Third World ECONOMICS
Trends and Analysis

No. 791-792 16 March-15 April 2024 e-ISSN : 2716-5388

Growth to further decelerate in 2024 – UN Trade & Development

Falling investments and subdued global trade dynamics are likely to result in further growth deceleration in 2024, according to UN Trade and Development in an update to its flagship Trade and Development Report.

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THIRD WORLD
ECONOMICS
Trends & Analysis

Published by Third World Network Bhd (198701004592 (163262-P))
131 Jalan Macalister
10400 Penang, Malaysia
Tel: (60-4) 2266728/2266159
Email: twn@twnetwork.org
Website: https://twn.my

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Founding Editors:
Chakravarthi Raghavan (1925-2021)
Martin Khor (1951-2020)

Editor: Kanaga Raja

Typesetter: Linda Ooi

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Growth to further decelerate amid falling investment, subdued global trade

UN Trade and Development has forecast global economic growth of 2.6 per cent in 2024, barely above the 2.5 per cent threshold commonly associated with a recessionary phase.

by Kanaga Raja

PENANG: While the slowdown in global growth in 2023 was less severe than originally projected, further growth deceleration is expected in 2024, according to UN Trade and Development.

In an update to its flagship Trade and Development Report released on 16 April, UN Trade and Development has forecast global economic growth of 2.6 per cent in 2024, barely above the 2.5 per cent threshold commonly associated with a recessionary phase.

This rate also signifies the third consecutive year of growth below the pre-pandemic average of 3.2 per cent from 2015 to 2019, it added.

The report called for structural reforms and coordinated global efforts, proposing a comprehensive strategy that includes both supply-side policies to boost investment and demand-side measures to improve employment and income.

Macroeconomic outlook

According to the report, the risks that threatened to substantially slow down global economic growth in 2023 did not fully materialize.

Some economies – including large ones, such as China, India, Indonesia, the Russian Federation, and the United States, among others – escaped the financial trouble that loomed earlier in the year.

As a result, the world economy grew 2.7 per cent, just 0.2 percentage points more than the threshold of 2.5 per cent that is often associated with a global recessionary phase, it said.

"This positive dynamic is now being squandered. Policy discussions continue to centre on inflation, conveying confidence that anticipated monetary easing will heal the world's economic woes," said the report.

Meanwhile, the report said that the pressing challenges of trade disruptions, climate change, low growth, under-investment and inequalities are growing more serious.

UNCTAD's latest projections point to global growth of 2.6 per cent in 2024, slightly slower than in 2023.

This makes 2024 the third consecutive year in which the global economy will grow at a slower pace than before the pandemic, when the average rate for 2015-2019 was 3.2 per cent.

The report said that even more concerning than its projected pace, is the fact that global growth appears to be strongly driven by private consumption.

In 2024, private consumption is projected to grow about 4 per cent while total income is only projected to expand 2.6 per cent.

In practice, patterns observed since the early 2000s indicate that periods of fast consumption growth tend to be financed by borrowing.

Given that the savings accumulated during the pandemic (mainly by more affluent households) have now mostly returned to pre-2020 levels, debt is the likely source of funding for a large share of consumption, said the report.

It said in terms of policies, the reliance on debt accumulation – in private and public sectors alike – introduces a two-fold tension between seeking financial market stability and attaining other macroeconomic goals.

"First, the pressure to prioritize the stability of the financial markets tends to have a negative impact on funding for the public sector, as government deficits are frequently chastised by bond markets and international financial institutions."

Second, in addition to the pressure to contain public budgets, fast value creation by the financial markets benefits the holders of financial assets while crowding out fixed investment.

Data point to a dismal performance of private investment globally in 2023 and an even worse one projected for 2024, said the report.

In the meantime, challenges such as climate change and development require a greater coordinated effort and more financial resources, it added.

"Carbon emissions continue to increase, absent a coordinated plan for the transition of energy systems towards renewables."

It said that inequality continues to increase after the pandemic, with workers receiving a lower share of income in both developed and developing countries.

Equally concerning, it said years of under-investment are depriving the world of the resources required to enable sustainable development.

"For the developing countries, constrained fiscal space in the context of growing debt challenges means a further restricting of public budgets and investment."

