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# Global trade to contract by 5% in 2023, says UNCTAD

Global trade is projected to contract by nearly 5% in 2023 compared to the record high achieved in 2022, and the outlook for 2024 remains "highly uncertain and generally pessimistic", due to several factors including persistent geopolitical tensions and widespread economic fragility, according to the United Nations Conference on Trade and Development (UNCTAD).



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# Global trade to shrink by nearly 5% in 2023 amid persisting challenges

The UN Conference on Trade and Development (UNCTAD) has projected global trade to fall to less than US$31 trillion in 2023, with the outlook for 2024 remaining "highly uncertain and generally pessimistic".

*by Kanaga Raja*

PENANG: Global trade is set to drop to less than US$31 trillion in 2023, representing a contraction of about US$1.5 trillion, or 4.5 per cent, compared to the 2022 record high, according to the United Nations Conference on Trade and Development (UNCTAD).

In its latest Global Trade Update, UNCTAD said that exports from developing countries underperformed, South- South trade sharply decreased, and East Asia trade remained below average.

It said that the outlook for global trade in 2024 remains "highly uncertain and generally pessimistic", with factors such as persistent geopolitical tensions, high levels of debt, and widespread economic fragility expected to exert negative influences on global trade patterns.

Other elements weighing on trade include lower demand in developed countries, less trade in East Asia, an up-tick in trade-restrictive measures, commodity price volatility and lengthening supply chains, particularly between China and the United States, it added.

However, UNCTAD cited a few positive trends in 2023, namely, a slight increase in trade volumes, suggesting resilient global demand for imports, and a $500 billion increase in trade in services.

Also, some developing economies, particularly Mexico and East Asian countries, have had opportunities to better integrate the supply chains affected by geopolitical concerns, it said.

In other findings, UNCTAD said global trade patterns are increasingly influenced by geopolitics, with countries showing preferences for politically aligned trade partners, a trend referred to as "friend-shoring".

### Global trade trends

According to UNCTAD, global trade has experienced negative growth since mid-2022, primarily driven by a substantial decline in goods trade, which continued to contract in the first three quarters of 2023.

In contrast, trade in services has displayed more resilience and its growth remained positive throughout the same period, it said.

The Global Trade Update projects that global trade in 2023 could drop to less than US$31 trillion, representing a contraction of about US$1.5 trillion (or 4.5 per cent) compared to the 2022 record high.

Specifically, the report said that trade in goods is expected to contract by nearly US$2 trillion in 2023, or 7.5 per cent, while services trade should gain about US$500 billion, or 7 per cent.

It said that even though the value of traded goods decreased in 2023, the slightly positive trend in the volume of international trade suggests a resilient global demand for imported products.

The report said that global trade has experienced a decline throughout 2023, primarily influenced by diminished demand in developed nations, under-performance in East Asian economies, and a decrease in commodity prices.

These factors collectively contributed to a notable contraction in the trade of goods, it pointed out.

In contrast, trade in services witnessed growth for the majority of 2023, a surge attributed to its delayed recovery from the COVID-19 downturn, said UNCTAD.

"However, the rebound of the services

sectors slowed down considerably during the second half of 2023. Trade downturn has been more marked for developing countries with South-South trade under-performing throughout the majority of 2023."

These trends can be attributed not only to the downturn in the East Asian regions but also to diminished trade between Asian economies, said the report.

Looking ahead to 2024, it said the forecast for global trade remains "highly uncertain and generally pessimistic."

The report said that while certain economic indicators hint at potential improvements, persistent geopolitical tensions, high levels of debt, and widespread economic fragility are anticipated to exert negative influences on global trade patterns.

**Factors affecting trade**

According to the report, some of the most relevant factors influencing global trade include:

- Positive economic growth, but with significant disparities: Global economic forecasts remain steady but still fall below historical averages. Furthermore, substantial disparities persist among countries and regions in terms of anticipated economic outlooks for 2024. Such disparities will influence patterns of trade.
- High interest rates and weakening industrial output: Economic activity is being hindered by persistently high interest rates in several economies. The latest Purchasing Managers' Index (PMI) readings for China and the United States suggest a subdued outlook for industrial output in the coming months.
- Commodity prices volatility: Regional conflicts and persistent geopolitical tensions are likely to add further uncertainty to commodity markets. Additionally, the increasing importance of securing critical minerals for the energy transition is expected to affect prices and further contribute to market volatility in these commodities.
- Lengthening of supply chains: Global trade is being influenced by the way supply chains respond to shifts in trade policy and geopolitical tensions, with notable impacts observed in supply linkages between China and the United States.

  Companies from other regions, particularly in East Asian economies and Mexico, have had opportunities to become more integrated into the supply chains affected by geopolitical concerns.
- Increase in subsidies and trade-restrictive measures: The resurgence in the use of industrial policy and the urgency of meeting climate commitments are driving changes in trade policies, both in the form of tariffs and non-tariff measures.

Use of trade-restrictive measures has risen in 2023. These inward-looking policies are anticipated to impede the growth of international trade.

- Low demand for container shipping, and increasing demand for raw materials: There is currently low demand for container shipping, as reflected by the lagging performance of the Shanghai Containerized Freight Rate Index. Conversely, the Baltic Dry Index has exhibited a positive trend in the second half of 2023, indicating a rise in global demand for raw materials.

Highlighting some trade trends in the major economies, the report said that merchandise trade across the major economies has experienced a consistent downturn over the past four quarters.

However, the Russian Federation recorded annual positive growth in imports, while Brazil and the European Union have shown positive trends in exports, it added.

"Quarter-over-quarter statistics indicate a persisting negative trend, with all major economies except the United States reporting declines in either imports or exports, or both."

The comparison of annual and quarterly growth suggests some improvement in trends for several economies, however, the overall baseline remained negative in Q3 2023, said the report.

Noting that service-related data is reported with a one-quarter lag compared to merchandise data, it said on an annual basis, services trade has increased in most economies between Q2 2022 and Q2 2023.

However, it said quarterly growth in Q2 2023 has been lower compared to the annual averages, signalling that the increasing trend for the service sector may be reaching a plateau.

Highlighting some regional trade trends in Q3 2023, UNCTAD said on average, the recent decline in global trade has been more marked for developing countries.

The report said on an annual basis, imports and exports of developing countries declined by an average of 6 and 7 per cent, respectively. When East Asian economies are excluded, yearly trade declines for developing countries were lower.

Figures on a quarter-over-quarter basis indicate more similar patterns across developing and developed countries' averages, said the report.

It said on an annual basis, South-South trade demonstrates a notable decrease, yet preliminary data for Q3 2023 indicate a milder decline.

UNCTAD said most regions have undergone negative trade growth, both on annual and quarterly bases. Notably, the North American region has experienced better performance, particularly in intra-regional trade.

In contrast, East Asian trade exhibited notable weakness throughout 2023, with some signs of recovery observed in Q3 2023.

The region comprising the Russian Federation and Central Asia, and the African region show a strong decline in exports, especially on an annual basis, said the report.

During the last quarter, intra-regional trade was particularly weak in Africa, Europe, and in the region comprising the Russian Federation and Central Asian economies, it added.

**Trade dynamics**

Since 2022, the geographical proximity of international trade has stayed relatively consistent, showing minimal near-shoring or far-shoring trends, said the report.

However, there has been a noticeable rise in the political proximity of trade since the latter part of 2022, it said.

This suggests a shift in bilateral trade preferences toward countries with similar geopolitical stances (friend- shoring). Concurrently, there has been an overall decrease in the diversification of trade partners, indicating a concentration of global trade within major trade relationships, the report added.

The war in Ukraine, the sanctions on the Russian Federation, and the de-risking in the United States-China trade relationship are playing a significant role in shaping key bilateral trade trends, said UNCTAD.

