0.8% this year, less than half the 1.7% increase projected earlier in April, according to the latest figures released by the World Trade Organization's economists on 5 October.

Despite the erratic trends in global trade, the WTO economists said that the 3.3% growth projected for 2024 remains unchanged.

In a press release issued along with its latest update to the Global Trade Outlook and Statistics on 5 October, the WTO claimed that real-world GDP (gross domestic product) would grow by 2.6% at market exchange rates in 2023 and by 2.5% in 2024, as set out in its latest update.

Surprisingly, in a volatile world economy, which is facing "rough weather" on several fronts and where short- and medium-term uncertainty appears to have become the order of the day, the WTO said that: "Trade growth should pick up next year accompanied by slow but stable GDP growth."

"Sectors that are more sensitive to business cycles should stabilize and rebound as inflation moderates and interest rates start to come down."

It noted that "signs are starting to emerge of supply chain fragmentation, which could threaten the relatively positive outlook for 2024."

According to the press release, "the share of intermediate goods in world trade, an indicator of global supply chain activity, fell to 48.5% in the first half of 2023, compared to an average of 51.0% over the previous three years. Furthermore, the share of Asian bilateral partners in US trade in parts and accessories - a key subset of intermediate inputs - fell to 38% in the first half of 2023, down from 43%

in the same period of 2022."

"The projected slowdown in trade for 2023 is cause for concern, because of the adverse implications for the living standards of people around the world," the WTO Director-General, Ms Ngozi Okonjo-Iweala, said in the press release.

"Global economic fragmentation would only make these challenges worse, which is why WTO members must seize the opportunity to strengthen the global trading framework by avoiding protectionism and fostering a more resilient and inclusive global economy. The global economy, and in particular poor countries, will struggle to recover without a stable, open, predictable, rules-based and fair multilateral trading system," she added.

**"We do see some signs in the data of trade fragmentation linked to geopolitical tensions. Fortunately, broader de-globalization is not here yet."**

"We do see some signs in the data of trade fragmentation linked to geopolitical tensions. Fortunately, broader de-globalization is not here yet. The data suggest that goods continue to be produced through complex supply chains, but that the extent of these chains may have plateaued, at least in the short run. Positive export and import volume growth should resume in 2024, but we must remain vigilant," said WTO Chief

Economist Ralph Ossa.

According to the press release, while world commercial services trade is not covered by the forecast, preliminary data show that growth in the sector may be moderating following last year's strong rebounds in transport and travel.

World commercial services trade was up 9% year-on-year in the first quarter of 2023 compared to a 19% year-on-year rise in the second quarter of 2022.

In the update to its Global Trade Outlook and Statistics, the WTO said: "World trade and output slowed abruptly in the fourth quarter of 2022 as the effects of tighter monetary policy were felt in the United States, the European Union and elsewhere, but falling energy prices and the end of Chinese pandemic restrictions raised hopes of a quick rebound. So far, these hopes have not materialized, as strained property markets have prevented a stronger recovery from taking root in China, and as inflation has remained sticky in the United States and the EU."

Together with the after-effects of the war in Ukraine and the COVID-19 pandemic, these developments have cast a shadow over the outlook for trade in 2023 and 2024."

The report suggests that: "Trade growth should then pick up to 3.3% in 2024 - nearly unchanged from the previous 3.2% estimate in April - with stable GDP growth of 2.5%. Trade is expected to grow more slowly than GDP this year but faster next year; such swings are not unusual given the relatively large share of business-cycle sensitive investment and durable goods in trade compared to GDP."

It maintained that "the trade slowdown appears to be broad-based, involving a large number of countries and a wide array of goods, specifically certain categories of manufactures such as iron and steel, office and telecom equipment, textiles, and clothing."

However, a notable exception is passenger vehicles, sales of which have surged in 2023, the report said, arguing that "the exact causes of the slowdown are not clear, but inflation, high interest rates, US dollar appreciation, and geopolitical tensions are all contributing elements."

Unlike the United Nations Conference on Trade and Development's Trade and Development Report 2023, which suggested that the economies of the European Union member countries,



particularly Germany, are ailing, thus contributing to a grim outlook, the WTO said: "Risks to the forecast include a sharper than expected slowdown in China and a resurgence of inflation in advanced economies, which would require keeping interest rates higher for a longer period."

The report appears to be hedging its overall assessment by making the following claim, "On the other hand,

growth could also exceed expectations if inflation comes down quickly, allowing an early exit from contractionary monetary policies."

"Overall, risks to the current outlook are considered to be evenly balanced between the upside and the downside, although there may be some additional growth potential due to the lower base in 2023. WTO economists do see some signs

in the data of trade fragmentation linked to geopolitical tensions, but so far there is no evidence of a broader de-globalization trend that could weigh more heavily on trade," it said, adding that commodity prices spiked following the start of the war in Ukraine, as the possibility of supply disruptions set off a scramble to secure access to energy products. (SUNS #9870)

## WTO scales back 2023 trade growth forecast amid manufacturing slump

Economists at the World Trade Organization have lowered their trade growth forecast for 2023, projecting the volume of world merchandise trade to now grow by only 0.8%, down from the 1.7% forecast in April, on account of a continued slump in goods trade.

*by Kanaga Raja*

PENANG: A continued slump in goods trade that began in the fourth quarter of 2022 has led to a lowering of the trade growth forecast for 2023, with the volume of world merchandise trade now expected to grow by 0.8%, down from the 1.7% forecast in April, according to economists at the World Trade Organization.

In an update to its Global Trade Outlook and Statistics, released on 5 October, the WTO, however, maintained a more positive outlook for 2024, saying that the projected 3.3% growth for 2024 remains nearly unchanged from its previous estimate.

According to the WTO report, world trade and output slowed abruptly in the fourth quarter of 2022 as the effects of tighter monetary policy were felt in the United States, the European Union and elsewhere, but falling energy prices and the end of Chinese pandemic restrictions raised hopes of a quick rebound.

"So far, these hopes have not materialized, as strained property markets have prevented a stronger recovery from

taking root in China, and as inflation has remained sticky in the United States and the EU."

Together with the after-effects of the war in Ukraine and the COVID-19 pandemic, these developments have cast a shadow over the outlook for trade in 2023 and 2024, said the WTO.

The WTO said it now expects world merchandise trade volume growth of 0.8% in 2023 – down from 1.7% in its April forecast – accompanied by real GDP growth of 2.6% at market exchange rates.

Trade growth should then pick up to 3.3% in 2024 – nearly unchanged from the previous 3.2% estimate in April – with stable GDP growth of 2.5%, it added.

"Trade is expected to grow more slowly than GDP this year but faster next year; such swings are not unusual given the relatively large share of business-cycle sensitive investment and durable goods in trade compared to GDP."

The trade slowdown appears to be broad-based, involving a large

number of countries and a wide array of goods, specifically certain categories of manufactures such as iron and steel, office and telecom equipment, textiles, and clothing, said the WTO report, adding that a notable exception is passenger vehicles, sales of which have surged in 2023.

The report said that the exact causes of the slowdown are not clear, but inflation, high interest rates, US dollar appreciation, and geopolitical tensions are all contributing elements.

Merchandise trade volume was down 0.5% year-on-year in the first half of 2023, but a modest pickup is expected in the second half of the year, it added.

The WTO said the trade slump in the fourth quarter of 2022 should also inflate year-on-year growth towards the end of the year.

It said recent trade developments and the overall outlook for 2023 are within the estimated confidence interval shown in the WTO's previous forecast of April 2023 which had already foreshadowed risks firmly tilted to the downside.

The report said that risks to the forecast include a sharper than expected slowdown in China and a resurgence of inflation in advanced economies, which would require keeping interest rates higher for a longer period.

On the other hand, growth could also exceed expectations if inflation comes down quickly, allowing an early exit from contractionary monetary policies, it added.

"Overall, risks to the current outlook are considered to be evenly balanced between the upside and the downside, although there may be some additional growth potential due to the lower base in 2023."



WTO economists said they do see some signs in the data of trade fragmentation linked to geopolitical tensions, but so far there is no evidence of a broader de-globalization trend that could weigh more heavily on trade.

The WTO also reported that commodity prices spiked following the start of the war in Ukraine, as the possibility of supply disruptions set off a scramble to secure access to energy products.

The price of crude oil peaked in June 2022 while natural gas prices hit an all-time high in August of that year, it said.

"Prices have since fallen sharply but they remain high by historical standards. There is a risk that a rebound in prices during the winter months in the northern hemisphere could undermine any nascent economic recovery and further dampen trade volumes."

The global average price of crude oil in August 2023 was still up 38% compared to the average of 2019, while natural gas prices in Europe were up 133%, said the WTO.

It said that increased storage capacity for natural gas in European countries should prevent extreme volatility in energy prices this winter, but prices could still rise if demand exceeds supply for other reasons, including cold weather or problems with energy infrastructure.

"High commodity prices reduce real incomes but they also threaten low-income countries with food insecurity."

Despite the recent easing of prices, in August 2023, the average price of food products was 46% higher than in 2019, while fertilizer prices were up 93%, the report noted.

Farmers could be forced to choose between using less fertilizer or planting fewer crops, both of which would reduce yields and increase the risk of hunger around the world, it cautioned.

Declines in prices for food and energy have helped bring down headline inflation rates in many countries, but core inflation (excluding these volatile items) remains sticky, said the WTO.

The report said that in August 2023, headline inflation in the United States dropped to 3.7% but core inflation was stuck at 4.3%.

Inflation was higher in the Euro Area (headline 5.2%, core 5.3%) and lower in Japan (headline 3.3%, core 2.8%), but in all cases it was above central bank

targets.

Some central bankers have signalled that interest rates might remain high in order to ensure that inflation stays under control, which could have negative consequences for trade and output in the forecast periods, said the WTO.

In contrast to developed economies, China had edged towards deflation, with prices declining in July 2023 before ticking up in August.

In the first half of 2023, North America recorded the fastest export growth of any region, up 5.4% compared to the same period in the previous year, said the report.