In this context, the report said a keenly anticipated reduction in interest rates in 2024 can certainly help by easing the pressure on private and public budgets across the world.

But any expectations that monetary policy alone can provide solutions for the key global challenges are unrealistic.

It said climate change, inequality and a real resolution of ongoing sovereign debt crises require a two-pronged approach.

"It should be based on the strategic involvement of the public sector to enact supply-side policies that revive investment (not speculative flows), and the demand-side policies that ensure full employment and a healthy growth of incomes."

The report said as the global economy continues its post-pandemic recovery, it is critical to safeguard the space for public sector investment policies, ranging from the bolstering of food systems to the expansion of renewables, as well as social and physical infrastructure needed to accelerate sustainable development, stabilize the climate and reduce inequalities.

Monetary policy

The report said that developing economies have faced higher debt servicing costs, along with greater difficulty in securing new financing options, as a direct result of the prevailing tight international financial conditions.

Faced with a significant up-tick in inflation, most central banks across the advanced economies implemented an aggressive and synchronized cycle of monetary tightening starting in early 2022.

It said the United States Federal Reserve (Fed), the Bank of England and the European Central Bank (ECB), for instance, increased their key policy rates by a cumulative 500, 400 and 500 basis points, respectively, from 2022 to mid-2023.

"The rationale behind this policy stance originates in the interpretation of the recent inflationary bout as a by-product of economic "overheating", based, in turn, on the premise of excess demand that has resulted in too many dollars, pounds sterling or euros chasing too few goods and services."

The report said that the restrictive monetary policy response has been designed to dampen demand while largely ignoring the important role played by transitory supply-side bottlenecks in the aftermath of the pandemic and the growing problem of market concentration – translating into rising mark-ups and profit margins – along with surging international commodity prices in light of the war in Ukraine.

The rapid and simultaneous tightening of monetary policy by the major developed economies has had negative spillovers across the globe, it added.

For the developing countries, three sets of factors have amplified the impact, said UN Trade and Development.

First, developing economies have faced higher debt servicing costs, along with greater difficulty in securing new financing options, as a direct result of the prevailing tight international financial conditions.

This is a particularly salient issue given the increase in debt levels of many developing countries in the aftermath of the pandemic.

Even by the International Monetary Fund (IMF) narrow definition of solvency, 9 low-income countries (LICs) are currently in debt distress, and a further 25 LICs are at high risk of debt distress, said the report.

Similarly, the overall debt servicing costs of the 24 poorest LICs are expected to soar by 39 per cent from 2023 to 2024.

Second, the report said that the increase in interest rates in the developed world has put further pressure on developing countries' currencies, provoking depreciations that only increase the servicing costs of foreign currency denominated external debt.

"Depreciations, where they have occurred, have added to the upward pressure on already high domestic food inflation – another pressing issue currently affecting developing countries – due to the increase in local currency prices of imported grains and other basic foods."

Third, central banks in many developing countries have had to turn to double-digit interest rates in an effort to retain international capital and avoid a run on the currency.

The report said tighter monetary regimes have had an adverse impact on domestic demand, employment, and household incomes.

"Perhaps most significantly in development terms, the tightening of monetary policy has acted as a substantial drag on much needed and already inadequately low investment spending in these economies."

While the restrictive monetary stances adopted in developed economies have likely played a role in bringing inflation rates down, the significance of fading supply-side pressures in easing the upward trajectory of prices should not be underestimated, the report emphasized.

"The observed decline in inflation in 2023 without a tangible increase in unemployment indicates the prevalence of supply-side factors, rather than excess demand, in driving the upsurge in inflation rates in 2021 and 2022."

The recent indication that the Fed will cut rates, despite an up-tick in inflation in February 2024 and stronger than expected growth, points to a potential shift in its thinking in this direction too, said the report.

"Notwithstanding recent steps towards a looser monetary policy in major developed and developing economies, central banks in most advanced economies continue to maintain the view that wages are increasing too rapidly, with the imminent danger of an ensuing wage-price spiral."

In recent monetary policy reports,

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the Fed cautioned that "the labor market remains relatively tight", while the Bank of England warned that "wage growth remains elevated", and the ECB affirmed that "domestic price pressures remain high, in part owing to strong growth in wages".