"These factors not only impact the economies directly involved but also indirectly influence trade dynamics of other economies."

Highlighting some trade trends at the sectoral level, the report said global trade trends over the past four quarters were negative for most sectors.

It said that annual statistics indicate that the decline in global trade was driven by lower trade in the office and communication equipment, as well as textiles and apparel sectors.

Conversely, global trade was supported by a positive trend in the road vehicles and transport equipment sectors.

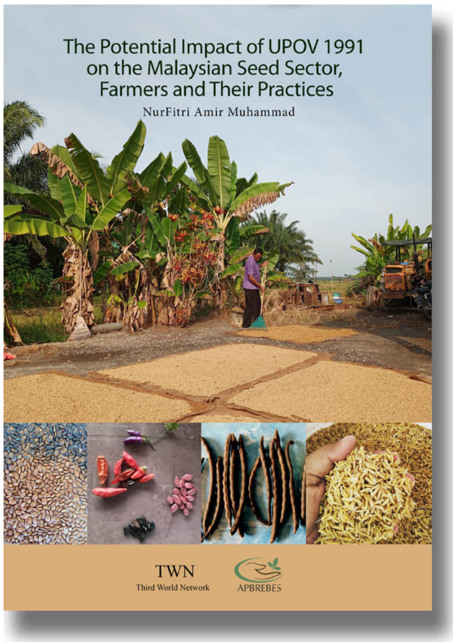
On a quarterly basis, most sectors experienced a decline in trade, although apparel, communication, and office equipment sectors rebounded from previous lows, said the report.

In contrast, it said trade trends remained negative in agri-food, textiles, metals, and minerals.

Notably, the positive trajectory observed in the trade of transport equipment and motor vehicles sectors observed in the annual statistics reversed during Q3 2023, said the report. *(SUNS 9917)*

# 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://twn.my/title2/books/pdf/Potential%20Impact%20UPOV%20Malaysia.pdf*

# Mini-ministerial on agriculture fails to provide guidance for MC13

**An informal mini-ministerial meeting held on 27 November failed to provide any political guidance on injecting momentum into the agriculture negotiations in the run-up to the upcoming World Trade Organization's 13th ministerial conference (MC13).**

*by D. Ravi Kanth*

GENEVA: The informal mini-ministerial meeting of 25 countries on 27 November apparently failed to provide any political "guidance" to "inject momentum" in agriculture ahead of the World Trade Organization's 13th ministerial conference (MC13), after key participants seemingly echoed their oft-repeated positions that showed little or no convergence, said people familiar with the discussions.

MC13, to be held in Abu Dhabi in February 2024, appears set to continue with the drought in accomplishing any outcome just like the WTO's 10th ministerial conference (MC10) in Nairobi, Kenya, in December 2015, MC11 (MC11) in Buenos Aires, Argentina, in December 2017, and MC12 in Geneva last June, said people familiar with the discussions.

The informal mini-ministerial meeting was convened virtually for more than three hours to "explore a reset in our approach that delivers strong support for negotiations in Geneva," according to the letter written by Dr Thani bin Ahmed Al Zeyoudi, the UAE (United Arab Emirates) minister of state for foreign affairs and the chair of MC13, as well as the WTO Director-General, Ms Ngozi Okonjo-Iweala, on 13 November.

In their joint letter, both acknowledged that, "Over the past two decades, the agriculture negotiations have failed to yield progress" as sought by members. They emphasized "the importance of agriculture and functioning markets."

Both called for exploring "a reset in our approach that delivers strong support for the negotiations in Geneva. This responsibility is only amplified by the impact of the climate crisis and conflict on food security."

However, the mini-ministerial meeting attended by the United States, the European Union, China, India, South Africa, Brazil, Australia, Indonesia, Samoa on behalf of the ACP (African, Caribbean, and Pacific) group, Cameroon on behalf of the Africa Group, Nigeria, Australia, the coordinator of the Cairns Group of farm-exporting countries, and several others, made limited or no progress in inching towards any "reset", said several people, who asked not to be quoted.

If anything, the divergent positions reiterated by the participants seem to have made the task of the United States, the European Union, and the G10 farm-defensive countries easier, as they watched the face-off in conceptual terms of the MC13 narrative between the Cairns Group of farm-exporting countries on the one side, who are seeking a comprehensive blueprint of reform of agriculture based upon Article 20 of the WTO's Agreement on Agriculture (AoA), and a large majority of developing countries seeking outcomes on the mandated issues, on the other, said people familiar with the discussions.

The Cairns Group of farm-exporting countries led by Australia, with the United States allegedly behind the scenes, are seeking a modest commitment on Article 6.2 of the Agreement on Agriculture, which is a "red line" for a large majority of developing countries, said people familiar with the discussions.

## PSH & SSM

The large majority of developing countries represented by India, Indonesia, South Africa, the Africa Group, the ACP group, and Nigeria among others, in varying levels of emphasis, demanded outcomes on the mandated issues of public stockholding (PSH) programs for food security and the special safeguard mechanism (SSM) for developing countries, said people familiar with the discussions.

India, which was the first to speak at the meeting, apparently drove home a strong message as to why it is important to deliver on the mandated issues of PSH and SSM on its own merits at MC13, failing which there will be serious consequences and loss of credibility for the WTO, said people, who asked not to be quoted.

It appears that India also sent a strong message on changing the external reference price (ERP) based on 1986-88 prices to current levels so as to get a clear picture of the calculation of aggregate measurement of support in the domestic support.

Indonesia apparently raised the same issues explaining the underlying rationale of correcting asymmetries in the global agriculture trade, said people familiar with the discussions.

On behalf of the G33 group of developing countries, Indonesia apparently said members must focus first on the outstanding mandates from previous Ministerial Conferences.

Once the mandated issues are resolved, then WTO members can gradually build from there to generate a stronger momentum for a broader agriculture trade negotiation agenda, the G33 coordinator said.

Indonesia said that there have been instances in the past where negotiations on stand-alone issues yielded positive results, such as the TRIPS waiver, the Trade Facilitation Agreement, and the Agreement on Fisheries Subsidies.

There is no reason, Indonesia apparently said, why WTO members cannot do this with the agriculture issue, provided members can agree on the common ground.

The G33 apparently made it clear that it would be difficult to approach the negotiations in a holistic manner at this stage, without first rectifying the imbalances in the Agreement on Agriculture, which has disadvantaged developing country members and LDCs for far too long.

Therefore, it is a sine qua non to find a permanent solution on PSH, Indonesia said, adding that such a permanent solution should not only address the trade aspect of food security, but also its development aspect, which includes supporting low-income and resource-poor producers, and meeting food security requirements of our peoples.

The G33 also called for revising the fixed External Reference Price in the

Agreement on Agriculture, as it does not reflect actual trade distortions relative to current world market conditions.

In varying levels of emphasis, Samoa on behalf of the ACP group, and Cameroon on behalf of the Africa Group, seemed to have emphasized the importance of PSH, said people, who asked not to be quoted.

South Africa apparently said the continued food security crisis, along with the COVID-19 pandemic as well as the worsening climate change seems to have challenged the notion that trade liberalization equals food security, said people familiar with the discussions.

South Africa appears to have said that trade liberalization should not be presented as a panacea for food security.

As part of the Africa Group, South Africa said it has been consistently clear that countries' ability to confront the food security challenges in their respective economies has been severely hampered by the lack of substantive reforms in the global agricultural trade, suggesting that the current architecture and rules allow for a select few developed countries to have access to policy space to provide obscenely high subsidies to their farmers, said people familiar with the discussions.

South Africa said food security requires other effective tools that include public stockholding programs and support for farmers.

It called for a livelihoods package that disciplines domestic support, especially amongst historical and large subsidizers, an outcome on PSH in accordance with the agreed Nairobi ministerial mandate, the SSM, and a resolution on cotton.