It was followed by South America (1.4%), Africa (0.9%), Europe (0.5%), the Middle East (0.2%), Asia (-2.3%) and the CIS (Commonwealth of Independent States) region (-3.5%).

Asia's export growth is expected to turn positive in the second half of the year while Europe's is expected to flip into negative territory, said the WTO.

In the first half of 2023, import growth was fastest in regions that disproportionately export fuels, as countries in these regions have been flush with export revenues since the start of the war in Ukraine, it added.

"These include the CIS (33.7%), the Middle East (12.2%), and Africa (4.6%). Other regions registered declines, including Europe (-1.9%), Asia (-2.0%), North America (-2.8%) and South America (-4.2%)."

Import volume growth is expected to turn positive in Asia and North America in the second half of 2023 while Europe's imports should remain weak, said the report.

Although the volume of Asia's merchandise exports has been flat for some time, it remains well above its level in 2019 thanks to a surge in shipments of manufactures from China during the pandemic, it added.

In the first half of 2023, exports of Asia were up 14.6% compared to 2019 while those of North America, South America and Europe rose 3.8%, 3.9%, and 2.8%, respectively.

Exports of oil producing regions grew more slowly (Africa, 1.7%) or declined (Middle East -1.2%, CIS -5.7%).

On the import side, the WTO said Asia was up 6.9% between 2019 and 2023, while North America jumped 9.8% and Europe rose 4.4%.

Imports were also up sharply in resource-exporting regions, including South America (9.5%), the Middle East (11.9%), and the CIS (19.1%), but declined slightly in Africa (-0.6%).

Some developments at the country level may seem "counter-intuitive", the report suggested, citing, for example, while Asia's imports in the first half of 2023 were down 2.3% year-on-year, China's imports actually rose 2.0%.

Much of the import decline in Asia was due to other countries in the region, including Japan (-2.0%), Singapore (-10.0%), Malaysia (-5.6%) and Thailand (-10.3%), among others. Meanwhile, US imports and EU extra-imports were down 3.7% and 4.2%, respectively.

Citing the purchasing managers' indices (PMIs) based on business surveys, the WTO said that the manufacturing PMI headline index stood at 49.0 in August, marking 12 straight months of contraction.

Meanwhile, the more forward-looking new exports orders index stood at 47.0, suggesting continued weakness in goods trade worldwide.

Both indices ticked up in August compared to the previous month, providing some hope for an upturn, said the WTO.

## Trade projections

The WTO said if its forecast is realised, North America will register the strongest export growth of any region in 2023 at 3.6%, followed by the CIS region at 3.0%.

It said most other regions would only see modest export growth, except for Africa, where exports are expected to contract by 1.5%.

On the other hand, the CIS is expected to record the strongest import growth of any region (25%), followed by the Middle East (12.5%) and Africa (5.1%).

The WTO said that other regions will see modest declines, including North America (-1.2%), South America (-1.0%), Europe (-0.7%), and Asia (-0.4%).

It said positive export and import volume growth should resume in 2024 in all regions except for the CIS, where imports are expected to decline after a strong rebound in 2023.

If the forecast for 2024 is realised, Asia would be the fastest growing region on both the export and import sides, it

added.

The WTO said that the 0.8% forecast for world trade in 2023 represents a downward revision of 0.9 percentage points from the previous forecast of last April, which predicts a 1.7% increase in merchandise trade.

Reasons for the downgrade include a 1.1 percentage point reduction in the 2023 forecast for North America and a 3.0 percentage point reduction in the forecast for Asia, it added.

"While the revision of European imports was smaller (0.1 percentage points), contraction was already expected for the region. These three regions account for the vast majority of global demand for imported goods, 88% of the total in 2022."

The value of world merchandise trade in current US dollar terms was down 5% year-on-year in the first half of 2023, partly as a result of falling commodity prices and partly due to US dollar appreciation, which tends to reduce the value of trade denominated in other currencies, said the report.

Despite the first half decline, the dollar value of merchandise trade was still up 27% compared to 2019, it said.

Several sectors contributed to the decline in merchandise trade in the first half of the year, including fuels and mining products (-15%), iron and steel (-17%), and textiles (-16%).

By comparison, trade in manufactures was only down 4%, thanks to strong growth in automotive products (18%) and other machinery (6%), said the WTO.

Noting that statistics on commercial services trade by category are not available yet for the second quarter of 2023, it said that such data do exist for the first quarter, together with monthly statistics on selected economies through June 2023.

In this context, the WTO said that world commercial services trade was up 9% year-on-year in Q1 of 2023.

"As recently as the second quarter of 2022, commercial services trade was up 19% year-on-year, which suggests that services may be losing momentum."

In the first quarter of 2023, commercial services trade was led by travel (up 58%), followed by goods-related services (5%), other commercial services (5%) and transport (-5%), said the report.

China and Germany stand out on

the export side as the only countries reporting declines (-12% for China, and -4% for Germany), while services exports of France and Singapore were weak but positive, up just 1%.

Meanwhile, the United States (7%), the United Kingdom (8%), India (23%) and Japan (17%) registered stronger growth.

On the import side, China and the United Kingdom recorded strong year-on-year growth in trade values of 16% and 14%, respectively. Meanwhile, other countries saw moderate increases of between 3% and 9%, it added.

### Trade fragmentation

Economic and political tensions between the United States and China - the world's two largest economies - have been building for several years, leading to the imposition of numerous tariffs, the report noted.

These measures have sparked some changes in international trading patterns, but evidence that they have thrown globalization into reverse remains limited, the WTO maintained.

The report said one indicator of the extent of global supply chains is the share of intermediate goods in world trade.

In this regard, it said in the fourth quarter of 2022 the ratio fell firmly below 50% and has remained there through the first half of 2023.

It said the shift is not dramatic: as measured by the average of exports and imports, the intermediate goods share has fallen to 48.5% in the first half of 2023, compared to an average of 51.0% over the previous three years.

Whether the decline is due to geopolitical tensions or the recent global economic slowdown is unclear, said the WTO.

"Whatever the reason, the data suggest that goods continue to be produced through complex supply chains, but that the extent of these chains may have reached their high-water mark," it added.

Other data suggest that trade may be reorienting along regional and political lines, the report said.

In this context, it said that the share of Asian trading partners in US bilateral trade in these goods rose from 39% before the pandemic to 43% in 2022, but for the year to date in 2023 it has fallen to 38%.

Over the same period, the share of China in US bilateral trade increased from 11% to 12% before falling back to 10%.

Similar shifts in trade patterns can be seen in Germany and Japan but they are even less dramatic, said the WTO.

Meanwhile, the structure of China's trade has remained stable, the most notable shift being a rise in the share of other regions (Africa, CIS, and the Middle East) in parts and components trade, from 5.3% in 2019 to 8.5% in the first half of 2023.

Changes in trade shares along geopolitical lines are also discernible in recent data, said the WTO.

For example, it said that US trade in parts and components with politically like-minded countries as measured by UN voting patterns fell from 77% before the pandemic in 2019 to 73% afterwards in 2020. This share then rose to 74% in 2022 and finally back to 77% in 2023.

While this could be a sign of supply chains shifting for geopolitical reasons, it could also simply be a reversion to pre-pandemic production patterns, said the report.

Among other trade-related indicators, the WTO report cited the RWI/ISL container throughput index which is based on container traffic of 92 ports accounting for 64% of world merchandise trade, making it a reasonable proxy for global container throughput, which in general, tracks merchandise trade volume quite closely.

As regards traffic through Chinese and European ports, the WTO said that while throughput has stagnated at the global level, traffic in Chinese ports has continued to grow while shipment through European ports had declined.

It said this suggests that stagnation in Europe may pose a greater risk to the trade outlook than China's economic slowdown.

The index does not show US ports separately, but data from the port of Los Angeles are suggestive. Throughput there fell 48% between July 2022 and February 2023, then rose 71% through June, it added.

This suggests that US trade with Asia is picking up again after slumping in the second half of last year, the WTO said. (SUNS #9870)

# UNCTAD issues “positive” trade & environment agenda for BRICS

The UN Conference on Trade and Development (UNCTAD) has issued a comprehensive “positive” trade and environment agenda for the expanded BRICS coalition, aimed at promoting environmentally sustainable trade, both among BRICS and in their trade globally.

by D. Ravi Kanth

GENEVA: Faced with a barrage of likely unilateral environmental measures by the European Union and the United States, the United Nations Conference on Trade and Development (UNCTAD) on 28 September issued a strong and comprehensive “positive trade and environment agenda” for the expanded BRICS that would “create a policy framework to provide incentives rather than punitive measures, to promote environmentally sustainable trade, both among BRICS and in their trade globally.”

The newly expanded BRICS coalition comprises Brazil, Russia, India, China, South Africa, Ethiopia, Egypt, Saudi Arabia, the United Arab Emirates, Iran, and Argentina.

UNCTAD's 37-page report, titled, “A Positive Trade and Environment Agenda for the BRICS”, comes days before the EU's controversial unilateral carbon border adjustment mechanism (CBAM) or carbon border tax comes into effect for an 18-month trial period on 1 October.

The proposed penalties range from euro 50 per tonne of carbon emissions and it will be formally introduced in 2026.

According to a report in the Financial Times of 17 August, “importers will not be charged the tax, which will be based on the block's carbon price, during the trial phase but will face penalties if they do not comply with the reporting requirements.”

In a signed piece in the Financial Times on 28 September, the EU Commissioner for Economy, Paolo Gentiloni, extolled the virtues of the proposed CBAM, claiming that it is “fully compatible with the WTO rules” and it is not about trade protection.

However, these claims are being

challenged by several members, who argue that the CBAM allegedly violates the core WTO rules and worse still, it goes against the Paris Climate Change Agreement of 2015, particularly the principle of common but differentiated responsibilities, said several trade envoys and analysts, who preferred not to be quoted.

## UNCTAD report

It is against this backdrop that UNCTAD's latest report proposing a positive agenda on trade and environment for the expanded BRICS assumes enormous significance, said a trade envoy, who asked not to be quoted.