However, the report said there is scant evidence of such a danger materializing. In fact, real wages have yet to recover to their pre-pandemic trend.

By the end of 2023, real average hourly earnings in France, Germany, the United Kingdom and the United States remained 2.4, 9.4, 1.6 and 2.9 per cent below their pre-pandemic trend, respectively.

Moreover, the report said comparing the trajectory of real wages to that of labour productivity in these countries, there is no sign that the growth of real wages is significantly outpacing that of labour productivity. *(SUNS 9988)*

Merchandise trade unlikely to be significant driver of growth in 2024

In contrast to global economic growth of 2.7 per cent in 2023, global merchandise trade contracted by about 1 per cent in real terms, the first annual episode in at least four decades when the direction of merchandise trade diverged from that of global economic activity.

by Kanaga Raja

PENANG: As the global economy expanded by 2.7 per cent in 2023, global merchandise trade saw a significant divergence, contracting by about 1 per cent in real terms, UN Trade and Development has said.

In an update to its Trade and Development Report, UN Trade and Development said the contraction was partly due to trade tensions among some large economies and subdued global demand.

The report said that should final numbers confirm this scenario within the next few months, 2023 will be the first annual episode in at least four decades during which the direction of world merchandise trade diverges from that of global economic activity.

It said that annual contractions in real terms of global merchandise trade are unusual.

In the forty years leading to 2023, global merchandise trade had shrunk only twice: in 2009, at the height of the global financial crisis, and in 2020, after the COVID-19 shock.

These were the two most severe economic downturns since the Second World War.

Against this background, the report said the contraction of international merchandise trade in a context of global economic expansion in 2023 is unprecedented in recent times.

Although there has been some recovery in 2024, it's unlikely that merchandise trade will be a significant driver of growth this year, said UN Trade and Development.

According to the report, back in October last year, the Trade and Development Report 2023 did anticipate this dynamic, in light of the trade tensions among some large economies and the subdued global demand.

Such headwinds were compounded by a statistical artifact known as a high base effect, it said, adding that it originated in the unprecedented temporary shift in consumption structure in 2020-2022.

During the pandemic, consumption shifted away from services and towards (trade-intensive) durable goods at a time when households, mostly in high-income countries, turned to buying up furniture equipment of all kinds (home, office, fitness, etc.), while many services, such as eating-out and travel, to name a few, were no longer accessible.

As consumption patterns reverted to normal, or even undershot in some sectors, global merchandise trade shrank.

Since the Trade and Development Report 2023 was first released, two further negative shocks have hit maritime routes, the backbone of international merchandise trade, said the report.

Both relate to shipping disruptions in key arteries of maritime transport: the Panama Canal and the Red Sea.

In the Panama Canal, a prolonged drought forced its operator to reduce the number of crossings, resulting in longer wait times.

In financial terms, this increased by up to eight times the tolls that vessels pay to go through the canal's various locks by mid-March 2024.

The report said that this is partly because the canal's authority had hiked toll rates prior to the onset of the water crisis, but it is also due to the fact that shipping firms have been eager to pay substantial amounts in specialized auctions to guarantee themselves one of the reduced numbers of crossing opportunities.

In addition, it said ship attacks that started in the Red Sea in the wake of the war in Gaza compelled major ocean carriers to suspend Suez transits and to reroute through the Cape of Good Hope, adding between 12 and 20 days of transport.

As seaborne trade accounts in volume for more than 80 per cent of trade in goods and about 70 per cent of its value in dollars, the disruptions in the Panama Canal and the Red Sea – which handled in previous recent years, respectively, 2-3 per cent and 12-15 per cent of international seaborne trade volume – have pushed up freight costs again in recent months.

All segments of seaborne trade - whether in terms of geography or type of shipments (bulk, container, tanker, etc.) - have been affected, said the report.

Trade between Asia and Europe, together with maritime routes going between the Pacific and the Atlantic coasts of the Americas, have experienced severe disruption.

Even more striking are the ripple effects, which have pushed up the freight rates of routes that do not cross these hotspots, due to the unsettling impact on global shipping and logistics.

In terms of freight rates, for instance, the cost of moving containers from Shanghai to Genoa or Rotterdam more than tripled between October 2023 and mid-March 2024.