## Comprehensive reform

US Trade Representative (USTR), Ambassador Katherine Tai, seems to have echoed the need for a "reset", as argued by Abu Dhabi's MC13 chair and the DG in their joint letter to the participants.

The USTR apparently suggested that members have to go back to the primary principles as set out in Article 20 of the AoA.

The USTR said that PSH is at the core of domestic support, suggesting that market price support is trade- distorting, according to people familiar with the discussions.

She apparently said that all negotiating topics must be on the table for finding a constructive path forward, said people familiar with the discussions.

Apparently, she emphasized that there has to be something for everyone, suggesting that it means that domestic support including public stockholding, market access, SSM, export competition, and export restrictions must all be on the table, said people familiar with the discussions.

Despite not delivering an outcome on cotton since the WTO's fifth ministerial meeting in Cancun, Mexico, in 2003, the USTR at least mentioned cotton in her intervention, said a person familiar with the discussions.

Ambassador Tai apparently rhetorically said that across these topics, each member has varying circumstances, positions, and roles to play.

Without entering into hard negotiations, she seems to have set the parameters that each member will give more in certain areas and receive more in others.

The USTR apparently said that all 164 members of the WTO will need to find a balance.

Elaborating further, she is understood to have said that a member with high-bound tariffs and low levels of domestic support entitlements is in a different position than a member with low-bound tariffs and higher levels of domestic support entitlements.

In short, the USTR said the ministerial decisions regarding public stockholding and SSM can be incorporated and addressed in the broader Article 20 negotiations as long as the overall result is in the direction of reform, said people familiar with the discussions.

Ironically, the above statement by the USTR suggests that there is little or no sanctity to the ministerial mandates which, in the past, were treated as sacrosanct, said people who asked not to be quoted.

The US, the USTR is understood to have said, remains willing to contribute to market access, domestic support, and all aspects of the agriculture negotiations.

She seems to have expressed hope that at MC13 members can come together with this type of acknowledgment that can set the negotiations on the right track, said people, who asked not to be quoted.

The EU said that it can consider the ERP when we consider domestic support as part of a holistic approach.

The EU's stance seemed partly in support of the ERP, said people who asked not to be quoted.

China apparently lamented that the inequities and imbalances in international rules on trade in agricultural goods have not been changed, said people familiar with the discussions.

China apparently said that, fundamentally, developing members are facing a more challenging food security situation due to the impact of COVID-19 and climate change.

Beijing seems to have emphasized that the agriculture negotiations should first correct the rules deficit and formulate fair and reasonable rules that are more in line with the interests of developing members to help them improve their production capacity and agricultural sustainability to contribute to the achievement of the United Nations Sustainable Development Goals.

It apparently drove home the message that a successful MC13 is particularly important for maintaining the credibility of the multilateral trading system, adding that it will help restore the confidence of all parties and help members to better deal with current and future challenges.

China seems to have said that it objects to the so-called holistic approach which attempts to solve all issues using one modality or the issues being strictly negotiated in parallel so as to achieve a truly holistic outcome, said people familiar with the discussions.

The Chinese minister is understood to have said that as members are approaching MC13, there are still tremendous divergences and the chance of achieving substantial results in agriculture at MC13 is small, said people familiar with the discussions.

At the outset, Brazil apparently said that the success of MC13 as a whole hinges on a successful outcome in agriculture, emphasizing that it continues to be vested in the WTO reform process.

Brazil seems to have argued that it continues to contribute to strengthening the WTO, warning that another postponement of this organization's greatest unfulfilled promise is not acceptable, said people familiar with the discussions.

Brazil, which spearheaded the G20 coalition of developing countries in the past to fight in a united manner in the Doha Round, lamented that agriculture reform has been delayed for almost three decades, which compounded the damage to food security and sustainable development in different parts of the world.

It apparently reiterated that today's concern with food security should be a strong catalyst for meaningful agricultural reform.

It made it known to the PSH proponents that there is no food security in the absence of robust agricultural trade.

It opposed cherry-picking results or any low-hanging fruit, as many members have stressed at the Senior Officials Meeting and as many colleagues have already stressed in this meeting.

Therefore, Brazil is understood to have emphasized that a holistic approach is the only way forward for which a realistic and solid outcome is imperative.

Brazil argued that such an outcome would put members on the reform path mandated by Article 20 of the AoA and ensure all key issues move on an equal footing.

Brazil apparently said that by MC13 members need to establish parameters and give clear political instructions for all the elements of a package in agriculture.

Brazil said it should be the goal of the members to conclude the modalities in agriculture at MC14 in 2026.

Brazil reminded participants that there will be no quick fix, suggesting that for the first time in years, members seem to have, at MC13, a concrete opportunity to achieve meaningful progress in agricultural reform that effectively contributes to food security and sustainable development worldwide.

In conclusion, the positions held by ministers at the virtual mini-ministerial meeting clearly suggest that the divergences are rooted in positions held by countries on several issues in agriculture. It looks unlikely that there will be any outcome on agriculture at MC13, said people familiar with the discussions. *(SUNS 9907)*

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# Cairns Group faces backlash for “hijacking” agri-talks before MC13

**The Cairns Group of farm-exporting countries came under criticism at the Doha negotiating body on agriculture for allegedly shifting the focus of the discussions to comprehensive reform of domestic support, instead of on the issue of public stockholding programmes for food security purposes in developing countries.**

*by D. Ravi Kanth*

GENEVA: Members of the World Trade Organization on 21 November apparently remained sharply divided on several key issues in the agriculture negotiations, dimming the prospects for any outcome on this issue at the upcoming WTO's 13th ministerial conference (MC13), to be held in Abu Dhabi in February 2024, said people familiar with the discussions.

During the last two days of discussions at the Doha negotiating body on agriculture that ended on 21 November, several rather unusual developments that took place amidst the charged discussions on mandated issues like the permanent solution for public stockholding (PSH) programs for food security, the special safeguard mechanism (SSM), reform of domestic support in agriculture, and on the need to update the fixed external reference price that is currently based on 1986-88 prices, could prove costly for MC13, said people familiar with the development.

If the current differences continue to persist in the next three months on the mandated issues as well as on the "holistic" reform of agriculture, the chances of any outcome on agriculture are highly unlikely at MC13, just like at the WTO's 11th ministerial conference (MC11) that was held in Buenos Aires in December 2017 and the 12th ministerial conference (MC12) that was held in Geneva last June, said people familiar with the discussions.

Brazil, which led the Group of 20 (G20) developing countries in the past on agriculture, apparently dropped a proverbial gauntlet at the meeting on 21 November, saying that if there is no outcome on agriculture, there will be no outcome on anything else at MC13, said people familiar with the discussions.

Significantly, the developments at the Doha negotiating body on agriculture come days before the WTO Director-General, Ms Ngozi Okonjo-Iweala, convenes a virtual mini-ministerial meeting on 28 November.

As previously reported in the SUNS, the DG, under alleged pressure from the Cairns Group of farm-exporting countries and the Latin American Group, has apparently changed the focus of the mini-ministerial meeting from discussing the PSH issue on its own merits to all issues in agriculture.

### An “ugly” turn

On the first day of the Doha agriculture negotiations on 20 November, discussions apparently took an ugly turn when several members of the Cairns Group led by Australia took the floor to discuss their proposal (Job/Ag/243/Rev.1) under the pretext of discussing the PSH issue as contained in their paper.

While the discussions were supposed to be held on the dedicated issues like the permanent solution for PSH programs for food security and the special safeguard mechanism (SSM) for developing countries, the manner in which several members of the Cairns Group, namely, Costa Rica, Australia, Thailand, and Canada tried to upstage the proponents of the mandated issues of PSH and SSM allegedly led to bedlam, said people familiar with the discussions.