The report sets the ground as to how the BRICS members could pursue “cooperation in green industrialization to build resilient supply chains; expand climate financing; facilitate affordable green technology transfers; encourage collaboration in R&D (research and development); and carve out incentives and policy space for green transition in international fora such as the UNFCCC (United Nations Framework Convention on Climate Change) and the WTO (World Trade Organization).”

The report was prepared at the request of the BRICS presidency in 2022 (China) and 2023 (South Africa) under the guidance of Richard Kozul-Wright, Director of the UNCTAD Division on Globalization and Development Strategies, with a team that included Alex Izurieta, Rashmi Banga, Piergiuseppe Fortunato, and Dawei Wang.

It highlights certain important features of the BRICS members such as “their combined GDP reaching 26% of the world's output in 2022 and their share of global trade reaching 21%”.

It acknowledges that “greenhouse gas (GHG) emissions from BRICS have also increased over the years with each individual BRICS economy now on the list of top 20 emitters.”

But based on overall emissions and on a per capita basis, it says that “the BRICS contribution remains much lower than that of the developed economies.”

However, accelerating climate change underscores the need for “a collective effort across all countries based on the principles of the Paris Agreement and in line with the (United Nations) Sustainable Development Goals,” it emphasized.

Both the EU and the US seem to be in no mood to abide by the multilateral rules as set out in the Paris Climate Change Agreement. Instead, they are on the verge of deploying unilateral, trade-related measures to address climate change in the developed world, which risks damaging the development prospects in developing countries, including the BRICS.

As an example of their determination to plunge into unilateral measures, UNCTAD's report noted that the EU's “Carbon Border Adjustment Mechanism (CBAM) which would impose a carbon tariff on imports into the EU from non-EU countries, (is) based on the level of carbon emissions generated in the production of the imported products.”

According to the UNCTAD estimate, the impact of the CBAM on the reduction in GHG emissions will be small (less than 0.1%) while its impact on energy-intensive exports from BRICS countries to the EU will be a drop in exports between 15% to 26% depending on the carbon pricing scenarios adopted.

“The real income of BRICS may fall between \$4 billion to \$7 billion with maximum fall in Russian Federation (\$2.5 billion), followed by India (\$1.6 billion) and South Africa (\$1.3 billion),” the report suggested, adding that, “Such measures which reduce real incomes in BRICS will make it more challenging for these countries to progress on their climate goals.”

Due to growing adaptation costs to address accelerating climate change, developing countries will be hard hit, the report pointed out.

“Undoubtedly, economic diversification, technological progress, robust government finances, and reliable sources of foreign exchange are the preconditions for successful climate change adaptation and mitigation



strategies in the developing world", it argued.

Significantly, it said "the economies of the BRICS, taken together, can offer considerable leverage, on both environmental conditions and those shaping trade and finance, to the benefit of other developing countries."

It assessed the evolution and extent of trade and financial interactions within the BRICS, and by extension within the Global South, given the pivotal role of BRICS economies in their respective regions.

The report cautions that "the scope for success of a development, growth and environmentally sustainable agenda mediated by the BRICS is limited if multilateral trade and financial arrangements, where the support of advanced economies is critical, are not altered."

It said given the pressure exerted by the major economies, it is important that "BRICS and the Global South should strive to interact with the rest of the world from a position of strength, with sufficient policy space, as well as with a spirit of cooperation firmly anchored in the fact that the natural environment and particularly its climate are intrinsically global."

### **A positive agenda**

According to UNCTAD, "developing countries are not on the front line of a cumulative process of global environmental degradation."

It says, "The impact of mitigation strategies of the major economies on tempering climate change is many-fold greater than what developing countries can exert."

Little wonder that "the pace of global environmental devastation in the developing world therefore largely reflects an exogenous factor."

Also, it appears that most developing countries are located "in more vulnerable geographical areas than the rest of the world, so climate adaptation plans are comparatively more demanding than mitigation plans and must reflect local circumstances."

The report argues that "trade performance can play a critical role in the green transition by accelerating technical progress, raising government revenues, and providing much-needed foreign exchange to developing countries."

Given the asymmetries in the international trade regime that seem to affect the developing countries most, it says that "greater trade activity, especially in industrial sectors also trigger greater import demands, which are often expensive for local producers, due to well-known exogenous factors including: (i) higher international prices of high-tech products with intellectual property content, (ii) global corporate and the concentration of providers in these sectors, and (iii) disrupting exchange rate fluctuations triggered by global finance."

According to the report, "Exports resulting from industrial activity should be sufficient to overcome the increase of import demands, but export performance is also reliant mostly on external conditions: (i) the strength of global demand; (ii) market access which can be disrupted by trade barriers; and (iii) a playing field which is often distorted by initial conditions of main players, as well as by trade rules that can impose unreachable thresholds on weaker partners."

A positive trade and environment agenda could provide BRICS member states with a policy cooperation framework to address the above challenges, it said.

The report suggested a plan of action, as follows:

#### **1. Diversify Intra-BRICS Trade Basket:**

The composition of BRICS global trade and intra-BRICS trade highlights the importance of mineral ores, fuels, metals, and petroleum products in global and intra-BRICS trade. BRICS countries need to diversify their trade baskets through strategic interventions. In light of the product composition of exports and imports of BRICS with non-BRICS countries, there is huge potential to diversify intra-BRICS trade, especially in chemicals (HS 28-38), food products (HS 16-24), stone and glass (HS 68-71), transport (HS 86-89) and vegetables (HS 06-15) where BRICS are both exporters as well as importers from non-BRICS countries.

#### **2. Need to Cooperate for Green Industrialization and Building Resilient Supply Chains:**

BRICS members can apparently cooperate in three areas such as higher

value-based segments of renewable energy, energy storage, and production of environmentally sustainable substitutes.

Integration in green value chains will require:

- i. identifying entry points into value chains to exploit mutual complementarities;
- ii. facilitating connections between firms operating in different countries at different parts of the chain; and
- iii. easing border restrictions, harmonizing testing and certification systems, and developing trading platforms for different commodities.

### **3. Mobilizing Climate Finance and Facilitating Trade and Environment Fund:**

To overcome the financial constraints to address climate change, intra-BRICS cooperation can play a pivotal role by creating synergies and reinforcing individual efforts.

With a combined GDP of over \$20 trillion, BRICS still have huge growth potential to help meet their climate financing needs and also mobilize financial resources for other developing countries by:

- i. Creating a dedicated BRICS climate financing facility under a New Development Bank to support common interests;
- ii. setting up a dedicated trade-environment fund, both in national development banks and in a BRICS New Development Bank, for supporting intra-BRICS trade in green goods and green technologies.
- iii. encouraging the cooperation and joint investment of public development banks of BRICS in supporting climate actions;
- iv. enhancing the cooperation among central banks and regulators for sharing the policies and practices in cultivating the green bond market, building carbon emission schemes, and addressing "greenwashing" issues in financial markets; and
- v. facilitating and promoting the intra-BRICS FDI flows in alignment with national climate agenda and actions.

### **4. Need to Collaborate on R&D Activities and Innovations for Green Transition:**

BRICS countries have strong



manufacturing capacities and a large industrial base which can spur technical progress.

Therefore, cooperation in science and technology can go a long way in strengthening BRICS potential to structurally transform and achieve environmentally sustainable growth by:

- i. Using the New Development Bank to support national and BRICS collaborative R&D activities in green technologies.
- ii. building a network among the universities, labs, and research entities of the BRICS members to strengthen the green technological capabilities.
- iii. exploring the feasibility of developing an environmentally friendly intellectual property protection mechanism for green innovations, which may further strengthen intra-BRICS green technology transfer and sharing.

### **5. Facilitating Transfer of Affordable Green Technologies:**

While BRICS countries are fast developing green technologies, they still lag behind advanced countries, which are rapidly patenting green technologies.

Due to the harmful impact of patents, UNCTAD calls on BRICS to play a leadership role in the Global South and facilitate affordable green technology transfers both amongst themselves as well as with other developing countries by:

- i. Identifying a list of green technologies,

similar to how countries identified a list of environmental goods;

- ii. facilitating patent-free transfers of the identified green technologies amongst the BRICS countries and to the Global South;
- iii. expanding TRIPS flexibilities for developing countries in the WTO, given the urgency of tackling climate change. The Doha Ministerial Declaration on the TRIPS Agreement and Public Health can provide a useful example to follow. It provided flexibilities, including the freedom to each member to establish its own intellectual property rights regime, subject to MFN and national treatment provisions; and
- iv. promoting green technology transfers, including the open-sourcing of key green technologies and declaring them as public goods.

Lastly, UNCTAD called for coordination positions in international fora to preserve policy space, as "the growing trade-related unilateral environmental measures such as CBAM may slow or halt the progress made by BRICS in their climate goals by adversely impacting their export growth, incomes, and employment."

Also, it is well documented that "the globally evolving trade and environment agenda could further restrict the policy space available to developing countries, including the BRICS, in designing their climate-related strategies."

Therefore, the report said it is critical for BRICS to coordinate positions in

various international fora and play a leadership role in preserving policy space for developing countries by:

- i. upholding the need for SDT (special and differential treatment) and CBDR (common but differentiated responsibilities) in all actions undertaken internationally like the UNFCCC and the WTO;
- ii. proposing a Trade and Environment Fund at the WTO on the lines of the Global Environment Fund at the UNFCCC;
- iii. adopting a moratorium on trade-related environmental measures of developing countries to expand the policy space for developing countries to progress on their national climate goals;
- iv. coordinating a BRICS position in all trade and environment discussions, especially at the CTE [Committee on Trade and Environment] in the WTO; and
- v. jointly opposing trade-related unilateral environment measures like the CBAM, and encouraging an incentive-based approach like eliminating tariffs on plastic substitutes at the WTO.