Meanwhile, the cost of transporting containers from Shanghai, the world's largest port, to Los Angeles doubled.

Despite such sharp increases, freight

rates remain far below the record highs of late 2021 or early 2022.

Yet the monthly levels of March 2024 of the Shanghai Containerized Freight Index or the Dry Bulk Index stood above the 85th percentile of their distribution (starting from late 2009).

Going forward, the situation in the Panama Canal is expected to improve after the rainy season begins in late April-early May, said UN Trade and Development.

On the other hand, it said the situation in the Red Sea is likely to remain highly uncertain as long as the war in Gaza endures.

It said beyond these negative developments in the shipping industry, the growth of merchandise trade, overall, is expected to remain subdued in 2024, though it should move back into positive territory.

It said recent reports from some large exporting economies provide a rather mixed picture.

On the positive front, exports from China and Europe have shown some improvements in the first months of 2024.

"Declining oil and gas prices helped to lower euro-zone energy imports by a third in the year to January 2024, improving Europe's trade balance markedly."

On the other hand, the report said exports and imports of goods of the United States were 2-3 per cent lower in January 2024 compared to the same period a year earlier.

"In addition, in light of weak import demand from Europe and some advanced Asian economies – which have experienced a gradual decline in real terms over the course of 2023 – the dynamic of global merchandise trade in 2024 is expected to be moderate."

The report said trade in services, on the other hand, has shown more dynamism. Among its main components, travel has continued to trend upwards while transport has also strengthened recently.

Although comprehensive data is lagging, other components of trade in services appear to have been resilient in recent months, it added.

For its part, the robust performance of the telecommunications, computer, and information category seems to have continued.

As a result, trade in services on aggregate is expected to continue growing faster than trade in goods in 2024, though a slowdown in some of its different components (for instance, in construction services) cannot be ruled out as the negative effect of higher global interest rates kicks in.

Altogether, the report said recent developments point to meagre improvement in 2024 for trade in goods and services.

At the same time, it said the trade outlook is still surrounded by significant risks and uncertainties, which are primarily tilted to the downside given the calls for protectionism, the continuing trade tensions and the rising political uncertainty.

A recent manifestation of such downside risks, for example, is the announcement from the European Union to increase taxes on electric cars from China on the back of allegations of illegal export subsidies, it noted.

Overall, the report said that such developments continue to weigh negatively on the trade outlook.

They also hamper the emergence of concerted multilateral solutions at a time when international collaboration in the area of trade remains paramount to foster environmental protection and sustainable development around the world, it added. *(SUNS 9988)*

Developing countries grappling with significant debt, development crises

The debt and development crises faced by many developing countries is worsening, underscoring the urgent need for reform of the international debt architecture, according to UN Trade and Development.

PENANG: The debt and development crises faced by many developing countries continues to worsen, according to UN Trade and Development.

In an update to its Trade and Development Report, UN Trade and Development said the current debt crisis is rooted in structural issues, arising from sluggish economic growth, widespread tax avoidance, commodity dependence, and the rising cost of climate change.

It called for a stronger global financial safety net and the establishment of efficient multilateral frameworks to resolve sovereign debt issues.

The report noted that the increase in public resources and export revenues that must be channelled towards public and publicly guaranteed debt service (to cover both the principal and interest payments) is a key dimension of the current crisis.

According to the report, recently released data shows that in 2022 (the last year for which comprehensive data exists), developing countries' Governments paid almost $50 billion more to their external creditors (bilateral, multilateral and private) than they received in fresh disbursements.

"Further data disaggregation shows that private creditors account for most of the change in the direction of net transfers."

It said while between 2021 and 2022, debt service to these creditors had remained stable (at about $260 billion), disbursements declined by 45 per cent, from over $300 billion to less than $170 billion.

The report said that this waning of private creditors' appetite for developing countries' public debt resulted in the lowest disbursement levels since 2011.

It said as a result, during this period, net transfers on public and publicly guaranteed debt from private creditors switched from an inflow of more than $40 billion to an outflow of almost $90 billion.

The year 2022 also marks the first occurrence of a net negative resource transfer for all developing countries as a group since 2008, said the report.

"It also reflects a record-high number of 52 individual countries in this situation, with the median net transfer amounting to about 4 per cent of government revenues for this subset of countries."