Instead of focusing the discussions on the PSH issue that was mentioned in the

Cairns Group's proposal, the members of the Cairns Group apparently shifted the focus of the discussions to comprehensive reform of domestic support, said people familiar with the discussions.

The Cairns Group's proposal titled, "Towards a strengthened negotiation framework in the domestic support pillar - building a comprehensive approach to negotiations on domestic support," highlighted several issues.

In its proposal, the Cairns Group said that it is "committed to achieving greater fairness and a levelling of the playing field in agriculture through comprehensive agriculture trade reform in line with Article 20 of the Agreement on Agriculture. Such reform is essential for addressing global challenges relating to food security, development and livelihoods, and the environment."

The Cairns Group claimed that "consistent with our view that the pathway with the best prospects for success in agriculture is through a holistic reform process, the Cairns Group believes that JOB/AG/243 circulated by Costa Rica on 9 June 2023, should be the basis of domestic support negotiations. As such, we submit the following revision of Section B of JOB/AG/243 as the basis for a text-based modalities discussion on domestic support and a permanent solution for the issue of public stockholding for food security purposes (PSH)."

It argued: "To ensure a robust and significant reform package, further negotiations among WTO Members could expand on the design and implementation of the overall modalities, including on the levels at which certain thresholds and limits are set; scope and product coverage; product aggregation in Annex II in the context of addressing product-specific support concentration issues; the design and application of a domestic support triggering mechanism; and Annex 2 of the AoA (Agreement on Agriculture)."

The Cairns Group said, "In line with our commitment to the reform process, the three developed country WTO Members of the Cairns Group (Australia, Canada and New Zealand) commit, at the implementation phase, to schedule their Final Cap for domestic support at the lowest calculated level of either the starting Baseline, the Base Cap or the Final Cap."

It maintained that, "Since the Agreement on Agriculture is currently subject to negotiations, we reserve the right to submit further revisions to this proposal, including on any additional text that may be required to ensure full legal certainty in the context of final modalities."

It further said: "The Cairns Group remains committed to working on all pillars and with all interested WTO Members to integrate the key elements of different proposals in a way that is balanced, pragmatic, viable and transparent, and which supports continued progress in the negotiations."

At the meeting, the United States spoke in support of the Cairns Group proposal, saying that the Agreement on Agriculture already strikes a good balance.

The US apparently said that if members seek to change the rules, it must be done within a broader framework of domestic support reform, said people familiar with the proceedings.

## Green Box subsidies

Surprisingly, for the first time, the Cairns Group proposal suggested the reform of Article 6.2 of the WTO's Agreement on Agriculture, which is viewed as the "development box" for developing countries.

However, the Cairns Group proposal remained silent on the need to reform the "Green Box" subsidies worth hundreds of billions of dollars provided by the US and the European Union among others.

The Cairns Group's proposal allegedly undermined its own credibility by not including the need to discipline the "Green Box" subsidies, which, according to the UN Conference on Trade and Development (UNCTAD)'s Trade and Development Report 2023, is proven to be trade-distorting.

In its Trade and Development Report 2023, UNCTAD said somewhat emphatically: "Apart from the Aggregate [Measurement] of Support, advanced countries are also able to provide billions of dollars of subsidies to their farmers under the "green box" subsidy, which should be non-trade-distorting. However, a stream of independent studies has shown that green box subsidies shift the global production of food towards uncompetitive producers in advanced countries, which have the financial resources to provide these subsidies, thereby adversely impacting the incomes of farmers in developing countries. These subsidies distort production and international trade through various effects, such as "risks, land prices, credits, and labour participation"."

"Hence, there is a need to discipline green box subsidies to ensure more equitable distribution of gains from production and trade in food. The African Group and Pakistan propose disciplining the green box subsidies at the WTO," the UNCTAD report argued.

But the Cairns Group, for some inexplicable reason, has remained silent on the issue of disciplining "green box" subsidies, perhaps, for fear of attracting the wrath of the US and the EU, said negotiators familiar with the discussions.

## Members hit back

The Cairns Group's espousal of the reform of domestic support, instead of focusing on the issue of PSH, caused a furor at the meeting on 20 November, said people familiar with the discussions.

Apparently, several developing countries including Nigeria, Indonesia, South Africa, Egypt, and China among others sharply criticized the tactics adopted by the Cairns Group members allegedly to undermine the negotiations.

While Nigeria seems to have criticized the Cairns Group for "ambushing" the discussions, India also concurred with Nigeria's assessment, saying that it would present its views on 21 November.

In criticizing the Cairns Group, Nigeria said the Cairns Group's proposed formula makes public stockholding subject to the total cap and allows only limited products to be included.

Nigeria said that "someone came to make a presentation based on assumption ... (about) developing countries, then presented a solution and (hope) we accept the platform and move forward."

In varying degrees of emphasis, South Africa, Turkey, Indonesia, and Egypt raised their specific concerns about the Cairns Group proposal.

## ERP

During the discussions on the second day on 21 November, India made a detailed presentation of the urgent need to update the external reference price (ERP), which is based on 1986-88 prices.

India said the ERP was supposed

to have been reformed five years after the WTO's Agreement on Agriculture was implemented, adding that no one anticipated that the ERP based on 1986-88 prices will go on for more than three decades.

India apparently showed different slides at the meeting on how different the ERP would be if inflation and other changes are taken into consideration, said people present at the meeting.

In sharp disagreement with India's presentation on the ERP, the US apparently said that the ERP is supposed to be a "handbrake" so that members contained/removed their trade-distorting subsidies, said people present at the meeting.

India challenged the US assessment of the ERP, saying that it is not a "handbrake" on subsidies.

India apparently argued that it is a "brake that is applied on several countries to sustainably improve/develop their own capacities."

Further, it is a brake on other countries building their farm capacities, India said, adding that the proponents of a fixed ERP do not want other countries to develop their agriculture because of their commercial interests.

Using the analogy of a doctor treating a patient, India apparently gave the example that when a patient is sick, the doctor would order a blood test so as to know what is causing the ailment. Without examining the blood sample, India asked rhetorically, how would the doctor be able to diagnose what is the problem.

India emphasized that is the reason "why we are saying that farm rules are asymmetrical and need to be reformed, particularly the updating of the ERP."

Brazil apparently said that the ERP cannot be discussed in isolation, suggesting that there has to be a "holistic" reform of agriculture, said people who asked not to be quoted.

In short, the way in which the special session on the dedicated issues of PSH and SSM ended seems to suggest that the prospects for an outcome on agriculture look rather bleak at MC13, said people familiar with the discussions. *(SUNS 9902)*

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# “Domino effect” of US pullout of proposals from JSI e-com talks

**The withdrawal by the United States of its proposals on cross-border transfer of data, location of computing facilities, and source code appears to have resulted in the facilitators of the informal Joint Statement Initiative (JSI) negotiations on electronic commerce issuing a low-ambition text.**

*by D. Ravi Kanth*

GENEVA: The "domino effect" of the pullout by the United States of its proposals on cross-border transfer of data, location of computing facilities, and source code seems to have taken place in the informal Joint Statement Initiative (JSI) negotiations on electronic commerce, after its facilitators issued a text that apparently lowers the level of ambition substantially to pave the way for an agreement allegedly in namesake only, said people familiar with the discussions.

The three facilitators - Japan, Australia, and Singapore - issued a "facilitators' text" on 6 November that seeks to find "a landing zone that bridges the different approaches reflected in existing proposals."

A corrigendum issued under the title "facilitators' text", seen by the SUNS, says that it is finalized by a "small group on data flows and localization of computing facilities."

Further, it says that the text is circulated "to capture, on a best-effort basis, the comments and suggestions made by Members."