In short, UNCTAD's report for the BRICS provides an alternative for developing countries to rally around in the crucial discussions in opposing the EU's trade and environmental sustainability structured discussions (TESSD) and now the CBAM at the WTO, including the WTO DG's proposed plan to embark on carbon-pricing models. (SUNS #9865)

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# Maritime trade falls by 0.4% in 2022, but is set to grow this year

The UN Conference on Trade and Development (UNCTAD) has projected maritime trade in volume terms to grow by 2.4 per cent in 2023, following a marginal contraction of 0.4 per cent in 2022.

PENANG: Maritime trade in volume terms contracted marginally by 0.4 per cent in 2022, but is projected to grow by 2.4 per cent in 2023, the United Nations Conference on Trade and Development (UNCTAD) has said.

In its Review of Maritime Transport 2023, UNCTAD said while the industry remains resilient, global shipping continues to navigate COVID-19 post-pandemic trends, the legacies of the 2021-2022 crunch in global supply chains, a softening in the container shipping market and shifts in shipping and trading patterns arising from the war in Ukraine.

Global shipping continues to confront multiple challenges, including heightened trade policy and geopolitical tensions as well as dealing with changes in globalization patterns, it added.

"Additionally, shipping must transition to a more sustainable future, decarbonize and embrace digitalization."

The report said with international shipping responsible for around 3 per cent of global greenhouse gas (GHG) emissions, decarbonization continues to be an urgent priority.

It said that an additional \$8 billion to \$28 billion will be required annually to decarbonize ships by 2050, and even more substantial investments, ranging from \$28 billion to \$90 billion annually, will be needed to develop infrastructure for 100% carbon-neutral fuels by 2050.

UNCTAD also expressed concern over the ageing global shipping fleet. It said at the start of 2023, commercial ships were on average 22.2 years old, two years older than a decade ago, and that more than half of the world's fleet is over 15 years old.

In other findings, the report said in the second quarter of 2023, the most-connected economies, as measured by the Liner Shipping Connectivity Index

(LSCI) were in Asia, with China at the top, followed by the Republic of Korea, Singapore, and Malaysia.

"All these countries recorded a year-to-year increase in connectivity of between 3 and 5 per cent and reached record highs in their index values."

It said the United States ranked fifth, while three of the four European countries featuring among the top 10 best connected countries, namely Spain, the Kingdom of the Netherlands, and Belgium, also showed an increase over this period, while the United Kingdom recorded a slight drop.

In a foreword to the report, Ms Rebeca Grynspan, the Secretary-General of UNCTAD, said the 2023 edition of the Review of Maritime Transport paints a complex and mixed picture.

"On the one hand, we estimate that maritime trade volumes will continue to grow for the foreseeable future - 2.4 per cent in 2023, and 2.1 per cent over the next five years."

While this represents a slowdown from the average annual rate of maritime trade volume growth of around 3 per cent over the past four decades, it does show the limits of the notion of geo-economic fragmentation - at least in the short- to medium-term, and in terms of volume, she said.

"Our Review does however suggest that shipping patterns and trading routes are indeed shifting, perhaps because of growing commercial tensions and a new geography of transport and trade."

Ms Grynspan said a clear result of this dynamic is that the average distance travelled for several commodities is increasing. Shipments of oil cargo and grain, for example, travelled longer distances in 2023 than any other year on record.

"On the other hand, we describe

a maritime transport industry at a crossroads, with many forces at play reshaping the sector's roles and operating landscape," she added.

For one, she said, maritime transport needs to decarbonize as soon as possible. In 2023, carbon emissions from international shipping were 20 per cent higher than ten years earlier.

As the maritime industry embarks on this complex transformative journey towards decarbonization, it must do so while sustaining economic growth, she underlined.

At the same time, she said world shipping fleet growth is slowing down, and the average age of the world fleet is increasing. Alternative fuels are not yet available at scale and are more costly, and the ships that can use them are also more costly than traditional ships.

"Furthermore, developing regions, including small island developing States and least developed countries, may face higher domestic inflationary pressures due to a limited capacity to mitigate the passthrough effects of energy transition costs in shipping and the associated increase in maritime logistics costs," said Ms Grynspan.

## Maritime trade flows

International seaborne trade volume contracted by 0.4 per cent in 2022, reaching 12,027 million tons, down from 12,072 million tons in 2021, said the UNCTAD report.

"This drop in performance comes after a strong rebound in 2021 but is dwarfed by the sharp decline observed in 2020 at the onset of the COVID-19 pandemic."

The 2022 performance reflects the normalization that followed the extraordinary market surge in 2021, it said.

Several factors influenced the weak growth in maritime trade flows in 2022. Weaker global economic growth, high inflation impacting consumer spending, the disruption caused by the war in Ukraine, and strict COVID-19 containment measures affecting the economic and trade performance of China had a particular impact, said the report.

"Maritime trade volume contracted

marginally by 0.4 per cent in 2022, but UNCTAD projects it will grow by 2.4 per cent in 2023. Indeed, the industry remains resilient and UNCTAD expects continued but moderated growth in maritime trade volume for the medium term (2024-2028)."

Global shipping is also facing concurrent forces that make balancing supply and demand a challenging task for carriers, said the report.

It said during 2022, containerized trade, measured in metric tons, declined by 3.7 per cent. UNCTAD projects it will increase by 1.2 per cent in 2023 and expand by over 3 per cent during the 2024-2028 period, although this rate is below the long-term growth of about 7 per cent over the previous three decades.

On the supply side, container shipping may have entered an overcapacity phase, meaning that carriers will aim at managing capacity using tools such as slippage, idling of vessels or demolition, it added.

Bearing in mind the ongoing uncertainty and downside risks surrounding the economic prospects, UNCTAD said it projects total seaborne trade to grow by 2.4 per cent in 2023, an improvement over the contraction of 2022.

UNCTAD forecasts maritime trade to expand at an average annual growth rate of 2.1 per cent during the period 2024-2028, which is below the 3 per cent historical average growth rate of the past three decades.

In 2022, seaborne trade volumes continued to be dominated mainly by dry bulk and oil shipments, followed by containerized trade, it said.

"Oil and gas trade volumes witnessed the highest annual growth rates among cargo types in 2022, at 6 per cent and 4.6 per cent respectively. In the case of oil, this growth rate, as well as the rates projected for 2023 and 2024, significantly exceeds the 10-year average compound rates of the periods 1992-2002, 2002-2012 and 2012-2022."

This reflects greater demand for fuels with the easing of the pandemic and the return to normality leading to spending on energy-intensive services such as transport and travel, marking a recovery from the lows of 2020-2021, said UNCTAD.

In addition, factors such as energy security and geopolitics have also contributed to this growth, it said, adding that these factors are expected to persist in 2023, leading to further growth in the energy trade and the gas trade in particular, primarily driven by the need for enhanced energy security and a growing environmental agenda.

In contrast, the report said containerized and dry bulk shipments declined by -3.7 and -2.9 per cent respectively in 2022.

It said that the performance of containerized trade in the second half of 2022 and the first half of 2023 largely reflects the less favourable macroeconomic trends and a return to normal after the unusual post-COVID-19 surge in container trade demand, which expanded at a solid 6.2 per cent over 2020.

For 2023, UNCTAD said that it forecasts containerized trade volumes to increase by 1.2 per cent. The outlook for containerized trade remains weak in 2023 given the overall macroeconomic and operating landscape.

It said a potential improvement in global economic conditions and the recovery of China from the disruption caused by the COVID-19 pandemic and consequent economic slowdown could support sector performance during the second semester of 2023.

However, UNCTAD forecasts a growth rebound starting in 2024 of around 3 per cent per annum. These growth rates remain well below the average rates witnessed during the periods 1992-2002 (8.7 per cent) and 2002-2012 (7.2 per cent).

The report said in 2022, dry bulk shipments declined due to the disrupted Ukrainian exports, high energy prices (which affected various energy-intensive industries that use dry bulk commodities as an input) and trends in the Chinese economy, including the sharp decline in investment in the Chinese real estate sector.

It said demand for major dry bulks improved in 2023 driven by subsequent economic recovery in China. Grain and minor bulk shipments totalled 535 and 2,117 million tons respectively, representing a 3.8 and a 1.9 per cent growth rate compared to 2022.

The report said that bulk demand is projected to grow modestly within the 1.5-2.5 per cent range in 2023.

"Improvements in bulk trade could materialize in 2024, depending on the easing of the global macroeconomic situation, increased coal consumption and production in China and India, the pace of the energy transition, and the war in Ukraine."

Seaborne trade, both in tons and in ton-miles declined in 2022. In 2023 and 2024, ton-miles are projected to grow more than tons, reflecting growth in distances travelled, with the gap between the two reducing in 2024.

Over the past decade, the average distance travelled by seaborne trade increased for oil and dry bulk commodities but fell in the case of containerized trade, the report noted.

"The average distance travelled by one ton of grain was 5,574 nautical miles in 2002 and increased to 7,251 in 2022."

For oil commodities (including crude oil and refined oil products) this measure was 3,993 nautical miles in 2002, increasing to 4,350 in 2022.

The average distance travelled by one ton of dry bulk commodities (excluding grains) was 4,978 nautical miles in 2002 and increased to 5,231 in 2022.

These cargo types are expected to reach long-time records in 2023, namely 7,338 nautical miles for grain, 5,253 nautical miles for other dry bulk commodities, and 4,578 nautical miles for oil cargo, said UNCTAD.

It said growth in distances travelled of oil cargo reflects structural shifts in the energy production and distribution sectors and imbalances in supply and demand.

"The shale revolution in the United States, coupled with the lifting of the crude oil export ban in 2015, led to an increase in oil cargo shipments from the United States to Asia."

At the same time, the growing refining capacity in Asia has increased demand for crude oil shipments from the Atlantic basin.

Meanwhile, demand for refined oil products in Asia, especially China, and exports of refined oil products from Asia have also changed the direction of flows and distances travelled, said the report.

It said as for dry bulk shipments,

large consumption in China of iron ore, coal and grains and minor bulks used in steel production have been a major driver in dry bulk trade shipments and distances travelled with many of these commodities being sourced from Argentina, Brazil and the United States.