The report said the increase in both the magnitude and prevalence of net negative resource transfers at a time of compound crises reveals the limitations of the current framework of international debt architecture for supporting development.

It noted that the surge in net negative transfers is tied to a significant decrease in access to fresh financing for numerous countries.

"This decline stems from various factors, including higher interest rates in developed countries, deteriorating global financial conditions and mounting concerns about debt distress in developing countries."

This dynamic is reflected in the lowest levels of external sovereign bond issuance during 2022 and 2023 in the last 10 years, plummeting to one third of the peak reached in 2020, said the report.

It said since early 2024, sovereign bond sales for some developing countries have resumed, buoyed by a thaw in financial markets and on the expectation of interest rate cuts in major developed economies.

In aggregate, bond issuance by developing countries in the first quarter of 2024 soared to $45.5 billion, a record high for this period of the year.

Among these, five countries rated investment grade issued for $28.5 billion. Issuances by eight non-investment grade countries amounted to $17 billion.

Notably, this latter group includes three sub-Saharan countries – Benin, Cote d'Ivoire and Kenya – a region that had been shut off from bond markets for most of 2022 and 2023.

Renewed access to market financing is a welcome development, particularly for non-investment grade countries, many of whom are at high risk of or in debt distress, said the report.

However, it said concerns remain regarding the sustainability and breadth of market access in the outlook period.

In addition to the seasonality of bond issuance, two further aspects warrant attention: distribution of issuance and costs, it noted.

First, it said recent bond issuance, including during 2024, has been highly skewed towards a limited number of developing countries. Hence, the encouraging aggregate figure should not mask uneven market access for many other developing countries.

"This concentration highlights the need for a more granular approach in the analyses of the debt dynamics and when addressing the challenges faced by smaller developing economies."

Second, it said even this skewed market access comes at a steep financial cost. While bond yields have fallen since October 2023, they remain elevated.

Implicit borrowing costs, gauged by yields, are substantially above existing borrowing costs, as measured by the average weight of existing bond coupons.

The difference is especially large for non-investment grade countries. Consequently, countries capable of issuing bonds do so at higher coupon rates compared to bonds being currently repaid, said the report.

This has detrimental effects on debt dynamics, especially in a context of low economic growth, and more broadly on the allocation of public spending, it added.

Overall, the report said the deterioration of key determinants of debt dynamics underlines the structural nature of debt challenges faced by developing countries.

The report said that lack of progress on multilateral solutions in addressing the different components of this complex problem – including low economic growth, profit shifting and base erosion, commodity dependence, high climate vulnerability, significant financing costs, the absence of global financial safety net and effective multilateral sovereign debt resolution mechanisms – further exacerbates the burdens faced by populations in developing countries in the form of larger fiscal adjustments and puts at risk the achievement of the Sustainable Development Goals.

The report said this underlines the need for reform of the international debt architecture, in line with the policy recommendations outlined in the Trade and Development Report 2023.

Food insecurity

According to the report, following the precipitous rise in commodity prices in the aftermath of the outbreak of the war in Ukraine, commodity markets saw a broad-based and sustained price decline in 2023.

The aggregate commodity price index dropped by 6.8 per cent, with energy commodities experiencing the largest decline (16.1 per cent) followed by grains (10.1 per cent) and industrial metals (8.3 per cent).

Various factors triggered this generalized retreat in commodity prices, said UN Trade and Development.

It said the prevailing tight global monetary conditions played a crucial role as they dampened the global demand for fossil fuels and metals and also prompted financial investors to move away from commodities towards other financial asset classes.

The slower-than-expected rebound in China following the reopening of its economy, combined with persistent weaknesses in the construction sector and high sectorial indebtedness, also contributed to the slackening in broad commodity price indices.

Additionally, it said international prices of food commodities fell, partly owing to rising production of maize and soybeans and continued food exports from the Black Sea region.

The report said despite the declines registered in 2023, prices of most commodities remain significantly above their pre-pandemic levels.

Notably, both energy and metals prices hover around 40 per cent above the average levels observed from 2015 to 2019.

Similarly, it said food commodities prices remain 35 per cent above their pre-pandemic averages, while those of fertilizers – which are a key factor in determining both present and future prices and supplies of grains and other basic foods – lie almost 45 per cent above pre-pandemic levels.