According to the facilitators, it is not intended "to prejudge any outcome of the final text nor intended to preclude any Member from raising comments and drafting suggestions in the future. Members can also refer to the existing proposals on the data discipline to complement ongoing and future discussions."

It is moot that if the US did not withdraw its hardline positions on the issues of cross-border data flows, location of computing facilities and source code in which it sought all prohibitions/ restrictions to be removed, the latest text by the facilitators may not have surfaced, said a person, who asked not to be quoted.

In the fourth version of the revised text issued on 4 August, the US along with Australia, Canada, Japan, Korea, Singapore, and the United Kingdom among others sought that "No [party/ Member] shall prohibit or restrict the cross-border transfer of information, including personal information, by electronic means, if this activity is for the conduct of the business of a covered person."

In contrast, China and Brazil proposed that "[unless otherwise provided for under its laws or regulations,][each/ Each] [Party/Member] shall allow the cross-border transfer of information by electronic means when this activity is for the conduct of the business activity of a covered person."

According to the draft text (Inf/ Ecom/62/Rev.4), the European Union, which has strong data protection laws, proposed the following: "The [Parties/ Members] are committed to ensuring cross-border data flows to facilitate data flows shall not be restricted by:

(a) Requiring the use of computing facilities or network elements in the [Party's/Member's] territory for processing, including by imposing the use of computing facilities or network elements that are certified or approved in the territory of the Party;
(b) Requiring the localization of data in the [Party's/Member's] territory for storage or processing;
(c) Prohibiting storage or processing in territory of other [Parties/ Members];
(d) Making the cross-border data contingent upon use of computing facilities or network elements in the [Party's/Member's] territory or upon localization requirements in the [Party's/Member's] territory.]

### Latest Corrigendum

Against this backdrop, the latest corrigendum issued by the three facilitators substantially changes the contours of the much-claimed ambitious JSI digital trade agreement.

It substantially lowers the level of ambition by allowing parties to arrive at an agreement on seemingly best endeavour provisions.

The corrigendum on cross-border data flows states:

1. The [Parties/Members] [recognize the importance of removing/ are committed to removing/shall remove] prohibitions and restrictions on the cross-border transfer of [information/data] to facilitate trade in the digital economy. To that end, [unless otherwise provided for under their laws or regulations,] [no [Party/ Member] shall restrict cross-border transfer of [information/data] [if this activity is for the conduct of the business of a covered person] [including]/by]:

(a) requiring the use of computing facilities or network elements in the [Party's/Member's] territory for processing, including by imposing the use of computing facilities or network elements that are certified or approved in the [Party's/Member's] territory;
(b) requiring the localisation of [information/data] in the [Party's/ Member's] territory for storage or processing;
(c) prohibiting the storage or processing in the territory of another [Party/ Member]; or,
(d) making the cross-border transfer of [information/data] contingent upon use of computing facilities or network elements in the [Party's/ Member's] territory or upon localisation requirements in the [Party's/ Member's] territory.

Further, it allows members to adopt or maintain a measure that is inconsistent with or contains elements that are inconsistent with the above provisions.

It states the following in paragraph six:

"Nothing in this Article shall prevent a [Party/Member] from adopting or maintaining a measure which is inconsistent with, or contains elements which are inconsistent with, paragraph 5, provided that:

(e) the measure has, or the relevant elements of the measure have, the [primary] purpose of achieving the protection of personal data;

(f) the [Party's/Member's] [law/measure] [comprehensively] provide(s) how personal data can lawfully flow across borders;

(g) the [Party's/Member's] [law/measure] provides for an instrument or a set of instruments enabling cross- border transfer of [information/data], formulated in [clear/transparent] and objective terms; and

(h) such an instrument, or such a set of instruments in its totality, is not applied in an arbitrary or [unjustifiably] discriminatory manner [where like conditions prevail], or in such a manner as to nullify the benefits accruing to any [Party/Member] under any of subparagraphs (a) to (d) of paragraph 5 (which was cited above)".

In addition, according to the corrigendum, the provisions for cross-border data flows are further weakened in the facilitators' text.

Paragraph seven of the facilitators' text states: "Without prejudice to paragraph 6, nothing in this Article shall prevent a [Party/Member] from adopting or maintaining a measure inconsistent with paragraph 5 to achieve a legitimate public policy objective [FN], provided that the measure:

(i) is not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade; and,

(j) does not impose restrictions on transfers of information greater than are [required/necessary] to achieve the objective."

The last paragraph states: "[Paragraph 5 shall not prevent a developing or least-developed [Party/Member] from adopting or maintaining any measure that it considers appropriate to regulate the cross-border transfer of [information/data], including personal data, by electronic means, or the use or location of computing facilities in its territory. For greater certainty, if a [Party/Member] invokes this paragraph in a dispute, the body or mechanism hearing the matter shall find that it applies.]

[FN: For greater certainty, legitimate public policy objectives include the protection or promotion of the rights, interests, duties and responsibilities of indigenous peoples.]"

## In name-sake only

Clearly, the facilitators seem to have not only lowered the level of ambition but also made it commercially unpalatable, said an e-commerce negotiator, who asked not to be quoted.

"The question is do you want an agreement with substantial commercial benefits or just an agreement for the agreement's sake," said the negotiator.

After the US pulled out the three major contentious issues of cross-border data flows, location of computing facilities and source code, the facilitators took the cue to lower the overall level of ambition and settle for a best-endeavour deal, the negotiator said.

Surprisingly, Japan, which apparently was in favour of a substantial agreement on the lines of what the US had argued all along, seems to have settled for a deal that is largely advanced by Australia and Singapore, the negotiator said. *(SUNS 9894)*

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# Global food import bill to hit new record high in 2023, says FAO

## The global food import bill is expected to reach a new record high of USD 2 trillion in 2023, an increase of 1.8 percent, or USD 35.3 billion, over the level in 2022.

*by Kanaga Raja*

PENANG: The global food import bill (FIB) is expected to reach USD 2 trillion in 2023, representing an increase of 1.8 percent, or USD 35.3 billion, over the level in 2022, marking a new record high, according to the latest estimates put out by the UN Food and Agriculture Organization (FAO).

In its latest Food Outlook report, FAO said the expected year-on-year growth, however, represents a significant deceleration compared to the 11 percent increase registered in 2022 and the 18 percent rise in 2021.

Overall, fruits and vegetables, beverages, and sugar led to an increase in the price effect of USD 23.6 billion, USD 11.2 billion and USD 9.8 billion, respectively, it added.

FAO said this was partly offset by declines in the price effect from animal and vegetable oils, oilseeds, and cereals.

High-income and upper-middle-income countries (HICs and UMICs) are predicted to account for the lion's share of the global FIB in 2023, with 62 percent and 25 percent shares, respectively, said the report.

They are also expected to drive the global increase in the FIB this year, it added.

Lower-middle-income countries (LMICs) and low-income countries (LICs) are expected to see a year-on-year contraction in their aggregate FIB, by 3.2 percent and 11 percent, respectively, said FAO.

It said the FIB of the group of net-food importing developing countries (NFIDCs) is also seen contracting by 6.8 percent in 2023.

However, FAO said its analysis of the FIB revealed several nuances across both food groups and country income levels.

For instance, for sugar and fruits and vegetables, import expenditures are expected to grow by 12.5 percent and 7 percent, respectively, largely driven by a surge in their international quotations.

On the other hand, FAO said the import bill of animal and vegetable oils is set to fall by 13 percent as a result of a substantial drop in their world prices.

Among country income groups, the diverging patterns observed in 2022 are foreseen to persist in 2023, it added.

Overall, HICs and UMICs are anticipated to import a wide range of food products, while staple foods will largely continue to dominate the imports of LMICs and LICs.