In 2022, global containerized trade volumes declined marginally by -0.7 per cent, reaching 163 million 20-foot equivalent units (TEUs), down from 164 million TEUs in 2021 and in sharp contrast to the surge in volumes recorded in 2021 (8.1 per cent), it further said.

UNCTAD forecasts that containerized seaborne trade will grow by 1.2 per cent in 2023 and will grow modestly, as macroeconomic challenges ease, with around 3 per cent per year for containerized trade starting in 2024.

"Global containerized trade has been on a roller coaster ride since the COVID-19 pandemic. While the market boomed in 2021 and during much of the first half of 2022, the situation changed dramatically by the second half of the year and returned to normal pre-COVID-19 levels. Significant differences were observed across regions in terms of annual changes in containerized trade."

By the third quarter of 2022, normalization in market conditions started to show, reflecting the fading away of the boost generated by various COVID-19-related drivers, said the report.

It said demand moderated and volumes weakened, reflecting the end of the stimulus spending effect, especially in the United States; the impact of inflation, including on global consumer demand; more de-stocking and inventory draws, as well as a recovery of services trade.

By late 2022, containerized trade had tempered the bullish market conditions seen in 2021 and early 2022, when freight rates had soared, the order book surged, and port congestion reached record highs, it added.

The average container capacity held up in ports increased from about 31 per cent in 2019 to 35 per cent in 2021 and 2022.

A softening in container shipping demand has helped to ease the global logjam in the maritime supply chain, with the average number of vessels waiting in ports now back to their pre-pandemic levels, said the report.

The report also noted that containerized trade flows on the main East-West routes have contracted, while intra-regional trade has grown.

It said that the trans-Pacific route, involving trade between East Asia and more specifically China and the United States, continued to dominate global containerized trade flows in 2022.

However, it said overall volumes transported on this route contracted by -6.5 per cent, reducing volumes from 30 million TEUs in 2021 to 28 million TEUs in 2022.

"Volumes on the Asia-Europe route also declined by -4.9 per cent in 2022, whereas flows from Europe heading to the North American East Coast increased by nearly 2 per cent."

The report said that these developments reflect a weakening in the container shipping market in the second half of 2022.

It said that in 2023, after a sluggish start to the year, ocean carriers shifted capacity from transatlantic routes (more resilient in 2022, encompassing non-consumer goods, whose imports were less affected by the slowdown in demand) back to trans-Pacific routes where spot rates were projected to increase, albeit remaining lower than pre-pandemic levels.

Despite the drop in volumes observed in 2022, the report underscored the continued predominance of the main East-West routes (37.5 per cent).

However, it said the importance of intra-regional routes, whose share amounted to 27.6 per cent in 2022, remains significant.

"It reflects dynamic intra-Asian container shipping activity and the manufacturing supply chain specific to East Asian countries."

It said weaker global demand, elevated inflation, large inventories and de-stocking, and the continued COVID-19 logistical legacies, especially in China, all contributed to the negative performance on the main East-West Asian trades.

### **Disruptions to shipping**

According to UNCTAD, since the COVID-19 pandemic, disruption to global logistics, in particular shipping

and ports has been reshaping trade flows and supply chains.

The ongoing war in Ukraine continues to affect maritime transport and trade. It has disrupted fossil fuel markets, as the Russian Federation is the leading exporter of natural gas and the second-largest exporter of oil, it said.

It said this disruption exacerbated the challenges experienced during the pandemic, when demand was reduced and supply contracted in the first phase, to be followed by surging demand that outpaced supply, resulting in extremely high and volatile prices.

It noted that after the war erupted, natural gas prices reached record highs, causing electricity prices to surge in some markets, and oil prices to soar to their highest levels since 2008.

"Although energy prices have eased compared with the 2022 high peaks, prices could spike again in the event of new disruptions, such as insufficient supplies of natural gas in case of a colder 2023 winter season in Europe, potentially affecting companies and households."

Total energy costs (direct and indirect) for households are estimated to have increased by at least 63 per cent and possibly as much as 113 per cent during the year following the beginning of the war in Ukraine. In this context, energy security has become a key policy concern, said the report.

It said in the context of the war in Ukraine, the United Kingdom, the United States and the European Union have applied restrictive economic measures to the trade of Russian crude oil, refined petroleum products and gas, such as import bans, pipeline transport restrictions and a cap on the price of the oil barrel, impacting underwriting for insurance-related processes.

"These measures have induced changes in the trading patterns of these products. For instance, the share of the Russian Federation in EU imports of petroleum products and coal declined by 9.2 and 13 percentage points respectively between the average of the second and third quarters of the period 2017-2021 and the second and third quarters of 2022."

In contrast, oil imports from Iraq, Kazakhstan, Libya, Nigeria, Norway, Saudi Arabia, the United Kingdom and



the United States increased.

On the other hand, exports of oil and oil products from the Russian Federation to alternative destinations further away (including China, the Middle East, India, Türkiye, Africa and Latin America) increased.

"The war in Ukraine also led European countries to import more gas from other suppliers, including Algeria, Norway, Qatar and the United States to compensate for the loss of shipments from the Russian Federation."

The report said contrary to trading patterns of other energy products, gas grew more in volumes than in ton-miles in 2022.

This was due to shifting trade patterns such as increased United States exports heading to Europe rather than on longer voyages to Asia, it said.

Volumes increased in 2022 for both liquified natural gas (LNG) and liquified petroleum gas (LPG) although the opposite trend is projected for 2023, it added.

It also said coal trade volumes marginally increased in 2022, because of tight energy markets resulting from the war in Ukraine. Coal trade benefited from firm European imports, which drove ton-mile growth.

"In 2023, following policy reforms aimed at securing coal supply to cope with El Nino impacts, coal imports to China increased significantly, particularly from the Russian Federation."

Continued strong growth of coal imports in Asian economies is expected to lead to record demand in 2023, said the report.

With energy security staying high on the agenda, maritime trade of energy commodities is expected to grow more than non-energy commodities in 2023, it added.

It said that supply and demand factors suggest a positive outlook for the next two years. Seaborne crude oil trade volumes are expected to grow (limited to some extent by OPEC cuts) by 1.6 per cent in 2023 and by a strong 7 per cent in ton-miles, with exports growing from the United States, Brazil, Norway and the Russian Federation, and increased Chinese and Indian demand.

Global seaborne LNG demand is expected to remain strong, with United

States exports continuing to drive LNG export growth and China and India driving import growth, it added.

The report also said that the Russian Federation and Ukraine are global players in the grain and agrifood markets and, before the war, were important sources of wheat, corn, barley, rapeseed, sunflower oil and seeds for many net food-importing developing countries, including many lower-income countries.

For example, in 2018-2020, 32 per cent of the total of African wheat imports came from the Russian Federation and 12 per cent of total African wheat imports came from Ukraine.

For least developed countries, imports of wheat from the Russian Federation and Ukraine were 29 per cent and 10 per cent, respectively.

As many as 25 African countries imported more than one-third of their wheat from the two countries, and 15 of them imported more than half, it noted.

In this context, UNCTAD said that the disruption to Black Sea shipping and ports caused by the war in Ukraine has generated a gap in volumes of grain shipped from Ukrainian ports, contributing to a 2.6 per cent contraction in global grain trade volumes in 2022.

### Shifting patterns

The report said in recent years, there has been an increasing emphasis on de-risking supply chains and expanding goals to diversify suppliers and markets.

"Heightened trade policy tensions, the COVID-19 disruption, the war in Ukraine and the consequent drive for greater resilience building and self-sufficiency have moved supply chain configuration to the forefront of the agenda for policymakers and industry."

Over the past decade, supply chain re-configuration trends have been unfolding. These are most visible in Asia and China, as the world's largest market and key player in global value chains and containerized trade flows, it said.

"China as the global manufacturing powerhouse, is historically associated with the rise of globalized production processes and supply chains structured around intra-industry trading patterns."

It said more recently, a growing geopolitical divide is causing shifts in

supply chains. The introduction of tariffs in the United States and China since 2018 has imposed additional costs on their bilateral trade and caused a trade diversion, with some winners and losers emerging.

Tariffs imposed by the United States affected around 18 per cent of its imports, equivalent to 2.6 per cent of its GDP, while retaliation by China impacted 11 per cent of its imports, equivalent to 3.6 per cent of its GDP.

These tariffs impacted industries in both countries and increased costs for about two-thirds of dutiable products in the United States, said the report.

It said countries that have benefited from the trade diversion include Canada, Mexico, India, Viet Nam and the European Union, among others.

It said while some shifts in trade patterns were triggered by the United States and China tariffs, changes were also accelerated by the COVID-19 pandemic, the 2021-2022 global logjam in logistics and the war in Ukraine.

"In an increasingly complex operating environment, traders and supply chain managers are embracing various strategies to increase their agility to respond to new challenges."

These include pursuing new efficiencies (such as reducing transport costs to increase profitability), finding new markets, and reconfiguring supply chains to reduce the risk of disruptions in the event of shortages of key inputs in their supply networks.

Supply chain re-configuration involves various strategies and approaches including off-shoring production across a wider range of locations and a variety of trading partners; bringing manufacturing back home (re-shoring); relocating manufacturing to neighbouring countries closer to the home market (near-shoring) or prioritizing trade with highly trusted countries that share common values and strategies, said the report.

UNCTAD said that its analysis of containerized maritime trade during 2022 and the first quarter of 2023 suggests that the geographical proximity of manufactured trade remained relatively stable, suggesting a lack of significant near-shoring trends, at least on average.

"However, there has been a notable increase in the political proximity of

trade since the latter part of 2022. This indicates a reorientation of bilateral trade flows prioritizing partners with similar values."

This phenomenon is likely to intensify in the coming years, given efforts by Western economies to limit their dependency on China in strategic and promising trading sectors related to technology and the energy transition, the report said.

Examples of such efforts include the United States Inflation Reduction Act, aimed at promoting investments in domestic manufacturing capacity and encouraging procurement of key raw

materials and components for the green-energy transition domestically or from specific trade partners, it noted.

Similarly, the report said the CHIPS and Science Act aims to re-shore production of high-tech equipment, such as semiconductors.