The report said that while these elevated international prices can benefit developing countries exporting these raw materials, they can also be extremely detrimental to developing countries who are net importers of these products – in particular, low-income countries including least developed countries - due to high import costs in a context of constrained financing options.

In 2024, prices of key commodities are expected to continue their downward trajectory, albeit to a much more moderate degree compared to 2023, it added.

"International food prices will likely

remain stable or decline marginally in 2024. However, risk factors to this broader projected trend remain in the form of potential conflict-related trade disruptions including in the Black Sea (especially important for wheat, oilseeds and maize), the occurrence of extreme weather events related to climate change, and the imposition of restrictive export measures by large exporting countries."

Moreover, the continuing elevated levels of fertilizer prices globally will keep food production costs high and will be a limiting factor for crop yields for producers that are financially constrained or face low profitability.

The report said the broad downward trajectory of international food prices since 2023 has, in fact, done little to alleviate pressure on the persistently high food prices faced by many consumers - particularly among the most vulnerable populations in developing countries – as weakening local currencies have continued to inflate the domestic prices of these basic goods.

Consequently, it said food insecurity persists as an acute concern across developing countries – especially among vulnerable ones such as least developed countries – affecting low-income groups in particular.

Similarly, the report said that if the recently observed upward trajectory in global rice prices were to persist, it would exacerbate food insecurity, as rice is a staple food for more than half of the world's population, notably vulnerable population groups in Africa and Asia.

Under the current scenario, it is estimated that close to 600 million people will be chronically undernourished in 2030.

In this context, the report said high concentration along food global value chains, increasing requirements in terms of standards applied to food products by importing countries and the financialization of commodity markets, including food, all contribute to elevated global food prices for consumers around the world without necessarily benefitting producers in developing countries.

This is particularly the case for smallholder producers who face the combined challenges of increasing weather variability with limited adaptation tools, high cost of inputs and limited access to capital, it added.

The startling asymmetry between the profitability of specific stages of these global value chains, the challenges faced by smallholder producers in developing countries and the mounting food insecurity concerns all point to the need for greater policy action, including improved regulation of the commodity trading industry and the consideration of a permanent windfall profit tax, the report concluded. *(SUNS 9988)*

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TESSD pursues trade & climate change issues without MC13 mandate

The participants in the informal Trade and Environmental Sustainability Structured Discussions (TESSD) have issued an "updated TESSD Work Plan," in an apparent move to kick-start the process after the World Trade Organization's failed 13th ministerial conference (MC13) in Abu Dhabi.

by D. Ravi Kanth

GENEVA: Efforts are underway to kick-start the informal Trade and Environmental Sustainability Structured Discussions (TESSD) after trade ministers failed to provide any mandate on trade and climate change issues at the World Trade Organization's 13th ministerial conference (MC13) that concluded on 2 March in Abu Dhabi.

In the run-up to MC13, the TESSD participants seemed pretty confident that trade and climate change issues will be addressed adequately at the Abu Dhabi ministerial meeting.

However, many developing and some least-developed countries opposed the inclusion of climate change issues in the WTO negotiations.

Consequently, paragraph 15 of the Abu Dhabi Ministerial Declaration merely states: "In recalling the objectives in the Marrakesh Agreement and in recognising the role that the multilateral trading system can play in contributing towards the achievement of the UN 2030 Agenda and its Sustainable Development Goals, in so far as they relate to the WTO mandate, we underscore the importance of trade and sustainable development in its three pillars – economic, social, and environmental."

Against this backdrop, the TESSD participants that include major industrialized countries such as the European Union, the United States, Canada, Japan and Korea, as well as several developing countries including China, issued an "updated TESSD Work Plan."

The restricted room document (INF/TE/SSD/RD/14) issued on 9 April, seen by the SUNS, suggests "the way forward in the TESSD Working Group on Environmental Goods and Services."

Though the room document is not treated as an official document, it throws some light on the updated TESSD Work Plan.

It says: "The WG (Working Group) on EGS (environmental goods and services) will continue an objective-based approach and examine sector-specific issues involved in the promotion and facilitation of trade in EGS, as well as the identification of climate-friendly technologies."