*"For fruits and vegetables, beverages, sugar, coffee, tea, cocoa and spices, and meat, the growth in the import expenditures is primarily driven by the price effect."*

In addition, the share of imported higher-value foods in the total FIB drops with lower income levels, FAO said.

Fruits and vegetables, meat, fish, coffee, tea, cocoa and spices, and beverages together account for 61 percent, 42 percent, 30 percent and 20 percent of the total food import bills of HICs, UMICs, LMICs and LICs, respectively.

Noting that expenditures on food imports result from the interaction of prices and quantities. FAO said that the calculations indicate that the projected increases in the 2023 food import bill result from a combination of price and volume effects, with USD 21.1 billion stemming from higher volumes and USD 19.6 billion from higher import prices.

The volume effect is projected to exceed the price effect for the first time since 2020, underpinned by an overall steady decline in international food prices since the spring of 2022, said the report.

However, it said there are differences across the various food groups.

For oilseeds, dairy products, and cereals, the growth in their import bills is expected to be largely volume-driven, while in the case of animal and vegetable oils, the effect from higher volumes is expected to be more than offset by a negative price effect, resulting in an overall decline in their import bill.

Meanwhile, FAO said elevated import prices are observed for some other commodities, particularly high-value or processed products.

"For fruits and vegetables, beverages, sugar, coffee, tea, cocoa and spices, and meat, the growth in the import expenditures is primarily driven by the price effect."

The report also noted that the breakdown of the FIB by country income groups reveals some diverging trends in 2023.

Food import bills are expected to contract for the least-developed countries (LDCs), NFIDCs and the countries of sub-Saharan Africa (SSA) by 9.2 percent, 4.6 percent and 2.5 percent, respectively.

FAO noted that the decline in the FIB in these country groups reflects both lower prices and lower quantities.

A reduction in import quantities - despite declining world prices - suggests that additional factors are impeding the ability of these countries to access international food markets, it said.

For instance, the strengthening of the US dollar, the main trading currency, with respect to the currencies of these country groups has negatively impacted their purchasing power, it added.

Other factors that reduce the ability to pay for food imports, especially in low-income countries, include limited financial resources, mounting debt levels, high freight costs and insurance premiums, contractions in domestic economic activity and falling foreign exchange reserves, said FAO. *(SUNS 9895)*

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# *Middle-income country trap?*

***Jomo Kwame Sundaram**** notes that the failure to sustain economic progress has been blamed on a supposed "middle-income country" trap. However, he argues that such a blame game obscures as much as it supposedly explains, pointing out that the best way to overcome this "trap" would be to implement appropriate investment and technology policies.

KUALA LUMPUR: In recent decades, failure to sustain economic progress has been blamed on a supposed middle-income country (MIC) trap. Such blaming obscures as much as it supposedly explains.

The "middle-income trap" fable began as a World Bank story about why upper MICs in Latin America failed to become high-income countries (HICs) after pursuing policies required or prescribed by the Bretton Woods institutions.

### Bretton Woods's Frankenstein

The 1944 Bretton Woods rules-based international monetary system ended in August 1971 when President Richard Nixon unilaterally repudiated US obligations.

This happened after the US Treasury had borrowed heavily from the rest of the world from the 1960s.

The US government's "exorbitant privilege" of "spending well beyond its means" has continued despite the resulting international monetary "non-system".

Continuing acceptance of the US dollar, or "greenback", as the virtual world currency has enabled its Treasury to borrow internationally at low cost.

This has enabled the US to maintain massive trade and current account deficits, and a military presence in much of the world, despite its huge, but still growing fiscal and trade deficits.

The US exorbitant privilege seems to have been sustained by its "soft power" and unassailable military superiority.

Facing "stagflation" - economic stagnation with inflation - US Fed chair Paul Volcker raised interest rates sharply from 1980.

This soon killed US inflation, but also Roosevelt's "New Deal" legacy from the 1930s.

With inflation high, real interest rates seemed low despite high nominal interest rates in the developing world.

With growth high in the global South in the 1970s, borrowing to sustain investments, even from abroad, remained attractive.

But US interest rate hikes soon triggered fiscal and sovereign debt crises in many countries: Poland in 1981 was followed by various Latin American, African and other developing economies.

### Washington Consensus

Facing rising interest rates, many governments could no longer service accumulated debt, let alone borrow to invest more.

Instead, they had to pursue contractionary monetary and fiscal policies domestically, causing economic stagnation.

With Margaret Thatcher and Ronald Reagan demanding such macroeconomic policies, the Washington-based Bretton Woods institutions soon prescribed them, ending the post-Second World War Keynesian "Golden Age".

The International Monetary Fund (IMF) demanded contractionary stabilisation policies to qualify for short-term credit facilities.

World Bank structural adjustment programmes (SAPs) typically required economic liberalisation and privatisation for longer-term financing.

The Bank also advocated more export-orientation and foreign investment. When paid by Japan's government, the Bank celebrated its post-war industrial boom as a "miracle", a new model for emulation.

But this soon ended with its demise due to the US-demanded overvalued yen and its ill-advised financial "Big Bang".

Latin American and other vulnerable economies lost over a decade from the 1980s while African economies lost a quarter century.

Low-interest official Japanese credit initially mainly went to Southeast Asia, while South Asia took on less foreign debt.

Stabilisation and SAP conditionalities undermined Latin America's modest industrialisation, which also prevented the region from recovering strongly until the new century.

But their economies had not been sufficiently liberalised for "neoliberals" despite turning more to foreign trade and investment from the 1980s.

Prosperous economies became more protectionist, especially after the 2008 global financial crisis.

But developing countries were told to open up even more despite shrinking export markets.

But with globalisation over, even East Asia can no longer rely on export growth.

Also, it is difficult to turn away from export-oriented production, especially as earlier trade deal commitments cannot be unilaterally repudiated.

In many prosperous economies, workers captured some of their productivity gains.

But the oft-heard claim that productivity increases lag behind wage rises usually serves employers. In most "labour-surplus" developing countries, wages remain low.

As in South America early this century, progressive redistribution has often accelerated, rather than subverted growth.

Common claims that such redistribution is bad for growth must be critically reconsidered. After all, progressive redistribution sustained growth in post-war Europe.

### Breaking out

The "middle-income trap" argument claims MICs cannot sustain rapid economic progress.

Supposed reasons vary with policy and ideological biases, as ostensible structural, cultural, political, behavioural or governance causes typically reflect such prejudices.

Recent narratives have proclaimed the need to "graduate" from secondary to tertiary economic activities.

Modern services growth is supposedly needed to sustain progress to become HICs. Another popular argument has been that progressive redistribution has subverted growth.

But it is now uncontroversial that progressive redistribution was crucial for sustaining growth in post-war Europe.

Discretionary state powers have undoubtedly been abused for political patronage and self-aggrandisement.

Clientelism plagues many societies, undermining needed state interventions. But we should not throw the baby out with the bathwater.

History suggests the best way to overcome the "middle income trap" would be to implement appropriate investment and technology policies.

Selective policies are needed to promote growth, not only of manufacturing, but also of high-end services, as well as safe, nutritious and affordable food supplies.

But all this is not going to happen spontaneously. Reforms need to be deliberately elaborated and sequenced through various interventions as part of well-designed, coherent and sustained initiatives. (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.]

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# No Magic Wand: Rapid review of new UK International Development White Paper

***Celine Tan**** argues that while the recently-released United Kingdom government's White Paper on International Development puts forward some positive approaches to global development cooperation and commits the government to working at a multilateral and cooperative bilateral level to address global challenges, it falls significantly short of concrete and substantive proposals to tackle these challenges in a sustained and holistic way.

COVENTRY: The UK government has released its much-awaited International Development White Paper on Monday, 20 November 2023, the first White Paper for 14 years, entitled "International Development in a Contested World: Ending Extreme Poverty and Tackling Climate Change".