It said that the European Union is considering similar initiatives, with some countries already providing support to encourage local production of similar components.

"These initiatives could potentially lead to shifts in future seaborne trade flows. However, this may also result in additional costs for companies and

consumers, shifting production away from the most cost-effective producers, impacting welfare and trade, and potentially hindering the diffusion of ideas, innovation and technology spillovers," the report cautioned.

Given the uncertainties associated with global political frictions, energy transition and shipping decarbonization, as well as higher transport cost volatility in the foreseeable future, intra-regional trade appears as an area where reinvigorated policy action could yield positive resilience-building outcomes, it said. (SUNS #9867)

## Monopolies on Biologics, including Vaccines: The Case for Reform in Intellectual Property and Pharmaceutical Regulation

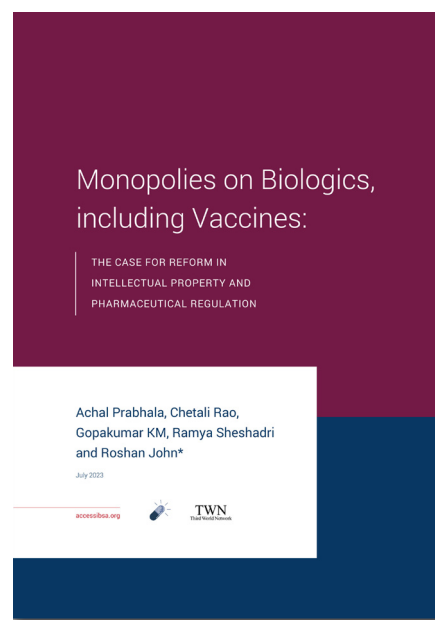
*Achal Prabhala, Chetali Rao, Gopakumar KM, Ramya Sheshadri and Roshan John*

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Biologics are large complex molecules originating from bacteria, yeast, insects, plants, and engineered mammalian cells, and are a category that includes both biotherapeutics and vaccines. This report examines monopolies on biologics in India, and makes the case for reform of Indian laws and policies governing the management of intellectual property and pharmaceutical regulation. It does so through a deep dive into India's experience with biologics over the last decade.

The first chapter of the report examines intellectual property monopolies, primarily through patents, on biologics. The second chapter examines monopolies created by pharmaceutical regulation, primarily through trade secrets.

Publication of the report in the wake of the Covid pandemic coincides with a universal awareness of the importance of affordable and accessible biologics, because we are now fully aware of the importance of both non-vaccine biologics (such as monoclonal antibodies) for the treatment of Covid, as well as vaccines for the prevention and mitigation of Covid.



Available at <https://twon.my/title2/books/pdf/Monopolies%20on%20Biologics,%20including%20Vaccines.pdf>

# Lifting restrictions on Palestinian economic activity key to ending poverty

Ending and reversing Israeli settlement activities and lifting all restrictions on Palestinian economic development is a *sine qua non* for the eradication of poverty in the Occupied Palestinian Territory, the UN Conference on Trade and Development (UNCTAD) has argued.

by Kanaga Raja

PENANG: Ending and reversing Israeli settlement activities, in line with Security Council resolution 2334 (2016), and lifting all restrictions on Palestinian economic development, including in Area C, is a *sine qua non* for the eradication of poverty and the achievement of the Sustainable Development Goals in the Occupied Palestinian Territory (OPT).

This is one of the main conclusions of a report (A/78/303) prepared by the secretariat of the United Nations Conference on Trade and Development (UNCTAD) and transmitted to the current seventy-eighth session of the UN General Assembly in New York.

According to the report on the economic costs of Israeli occupation for the Palestinian people, in the occupied West Bank, Israel implements a series of administrative and physical barriers that control the movements of Palestinian people and limit their access to markets, both domestic and foreign, and to natural and economic resources.

Area C accounts for more than 60 per cent of the area of the West Bank and is fully under the control of Israel, it said.

It said in tandem with the expansion of settlements, Israel imposes stricter restrictions on Palestinian economic activities in Area C over and above those imposed in Areas A and B of the West Bank.

According to the report, removing the additional restrictions on all of Area C would more than double household expenditure in the West Bank and significantly reduce poverty in Area C.

"Reducing restrictions in Area C to

levels similar to Areas A and B, as a step towards ending the occupation, in line with relevant United Nations resolutions, could boost total Palestinian household expenditure substantially, by up to 200 per cent in some localities, and help to reduce poverty substantially across much of the Occupied Palestinian Territory."

For instance, in 2017, total household expenditure in the West Bank, excluding Jerusalem Governorate, could have been \$4.4 billion higher (in constant 2015 United States dollars) than it actually was, equivalent to a 57 per cent increase in total household expenditure in the West Bank, it said.

The report said if all restrictions in the three Areas were removed, as a step towards ending the occupation, the positive economic impact would be much greater.

## Background

The report said with the onset of the occupation in 1967, Israel began establishing settlements in Area C of the West Bank.

According to the non-governmental organization Peace Now, the settler population in the West Bank, including East Jerusalem, rose from 198,315 in 2000 to almost 700,000 at the end of 2022.

It said that these settlements inflict a significant economic cost on the Palestinian people, dispossess them of their inalienable right to development, entrench occupation and pre-empt a meaningful, sustainable two-State solution.

The Security Council, in several resolutions, has emphasized the illegality of settlements and the inadmissibility of the acquisition of territory by force, it noted.

"In its resolution 2334 (2016), the Security Council reaffirmed that the establishment by Israel of settlements in the Palestinian territory occupied since 1967, including East Jerusalem, has no legal validity and constitutes a flagrant violation under international law and a major obstacle to the achievement of the two-State solution and a just, lasting and comprehensive peace."

In accordance with the 1993 Oslo Accords, the occupied West Bank was divided into three administrative areas.

Area A was placed under the civil and security administration of the Palestinian Authority. It represents about 18 per cent of the total area of the West Bank, includes the Palestinian cities and is home to most of the Palestinian population of the West Bank.

The report said Area B represents approximately 22 per cent of the area of the West Bank, is largely rural and is subject to Palestinian civil control and joint Israeli-Palestinian security control.

"Area C, which accounts for about 60 per cent of the West Bank, incorporates all Israeli settlements and is fully under Israeli civil and security control."

As such, the Palestinian physical and economic geography is fragmented by sub-dividing Areas A and B into 166 disconnected islands, leaving Area C as the only contiguous part of the West Bank, it added.

The Oslo Accords envisioned the gradual transfer of Area C to the Palestinian Authority over a five-year period ending in 1999.

However, the report said that to the present day, the occupation continues, and Area C is largely inaccessible to Palestinian producers, although it is the largest of the three Areas and has the most valuable natural resources, such as water, fertile land, minerals and stone, as well as tourist attractions and Dead Sea resources for cosmetic products.

"Instead of transferring Area C to the Palestinian Authority, Israel has continued to use a complex matrix of administrative and physical controls over the movement

of Palestinian people and their access to their land and natural resources, citing security reasons."

These restrictions on movement, trade and investment, combined with settlements, violence and the wall, serve to foster a coercive environment that alters the demographic composition by pushing Palestinians out of their land while settlements and the settler population grow, said the UNCTAD report.

"The Israeli occupation exacts a significant negative impact on development by preventing Palestinians from building on over 99 per cent of Area C," it emphasized.

The report said it is extremely difficult for Palestinians to obtain permits from the Israeli authorities to build residential structures or structures for investment or to develop infrastructure such as roads and networks for water and power.

"If a structure is built without a permit, as is often the case, the occupying Power demolishes it at the owner's expense."

Over the years, the demolition and seizure of Palestinian structures and the human displacement they entail have increased, it said, adding that schools, water pipes and donor-funded humanitarian structures are not exempt from demolitions.

It said owners are forced to demolish their own property, at their own expense, to avoid paying for the cost of demolition if carried out by the occupying Power, which may include additional fines.

It is estimated that between 2009 and 2021, in the West Bank, including East Jerusalem, 7,400 Palestinian-owned structures were destroyed.

The report said recently, both demolition and "self-demolition" have been increasing. The year 2022 witnessed the highest number of demolitions of Palestinian structures in over a decade.

Israel demolished 954 structures, including water cisterns, storerooms, agricultural buildings, businesses and public buildings.

As a result of the demolition of 193 residential structures, 1,032 Palestinians were displaced, half of them (508) minors.

According to the Office for the Coordination of Humanitarian Affairs, 144 structures were demolished in East

Jerusalem, including 74 demolished by their owners to avoid additional fines.

### Estimate of costs

According to the report, the 2007 and 2017 censuses of the Palestinian Central Bureau of Statistics divide the West Bank into 523 localities in 11 governorates: Ramallah, Janin, Tubas, Tulkarm, Nablus, Qalqilyah, Salfit, Jericho, Jerusalem, Bethlehem and Hebron.

UNCTAD said its analysis excludes Jerusalem Governorate, as it is completely under Israeli control and no data are available.

"The analysis covers 457 localities in the 10 remaining governorates, excluding Jerusalem and its localities," it added.

The report said that estimated total expenditures at locality level are quite heterogeneous.

In 2011, mean total locality expenditure was \$9.9 million and the median was \$4.1 million. In 2017, the mean was \$15.5 million while the median was \$6.4 million.

It said that in real terms, estimated locality average expenditure per adult equivalent increased by 24.5 per cent between 2011 and 2017.

However, given population growth, the average locality expenditure increased by 54 per cent, from \$277 in 2011 to \$345 in 2017.

Estimating the welfare costs of the occupation, the report said the unrealized estimated \$4.4 billion potential gain in household expenditure that would have materialized by reallocating Area C land to Areas A and B would have significantly enhanced household welfare by increasing their expenditure by 57 per cent in 2017.

It said this is especially relevant to the localities in the Jordan Valley and the southern parts of the West Bank, which are dominated by Area C and have the lowest expenditure per adult equivalent and the highest poverty rates.