It adds that "particular attention will be given to issues of interest to developing countries," but does not indicate in what form the developing countries' specific concerns, including on transfer of technologies without any exorbitant royalty payments, will be addressed.

It further says, "Where appropriate, the WG will examine cross-sectoral approaches with regard to EGS. Under the objective of climate change mitigation and adaptation, the Group will continue its work on renewable energy and add other sectors or technologies related to climate change, including adaptation and mitigation."

The track record of the industrialized countries in complying with the Paris Agreement on climate change, particularly in addressing the mitigation and adaptation challenges faced by the developing countries, has been insignificant, said people, who asked not to be quoted.

The room document suggests that "the WG will further develop the analytical summary as an outcome document, covering indicative lists of relevant goods and services, trade barriers, including non-tariff barriers, and supply chain bottlenecks, developing country perspectives, and opportunities and approaches to promote and facilitate trade in these goods and services, and explore concrete actions that Members could further undertake."

It may be recalled that an earlier attempt by the US and other industrialized countries, as well as China to cobble together a tariff-free agreement on environmental goods had failed in 2016.

The US and the EU have stated in their joint statement at a recent meeting of the Trade and Technology Council (TTC) that they are working "together to amplify the potential of the transatlantic marketplace as a catalyst for decarbonization and a green transition."

The joint statement states that "the Transatlantic Initiative on Sustainable Trade launched at the third US-EU TTC Ministerial meeting in December 2022 offers a pathway for dialogue that aims to: boost transatlantic trade and investment to further the deployment of goods and services essential to the transition to more circular and net-zero economies; strengthen the resilience and sustainability of key supply chains; ensure that the green transition is fair and inclusive; and promote efforts to advance the transition to a low-emission and green future at a global level."

It is against this backdrop that the room document states that "the updated Work Plan foresees to continue work on renewable energy. This work could cover remaining sectors related to renewable energy generation such as marine and geothermal energy, as well as technologies related to energy storage, and electricity transmission and distribution."

According to the room document, "the focus of discussion on renewable energy could be to further refine the indicative lists of renewable energy goods and services included in the analytical summary, as well as adding goods and services relevant for other sectors/technologies that will be discussed."

It says that "the WG could explore concrete actions that Members could further undertake based on opportunities and approaches identified in the analytical summary. This could also include information exchange between relevant WTO bodies on issues such as market access, technical regulations and conformity assessment procedures, trade facilitation, domestic regulation, investment facilitation and government procurement."

The TESSD's updated Work Plan "foresees to add other sectors or technologies related to climate change, including adaptation and mitigation."

It says that "based on past discussions, initial focus could be given to the objective of climate change adaptation, examining goods, services and technologies related to the agriculture and water sectors as well as to build resilience against natural disasters such as floodings and droughts."

It also mentions "bio-trade" which could include "biodiversity-based goods and services that meet specific sustainability criteria."

TrCMs

Meanwhile, in another room document (INF/TE/SSD/RD/13), seen by the SUNS, it is proposed that the "Working Group on Trade-related Climate Measures (TrCMs) will share experiences on the use of TrCMs aimed at achieving climate change objectives and further discuss how trade and environment must be mutually supportive."

According to the room document, the Working Group "will complement the sharing of experiences by identifying practical ways to enhance cooperation, drawing from technical efforts in other international fora on TrCMs. It will do so by focusing on specific climate objectives, including the clean energy transition and climate change adaptation, while paying particular attention to developing country perspectives."

The Co-Facilitators of the Informal Working Group on Trade-related Climate Measures (TrCMs), according to the document, will structure the discussions on TrCMs around three key climate objectives: (a) clean energy transition; (b) climate change adaptation; and (c) decarbonisation of industry and transport, including carbon measurement methodologies and standards.

In short, trade and climate change issues are apparently being sneaked into the informal TESSD discussions without a proper ministerial mandate, which could pose problems on procedural and systemic grounds, said people who preferred not to be quoted. *(SUNS 9988)*

Marking 30th anniversary of Marrakesh Agreement amid trade chaos

As members of the World Trade Organization (WTO) celebrate the 30th anniversary of the Marrakesh Agreement establishing the WTO, the "binding" rules-based system is allegedly being chipped away at the margins by some powerful members.

by D. Ravi Kanth

GENEVA: When the late Mr. Peter Sutherland, the first Director-General of the World Trade Organization, was asked what the most important contribution of the new multilateral trade body was, he emphasized on the "binding rules" for conducting global trade.