It is the first White Paper to be published since the UK merged its previously stand-alone Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO), forming the new Foreign, Commonwealth and Development Office (FCDO) three years ago.

The White Paper sets out a roadmap for the UK government to respond to global sustainable development challenges and progress towards attainment of the United Nations (UN)'s Sustainable Development Goals (SDGs) by 2030.

A rapid review of the White Paper indicates a broadly positive and collaborative strategic approach to international development and a departure from the more muscular, self-interested tone of international development approaches in recent years.

Instead of emphasising the role of official development assistance (ODA) in pursuing unilateral economic and foreign policy agendas, the White Paper strikes a more cooperative tone of working with developing countries, communities, non-governmental organisations (NGOs) and international organisations in receipt of ODA as well as other bilateral and multilateral development agencies to resolve global challenges.

The White Paper outlines the enormity of the multiple challenges facing the world today and the complex intersections between different areas of need.

There is a recognition of scale of development challenges faced, including rising levels of sovereign indebtedness, failure to meet the SDGs and significant and real challenges of the climate and biodiversity crisis.

It places the UK's role as a bilateral donor and financier in this context and the importance of bolstering up financial resources to address these challenges.

However, despite these broad strategic statements and nods to an existing suite of supportive policies, there are no radical departures from what the UK has been doing bilaterally or multilaterally and no significant substantive policy or legislative proposals planned.

The White Paper is less committal than news reports have suggested in the run-up to its release and there are many exhortations for other actors (for example, multilateral development banks or MDBs and the private sector) to do more but less commitment to do more itself.

This may well be a reflection of the timing of the White Paper - less than a year before a general election where there is likely to be a change of government - and the need to secure cross-party support for the proposals.

### Commitment to Multilateralism and International Law

The White Paper's commitment to multilateralism and respect for international law is welcome under current circumstances, and so is a commitment to "[p]atient & mutually respectful relationships" with developing countries and pledges to respond to "locally owned priorities and contexts" rather than maintaining a top-down approach to aid policy and delivery.

There is a link between conflict and sustainable development, recognising that "[c]onflict state fragility and instability are on the rise and holding back development" with significant human costs.

The White Paper restates the UK's role in "integrating diplomatic, development and security approaches to prevent and resolve conflict, and create conditions for enduring peace".

This public commitment to upholding the principles of the UN Charter, international human rights law and international humanitarian law in the context of armed conflict needs to be followed up by government action, including calls for a ceasefire in Gaza and other ongoing conflicts, as well as initiating and supporting measures to hold parties accountable for violations of international humanitarian law designed to protect civilians (see section 1.5 of the White Paper).

There is a recognition in the White Paper that reforms to the multilateral system and the institutions of global governance is important to respond effectively to global challenges.

There are commitments to support proposals for reform of the UN Security Council to include broader permanent representation from Africa and other major developed and developing countries as well as reform of the international financial architecture to enable greater voice and representation from developing countries, especially that of low-income countries within the governance structures of the International Monetary Fund (IMF) and the World Bank Group.

At the same time, the White Paper maintains the value of the UK's single-seat representation at the IMF and the World Bank Executive Boards and does not propose substantively changing this asymmetrical governance structure privileging developed countries.

It argues that the UK's expertise and vast network of global embassies and domestic policy experts affords it "significant influence" and leverage at these institutions to shape global development finance policy and practice (see Box 4 of the White Paper).

This outsized influence will be used to push for reforms to operational framework of MDBs, including implementing the G20's MDB Capital Adequacy Frameworks (CAF) and scaling up the use of private and blended finance, including the development of "innovative financial instruments", to fund sustainable development and other global public goods (see further discussion below).

### ODA Allocation, Distribution and Governance

The White Paper reiterates the UK government's commitment to spending 0.7 percent of its gross national income (GNI) on ODA enshrined in the International Development (Official Development Assistance Target) Act 2015 but only "once the fiscal situation allows".

This means that the current policy of allocating 0.5 percent to the aid budget announced in 2021 will still apply for the foreseeable future.

There have been significant criticisms of these aid budget cuts, with major NGOs warning that these have resulted in swingeing reductions in services provided in developing countries, risking health, education and emergency support to vulnerable populations.

The White Paper proposes a target of at least 50 percent of all bilateral ODA to be spent on least developed countries (LDCs) and commits to fulfilling its pledge to spend £11.5 billion in international climate finance from financial years 2021-22 to 2025-2026, with at least £1.5 billion ring-fenced for adaptation funding in 2025.

Numerical figures, however, masks policies on how and through which channels ODA is distributed and what form it takes.

Within the spend targets are various policies which may divert ODA away from SDG and climate financing needs. Concerns have regularly been raised on the diversion of ODA to fund expenditures outside the remit of international development and by non-FCDO (and previously DFID) departments.

In 2022, the share of ODA funding going to non-FCDO departments increased to almost 38 percent of the UK's aid budget, increasing from an almost 25 percentage share in 2021.

Almost half this spend (18.7 percent of ODA) was spent through the UK's Home Office, with the majority of this expenditure and that of other government departments, spent on the cost of supporting refugee and asylum-seekers within the UK.

The "whole of government" approach to delivering aid (restated in the White Paper) is welcome in terms of policy expertise and mobilising partnerships in trade, investment, science and other arenas but risks diverting financial resources to other departments to service other public policy objectives, including the aforementioned in-house refugee and asylum seeker costs as well as external security and border control measures and academic research and research activities (even if such research is centred on and in ODA-eligible countries).

More recently, the UK had sought unsuccessfully to count its rechannelling of SDRs to developing countries as ODA. It has not committed to channelling more than the 20 percent of its SDR allocation outlined in the White Paper although it has committed to exploring further "viable options" for such rechannelling.

Part of this allocative problem stem from the so-called "modernisation" of the OECD Development Assistance Committee (DAC)'s ODA statistical framework which broadened the scope for reporting more "peace and security" and "in-donor refugee costs" as ODA.

But it is also a result of non-FCDO government departments leveraging statutorily ring-fenced ODA resources to meet their expenditures in an era of fiscal austerity and overall reduced government expenditures.

Other costs that and have counted as ODA under OECD DAC ODA reporting guidelines are debt relief and the use of private sector instruments (see below) as well as excess COVID vaccines although a line has been drawn in relation to counting the rechannelling of SDRs as ODA.

A significant component of the proposed ODA spend in the White Paper is on international climate finance, with the responsibility for spending the aforementioned £11.6 billion commitment spread across the FDCO, Department of Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (DEFRA).

Categorising climate finance as ODA undermines the UK's commitments under the multilateral climate regime to provide "new and additional financial resources to meet the agreed full costs incurred by developing [countries]" in undertaking measures to mitigate and adapt to climate change (see Article 4(3) of the UN Framework Convention on Climate Change).

These are resources committed as international treaty obligations and should therefore be separate from ODA delivered as part of an aid framework which diverts expenditure from other SDG needs, such as health, education and poverty reduction.

### Mobilising Private Finance for Sustainable Development

The White Paper reiterates previous UK government's commitment to use ODA and other public financing to mobilise private finance for sustainable development and climate action and emphasising private, market solutions to sustainable development and climate change challenges.

The White Paper positions the UK as a global "leader" in sustainable development and "green" finance and forwards proposals to leverage UK financial expertise to design "innovative" financial instruments to support sustainable development and climate finance investments as well as utilising UK capital markets (the City of London) as a "vital conduit for portfolio investment to low-and middle-income countries" (see section 3 of the White Paper).

The White Paper proposals exemplify the "private turn" in global sustainable development and climate finance where public financing, including ODA, is being directed towards the creation of markets for sustainable development and climate investments.

These interventions can include the use of ODA to provide financial or regulatory incentives to encourage and enable private, commercial and/or market solutions to overcome development and climate finance gaps.