The unrealized estimated \$4.4 billion in additional expenditure would be sufficient to reduce poverty in localities where the share of Area C is greater than zero, and the positive spillover to the rest of the West Bank economy - through expansion of aggregate demand, forward and backward linkages and fiscal channels - would contribute significantly

to the reduction of poverty everywhere else, it added.

UNCTAD said that the findings of the present report demonstrate that lowering the restrictions imposed in Area C to the levels applied in Areas A and B, as a step towards ending the occupation, could improve the economic situation of the Palestinian people significantly.

"It follows that the economic gains will be much greater when the occupation is brought to an end, in line with relevant United Nations resolutions, and the conflict is resolved in line with international law, in pursuit of the vision of the two-State solution."

### Conclusions

The report said the multi-layered Israeli control on movements has a significant negative impact on Palestinian economic activity, development and household welfare throughout the Occupied Palestinian Territory.

"In the West Bank, the restrictions on economic activity are more pronounced in Area C but are by no means limited to it."

UNCTAD said in the previous report to the General Assembly, the economic cost of the additional restrictions on Palestinian economic activity imposed by Israel in 30 per cent of Area C was estimated at 25.3 per cent of West Bank GDP.

The present report complements the previous one and contains the conclusion that applying the same economic restrictions imposed in Areas A and B to Area C, i.e. removing the additional restrictions in all of Area C, could significantly enhance household expenditure and reduce poverty in localities partially or fully in Area C, it said.

UNCTAD said that in the present report, it is demonstrated that if the additional restrictions imposed in Area C are lowered to the levels imposed in Areas A and B, as a step towards ending the occupation, total expenditure in Palestinian localities would increase by a range of up to 200 per cent.

Estimation results suggest that, in 2017, total household expenditure would have been \$4.4 billion (in constant 2015 US dollars) higher than actual expenditure,



which is equivalent to a 57 per cent increase in expenditure in the West Bank, excluding Jerusalem Governorate.

The unrealized expenditure is not confined to 2017, as it applies to every year, at substantial rates, it said.

"The findings suggest that lowering the restrictions imposed in Area C could improve the economic situation significantly," it added.

"The United Nations continues to work towards the realization of a just, lasting and comprehensive peace in the Middle East on the basis of relevant Security Council resolutions in order to end the occupation and establish an independent, sovereign, democratic, viable and contiguous State of Palestine, living side by side in peace and security with Israel, on the basis of the pre-1967 borders," the report underlined.

In the present report, it is estimated that, absent the additional restrictions in Area C, Palestinian households would have spent 57 per cent more to access life-preserving, welfare-enhancing essential goods and services.

The report said the estimated forgone expenditure thus severely impoverishes

the Palestinian people and limits their access to the essential goods and services that dominate their expenditure, such as food, education, health, transport, housing and communication.

It also said the ratio of estimated expenditure to GDP is consistently high in the Occupied Palestinian Territory, and household expenditure represents an essential component of aggregate demand.

Previous UNCTAD reports suggested that the Palestinian economy is constrained on both the supply and demand sides, it noted.

The report said that greater spending by households stimulates economic growth, creates jobs, enhances fiscal revenue and expands the policy space available for the Palestinian Government without important inflationary consequences for an economy that lacks a sovereign, national currency.

Noting that Area C plays a role akin to an "adverse economic zone", UNCTAD said that the present report estimates the negative impact of restrictions and the administrative fragmentation of the West Bank on the welfare of Palestinian

households.

Area C accounts for more than 60 per cent of the total area of the West Bank, is the only contiguous part of the West Bank and has the most fertile land and the most valuable natural resources, it added.

While occupation also imposes significant restrictions on Palestinian economic activity in Areas A and B, the restrictions it imposes in Area C are more stringent, forcing the Area to play a role akin to an "adverse special economic zone" that disincentivizes Palestinian investment and undermines household welfare, it said.

The ongoing expansion of settlements dispossesses Palestinians of most of Area C and its natural resources, thus exacting a significant socioeconomic toll, said the report.

"When the occupation ends, the positive potential of introducing ordinary special economic zones should be considered in order to unlock the huge potential currently suppressed by the current situation on the ground," it added. (SUNS #9864)

TWN Gender Series No. 3

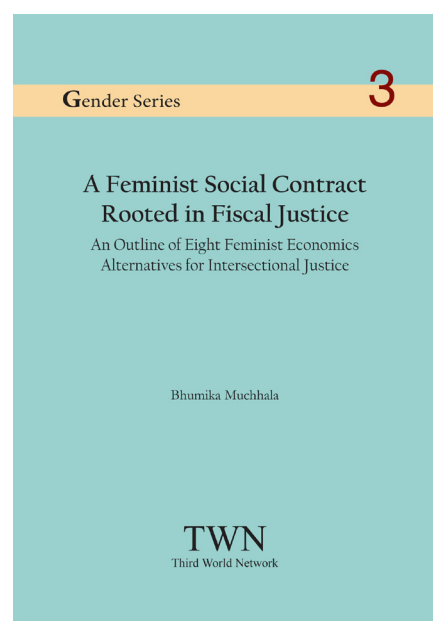
## A Feminist Social Contract Rooted in Fiscal Justice

An Outline of Eight Feminist Economics Alternatives for Intersectional Justice

**Bhumika Muchhala**

The fiscal consolidation framework underpinning economic policy across much of the world has led to the erosion of critical public services and social infrastructure. These cutbacks have disproportionately affected women, who face diminished access to essential services, suffer loss of livelihoods and bear an increasing burden of unpaid care work as a result. In light of the baleful impacts of gendered austerity, this paper puts forward a set of strategies spanning policy and practice – from progressive taxation to social movement building – aimed at advancing gender-equitable fiscal justice.

Available at <https://twon.my/title2/series/gs/gs03.htm>



# J&J announces non-enforcement of bedaquiline patents in 134 countries

Pharmaceutical giant Johnson and Johnson (J&J) has announced the non-enforcement of its patents on a key drug used in the treatment of drug-resistant tuberculosis (TB) in 134 low- and middle-income countries.

by K M Gopakumar

GENEVA: Pharmaceutical giant Johnson and Johnson (J&J) announced the non-enforcement of its "evergreening" patents on the tuberculosis (TB) medicine bedaquiline in 134 low- and middle-income countries.

The announcement came after mounting global pressure on the company against its practice of extending market monopoly using multiple patents even after the expiry of the original patent on the bedaquiline chemical molecule.

Bedaquiline is a designated essential medicine under the WHO's Model List of Essential Medicines for the treatment of drug-resistant TB.

In 2020, the civil society mobilisation against the high prices of bedaquiline forced J&J to reduce the price to USD 1.50 per day.

Similarly, in India, TB survivors approached the Bombay High Court seeking a government use licence for the generic production of bedaquiline and delamanid for the enhancement of treatment access.

The first patent on the bedaquiline molecule expired in July 2023. However, the generic availability was threatened by "evergreening" patent applications pending in many countries including in high TB burden countries like South Africa.

The announcement is now expected to pave the way for generic availability in 134 low- and middle-income countries.

However, the announcement of J&J does not provide any such list. A footnote in the announcement states: "The list of low- and middle-income countries is available upon request."

["Evergreening" is a term used to refer to the practice of obtaining multiple secondary patents on the same medicine (small changes or other parts such as polymers) to extend the statutory monopoly when the primary patent on the molecule has expired, for the purposes of preventing generic competition.]

The J&J announcement states: "The decision is intended to assure current and future generic manufacturers that they may manufacture and sell high quality generic versions of SIRTURO without a concern that the Company will enforce its bedaquiline patents, provided the generic versions of SIRTURO produced or supplied by generic manufacturers are of good quality, medically acceptable, and are used only in the 134 low- and middle-income countries".

According to observers, two important developments might be behind the decision of J&J. First, the rejection of an "evergreening" patent application on bedaquiline in India through a pre-grant opposition.

Secondly, the initiation of an investigation on the high prices of J&J's TB drug by the Competition Commission of South Africa.

In India, there were two pre-

grant oppositions filed -- first, by the Maharashtra Network of Positive People, a network of people living with HIV/AIDS in 2013, and the second by two TB survivors, Nandita Venkatesan and Phumeza Tisile, in 2019.

The Patent Office concluded the process and announced its decision on 23 March 2023. Since the original patent was expiring in July 2023, the rejection of the "evergreening" patents paved the way for the generic entry of bedaquiline in India.

This rejection of the patents in India triggered the demand for the dropping of such "evergreening" patents on bedaquiline globally to facilitate access to drug-resistant TB treatment.

In a statement dated 18 July, the day of expiry of the primary patent in India, MSF Access Campaign called for "the US pharmaceutical corporation to publicly announce it will not enforce any "secondary" patents for the drug in any country with a high burden of TB and withdraw and abandon all pending secondary patent applications for this critical drug everywhere."

MSF also called for "a commitment from J&J to not take any legal action against any generic manufacturer that exports generic versions of bedaquiline to or from TB high-burden countries where secondary patents on the drug exist. The corporation should make this announcement public by the UN TB Summit taking place in New York this September (2023)."

According to the MSF statement, non-enforcement of "evergreening" patents would avoid four years of delay in the introduction of generic versions and benefit the majority of TB high-burden countries.

It states: "J&J holds secondary patents in at least 34 of the 49 countries with a high burden of TB, TB-HIV and/ or DR-TB (drug-resistant TB), for which bedaquiline is an essential part of treatment regimens. Several of these countries are in the EECA (Eastern Europe and Central Asia) region".

The initiation of an investigation by the South African competition authority came up amidst a report of the renewed

contract with J&J for the procurement of bedaquiline at a high price of 5,500 rand while other countries procuring from the Stop TB Partnership's Global Drug Facility pay only 2,444 rand.

This investigation would have forced J&J to reveal much information to the competition authority. The J&J announcement is viewed as an attempt to pre-empt such an investigation.

(The Stop TB Partnership is a public-private initiative where J&J is a member.)

Prior to the non-enforcement announcement, J&J announced a licensing deal with the Stop TB Partnership.

The announcement states: "to tender, procure, and supply generic versions of SIRTURO (bedaquiline) for the majority of low- and middle-income countries, including countries where patents remain in effect".