The White Paper reaffirms commitments to fund UK-based public-private partnerships (PPPs) such as the Private Infrastructure Development Group (PIDG) and "market mobilisation" platforms such as MOBILIST (Mobilising Institutional Capital through Listed Products), to create so-called "pipelines of bankable projects" and new financial vehicles to channel finance for sustainable development and climate action, including low-carbon infrastructure projects (see section 3 of the White Paper).

Other proposals include increasing the use of guarantees and equity investments to support public development interventions in the private sector and supporting "the growth of high-integrity carbon and nature markets" and introducing or "scaling up carbon pricing mechanisms" (see sections 3 and 5 of the White Paper).

There are also proposals to support and scale up the use of private risk transfer mechanisms to support disaster relief and reconstruction, including after health pandemics and climate-induced natural disasters.

This includes implementing and scaling up the Global Shield against Climate Risks, a public- private platform to provide risk finance and social protection to vulnerable countries, as well as working with the City of London insurance market to "develop and underwrite" pre-arranged finance for disaster risk management (see section 7 of the White Paper).

The UK's development finance institution, British International Investment (BII) (formerly the CDC Group), will play a significant role in the delivery of the international development strategies of the White Paper, as an institution that is able to utilise public finance, including ODA, to work with private entities.

Capital increases to the BII is drawn from the ODA budget and there have been regular increases since 2017, the latest agreed in November 2022, necessitating recent regulatory changes to increase the statutorily determined cumulative capital limits.

There is little reflection in the White Paper of the significant reservations expressed by international organisations, academics and civil society groups with this shift towards private financing for sustainable development and climate action, including legal and regulatory concerns with the use of blended finance instruments to de-risk private investments and the risks of reliance on financial markets for delivering financial resources for development and other global public goods.

There remains question marks over the effectiveness of DFIs and blended finance mechanisms to mobilise private capital for sustainable development and climate investments, undermining the core rationale for channelling greater amounts of ODA towards such institutions and instruments.

A recent report by the European Network on Debt and Development (Eurodad) also outlined key concerns with the increasing use of ODA-reported private sector instruments (PSIs) by OECD DAC members, including the lack of transparency relating to the development "additionality" of these instruments, a diversion of ODA towards more profitable regions and countries given the nature of DFI and PPP corporate structures, and the risk of "tied aid" associated with the use of these instruments where ODA and other official financing is used to procure goods and services from the aid provider.

This "private turn" in development finance reiterated in the UK White Paper without legal or regulatory constraints can therefore paradoxically undermine rather than facilitate sustainable development and climate action while at the same time creating mechanisms that can weaken the UK government's aforementioned commitment to inclusive and locally-owned development strategy.

Enabling commercial (and large non-profit) private actors greater voice and influence over where to allocate financial resources and to whom can constrain national policy space and fragment development and climate policy coherence.

## Limited Reforms in the International Financial Architecture

Proposals to amplify the role of financial markets as sources for sustainable development and climate finance are not accompanied by proposals to reform the international financial architecture to ensure the stability and predictability of these financial flows.

The privatisation and financialisation of development finance deepen countries' exposure to international capital markets, increasing their porousness to shifting global financial conditions and the policy and regulatory responses to such developments by systematically important countries and international financial actors and networks.

This has the potential of generating financial and regulatory risks not only for domestic financial sectors but also for the international financial system more generally, and can impede the resolution of financial and sovereign debt crises if and when they occur.

However, while there is reference to the international debt architecture (see below), the White Paper is silent on the reforms that are needed to the international financial system that are needed to mitigate risks that will arise with the growth of private markets for sustainable development.

These include, among other things, risks of speculation and instability in the nascent but rapidly growing green, social and sustainability (GSS) bond markets, lack of regulatory frameworks to govern carbon markets, greenwashing in the use of proliferating environmental, social and governance (ESG) metrices and the lack of regulatory oversight of credit ratings agencies (CRAs) which play an outsized role in gatekeeping access to capital, especially for developing countries.

The insertion of developing countries into the current fragmented and poorly regulated international financial system creates transmission nodes for financial and sovereign crises, compounded by the absence of any systemic process or institution to deal with sovereign debt distress when they occur.

The White Paper acknowledges the impact of sovereign indebtedness on developing countries and challenges caused by an increasingly diverse creditor base where private creditors now account for 19 percent of low-income country external debt.

The White Paper therefore calls for a strengthening of the international debt architecture but does not address the problem of sovereign debt burdens in any meaningful way nor have concrete sustainable proposals to deal with these challenges systematically.

Proposals are limited to supporting existing debt coordination initiatives, such as the struggling G20 Common Framework for Debt Treatments, and the promotion of contractual approaches, such as the incorporation of majority voting provisions (MVPs) in sovereign loans and climate resilient debt clauses (CRDCs) in sovereign loans and bonds, to enable more effective restructuring of sovereign debt.

The UK has been at the forefront of the latter proposals, working with the International Capital Markets Association (ICMA) to develop MVP specimen clauses and pioneering the use of CRDCs in its export credits to low-income countries and small island developing states.

While every little helps to enable quicker and more efficient sovereign debt restructuring, experience with collective action clauses (CACs), introduced in the 2010s, is that contractual approaches can facilitate better creditor coordination in sovereign debt restructuring but cannot resolve crises at a systemic level.

The sovereign debt architecture remains ad-hoc and fragmented, a "non-system" that relies on a series of negotiations between the sovereign debtor and its creditors mediated by the IMF.

The protracted case of Zambia under the G20 Common Framework demonstrates the problems with sovereign debt law and governance in a complex global financial landscape without a sustainable process for tackling sovereign debt distress.

The White Paper has missed an opportunity to consider the various proposals that have been put forward to develop multilateral and national statutory approaches to improve sovereign debt restructuring, including proposals for a multilateral framework for debt workouts incorporating debt standstills and access to automatic liquidity financing (see UNCTAD's recommendations), as well as national legislation to compel private creditors to the table and give effect to multilateral restructuring initiatives.

On the latter proposals, the UK is especially well-placed to mitigate the debt crisis in indebted countries through domestic legal responses as most debt owed by low-income developing countries that make up the most highly-distressed sovereigns are governed by English law.

### Conclusion

The UK White Paper on International Development is lengthy and sets out highly ambitious strategic objectives, including in many more areas than is covered in this review. It forwards some positive approaches to global development cooperation and commits the UK government to working at a multilateral and cooperative bilateral level to address global challenges.

However, it falls significantly short of concrete and substantive proposals to tackle these challenges in a sustained and holistic way. Its unwavering belief in the private sector and financial markets to provide long-term, sustainable and predictable finance is also highly problematic given a history of market failures and financial crashes.

In particular, there is a clear disjuncture between its commitment to multilateralism and international law and its commitment (or lack thereof) to meet its international legal financial obligations (such as provision of financial resources and technology transfer under the UNFCCC and Paris Agreement) and commitment to pursue reforms to international economic law and global governance that constrain the resolution of global challenges (such as sovereign debt crises and meaningful reform of the MDB governance structures).

More importantly, the White Paper's International Development strategy remains premised on an aid framework that places the development agenda firmly at the centre of UK foreign policy.

The newly appointed UK Secretary of State for Foreign, Commonwealth and Development Affairs, former Prime Minister David Cameron stated in his foreword to the White Paper that development is part of the UK's "moral mission" and confronting global challenges is "essential for our own security and prosperity", a recognition of the strategy's more muted but certainly discernible self-interest.

Commitments to mobilise greater levels of financing to meet the SDGs and climate goals must be matched by corresponding action to address national and international policy and legal barriers that constrain access to or undermine the efficacy of such resources, including reform of national and international law to facilitate more effective financing for sustainable development and climate action.

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