MSF's statement dated 18 July termed the deal as a partial solution. This is because "the Stop TB Partnership/ Global Drug Facility (GDF) ... deal with J&J to increase access to affordable generic versions of bedaquiline offers only a partial solution to the access problem, because the deal excludes many countries that have a high burden of people living with TB, primarily in EECA countries."

Ahead of the United Nations General Assembly High Level Meeting on TB that took place on 22 September 2023, the Stop TB Partnership announced the drop of the price of bedaquiline of up to 55%, thereby bringing down the cost of the medicine for a six-month course to USD 130.

While welcoming the price reduction, the MSF Access Campaign reiterated their demand for non-enforcement of bedaquiline patents. In the statement, "MSF calls on J&J not to enforce any "secondary" patents for Bedaquiline in any country with a high burden of TB, and to withdraw and abandon all pending secondary patent applications for this critical drug everywhere".

The national TB treatment programs of Belarus (11 July) and Ukraine (21 September) wrote to the CEO of J&J to commit to the non-enforcement of secondary patents on bedaquiline.

On 23 September, in an open letter to J&J's CEO, the Executive Director of Unitaids, Dr Philippe Duneton, demanded the following: First, "remove all secondary patents or provide comprehensive licenses to generic manufacturers", and secondly, "to make the lower GDF price available globally to all countries with a high burden of TB, including those currently excluded from the GDF agreement or not procuring through GDF".

**"The recent lower J&J price for bedaquiline is accessible only for countries eligible or willing to procure through GDF and therefore represents a partial, short-term solution."**

The Unitaids letter also stated that: "we express our disappointment that Johnson & Johnson, as the primary patentholder of bedaquiline for over 20 years, ignored the public health community's calls to secure comprehensive and fair access to bedaquiline, acting only when generic competition became inevitable and even then, not going far enough. Today, Johnson & Johnson continues to enforce secondary patents in many of the countries with the highest burden of DR-TB, hindering generic manufacturer competition and impeding broader access to this critical medicine.

"The recent lower J&J price for bedaquiline is accessible only for countries eligible or willing to procure through GDF and therefore represents a partial, short-term solution. Upcoming tenders and further competition from multiple generic manufacturers are expected to lead to lower prices in some countries in the near future, once again leaving countries where secondary patents remain in force with unequal access".

MSF Access Campaign welcomed the J&J announcement of the non-enforcement of secondary patents on bedaquiline and hoped that "This decision means additional drugmakers will be allowed to make more affordable generic versions of the drug for people in low- and middle-income countries all over the world".

Fatima Hassan, Director of the Health Justice Initiative (HJI) in South Africa, stated that: "The HJI welcomes the announcement by J&J which was in fact long overdue. This is an important day for TB activism and we remember all patients who suffered and died, enduring long treatment and side effects. We salute communities and civil society groups involved in this battle to ensure access to this drug for all patients, for more than a decade.

"However, we also look forward to the continuation of the investigation of the South African Competition Commission, as they will be reviewing the historical conduct of J&J related to this drug's pricing and its patenting strategy (EVERGREENING) which also resulted in the denial or high price of bedaquiline affecting access for thousands of patients living with drug-resistant TB.

"We now call on all pharmaceutical companies with secondary patents on TB drugs to follow J&J and drop their secondary patents now. We will continue our work to shine a spotlight on patent evergreening, it has no place in public health." (SUNS #9867)

## Don't count on PPP solutions

While public-private partnerships (PPPs) are usually profitable for the private partners, they have generally not served the longer-term public interest, argues *Jomo Kwame Sundaram\**

KUALALUMPUR: In recent years, public-private partnerships (PPPs) have spread rapidly. While usually profitable for the private partners, PPPs have generally not served the longer-term public interest.

As Eurodad has shown, PPP financing has grown in recent years, particularly in the Sustainable Development Goals (SDGs) funding discourses. Adopted by the UN in September 2015, the SDGs endorsed PPP financing.

Earlier, the mid-2015 Third UN Conference on Financing for Development in Addis Ababa had failed to ensure adequate financing. This was mainly due to rich nations opposing a UN-led international tax cooperation initiative.

Instead, PPPs were strongly endorsed in the 2015 Addis Ababa Action Agenda. Weeks later, SDG17 referred to PPPs as "means of implementation". This all sought to "encourage and promote effective public, public-private and civil society partnerships".

PPPs have been promoted as a means to finance and deliver infrastructure, social services and, increasingly, climate-related projects. Advocates claimed PPPs would also help overcome other problems besides funding. PPPs, they claimed, would help improve project selection, planning, implementation and maintenance.

### PPP promotion

Some advocates even claim only the private sector can deliver high-quality investment and efficiency in infrastructure and social service delivery. Private financing reduces budget-constrained governments' need to raise funds upfront to finance, develop and manage projects.

Increased private financing supposedly also overcomes public sector incapacity to deliver high-quality infrastructure and public services.

Undoubtedly, many government capacities have been diminished by decades of structural adjustment, austerity and less public finance.

This has been worsened by rich countries' unmet commitments to contribute 0.7% of national income as official development assistance (ODA) on concessional terms. The global North has also been unwilling to effectively stem illicit financial outflows, e.g., due to tax dodging.

PPP promotion has involved many means, media and institutions, including "donor" agencies, multilateral development banks (MDBs), UN agencies, international consultants, transnational accounting firms, and the World Economic Forum (WEF).

The World Bank has long promoted private financial investments in development, as well as "blended finance" and PPPs more recently. In 2022, the influential WEF even proclaimed PPPs as essential for pandemic recovery.

Such promotion of private finance has implications far beyond the actually modest amount of funds raised through "blended finance" and PPPs. Almost every project so funded is touted as proof that private finance should be privileged, including by guaranteeing returns using public finance.

The World Bank and other MDBs are devoting considerable effort to advise governments on the use of PPPs. By contrast, they have not put comparable efforts into improving the quality and effectiveness of publicly financed infrastructure and social services.

Over the years, the World Bank Group has produced different tools - including model language for PPP contracts, which favour private sector interests - often to the detriment of the public partner, ultimately governments in need of financing.

Regional development banks - such as the Asian Development Bank, the

African Development Bank and the Inter-American Development Bank - have strategic frameworks, networks and dedicated offices to support countries implementing PPPs.

PPP advocacy has led to changes in laws, regulatory frameworks and policy environments at international, national and local levels. Developing countries have also started including PPPs - to scale up infrastructure and public service provision - in national development plans.

Many developing countries have enacted laws enabling PPPs and set up "PPP Units" to implement PPP projects. The World Bank, International Monetary Fund (IMF) and regional development banks work closely with private partners to provide policy guidance advising governments on how to best enable PPPs.

All this has transformed policy formulation for public service provision to attract private investors - an agenda Daniela Gabor dubs the "Wall Street Consensus". This implies "an elaborate effort to reorganize development interventions around partnerships with global finance".

### PPPs have not delivered

But actual experiences have not confirmed this favourable impression promoted by PPP advocates. Instead, PPPs have become a major cause for concern.

Reliable data on international PPP trends are hard to find. Also, different PPP definitions and terminology have confused reporting.

The World Bank's Private Participation in Infrastructure Projects Database reports on economic infrastructure - such as for energy, transport, water and sewerage - in 137 low- and middle-income countries.

The COVID-19 pandemic undoubtedly disrupted PPP planning, preparation and procurement. But even the World Bank admits that delays and cancellations were not only due to COVID-19 as the pandemic exposed projects already in trouble for other reasons.

Nonetheless, PPPs' financial impacts to date have been small, as the public



sector continues to dominate. But little private investment - including PPPs - goes to low-income countries. Most such projects are concentrated in a few countries.

PPPs tend to be found in countries with large and developed markets allowing faster cost recovery and more secure revenues. This implies market "cherry-

picking" - a selection bias - with private investments going to more affluent urban areas rather than to the needy.

The major setbacks to both the SDGs and climate progress in the last decade are not only due to financing. But they are more than enough to underscore that recent reliance on blended finance and PPPs has worsened, rather than helped

the situation. The empire of private finance has no clothes! (IPS)

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

# Putting the Third World First

## A Life of Speaking Out for the Global South

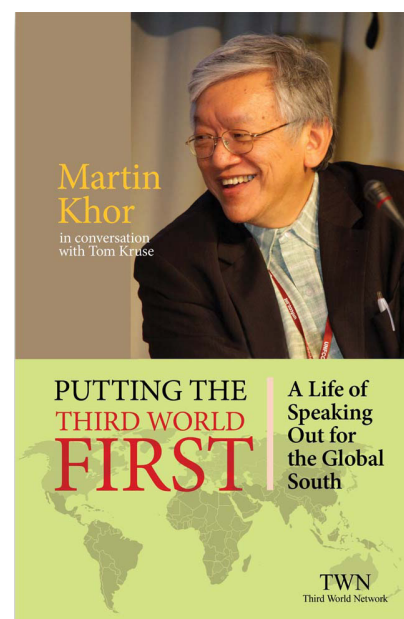
### *Martin Khor in conversation with Tom Kruse*

Martin Khor was one of the foremost advocates of a more equitable international order, ardently championing the cause of the developing world through activism and analysis. In this expansive, wide-ranging conversation with Tom Kruse – his final interview before his passing in 2020 – he looks back on a lifetime of commitment to advancing the interests of the world's poorer nations and peoples.

Khor recalls his early days working with the Consumers Association of Penang – a consumer rights organization with a difference – and reflects on how he then helped build up the Third World Network to become a leading international NGO and voice of the Global South. Along the way, he shares his thoughts on a gamut of subjects from colonialism to the world trade system, and recounts his involvement in some of the major international civil society campaigns over the years.

From fighting industrial pollution in a remote Malaysian fishing village to addressing government leaders at United Nations conferences, this is Khor's account – told in his inimitably witty and down-to-earth style – of a life well lived.

**Martin Khor** (1951-2020) was the Chairman (2019-20) and Director (1990-2009) of the Third World Network.



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