That was 30 years ago – or to be precise, 15 April 1994 – in Marrakesh, Morocco, when more than 100 trade ministers had congregated to sign the famous Marrakesh Agreement that established the WTO.

Mr Sutherland had played a vital role in forcing the two trade majors – the United States and the European Union (the European Community at the time of signing the Marrakesh Agreement) – to resolve their differences in agriculture to accelerate the process for concluding the Uruguay Round negotiations.

Subsequently, the two trade majors signed the controversial Blair House Agreement in November 1992, when they accommodated each other's interests in both export subsidies and domestic support, while creating asymmetrical commitments.

Following this accord between the US and the EU, Mr Sutherland intensified negotiations on all other unresolved areas, including the creation of a two-tier dispute settlement system, with the Appellate Body as the final adjudicating body.

His efforts led to the conclusion of the Uruguay Round negotiations at the official level in Geneva in December 1993.

Later, the same agreement was signed at the Ministerial-level in Marrakesh on 15 April 1994.

In an interview with three Indian journalists, including this writer, who had gone to cover the meeting in Marrakesh, Mr Sutherland emphasized how important binding rules are for a strong enforcement function that was missing in the previous General Agreement on Tariffs and Trade (GATT) since 1948.

He also spoke about other areas such as trade in services, agriculture, TRIPS and so on.

When asked whether the developing countries secured any significant gains, Mr Sutherland said their interests were being safeguarded with legal certainty.

As regards any measurable gains on trade in services and the apparent "asymmetry" between Mode 3 in services dealing with commercial presence, and Mode 4 on movement of natural persons (short-term services providers), he dismissed the notion of "any asymmetry".

As WTO members now celebrate the 30th anniversary of the Marrakesh Agreement, it appears that the "binding rules-based" system is being rapidly chipped away at the margins.

In fact, for some powerful members, the "rules-based" functioning of the WTO has seemingly become an anathema.

With the Appellate Body having been made dysfunctional since December 2019, the WTO's enforcement function has become almost paralyzed.

Increasingly, a new tendency is slowly gaining currency, namely to ignore the rules in pursuing trade policies and initiatives based on "Realpolitik", said people familiar with this development.

Even as the WTO Director-General, Ms Ngozi Okonjo-Iweala, claims that "while the multilateral instrument remains the gold standard at the WTO," in the same breath, she said that "we should be open to additional instruments to deliver outcomes for our people as we did on Services Domestic Regulation and the Investment Facilitation Agreement –

the latter with the participation of three quarters of the Membership."

It is not that additional instruments should not be pursued, but how they are being pursued and whether they are consistent with the WTO rules cannot be ignored.

Ultimately, by pursuing other instruments allegedly in defiance of WTO rules could only create "lawlessness", which is contrary to what Mr Sutherland had said 30 years ago.

In her message issued on 15 April, Ms Okonjo-Iweala said: "Thirty years ago, over 120 countries united with a shared vision: to transform the world through trade."

"They created a new global public good: one committed to using trade to raise people's living standards, create jobs, and promote sustainable development."

The DG said: "Countries have used the open and predictable global economy anchored in the World Trade Organization to accelerate growth and development. Over the past three decades, more than 1.5 billion people have been lifted out of extreme poverty, embodying the enduring promise encapsulated in the Marrakesh Agreement."

Such seemingly hyperbolic remarks by the DG without any backing evidence may not augur well in addressing the fundamental poly-crises that have afflicted global trade and the multilateral trading system.

Also, in the face of new paradigms based on geopolitical and geo-economic interests as well as "re-shoring" and "friend-shoring" strategies among others, it is important to have some serious introspection and adopt policies that only strengthen the rules.

The DG went on to say: "As we mark the 30th anniversary of the WTO, this promise still stands as a beacon. The WTO now counts 164 – soon to be 166 – members. The way we do business across borders has evolved. So have the challenges to sustainability and socioeconomic inclusion. But trade remains a vital tool to solve these challenges and build a brighter future for people around the world."

However, what is important as members mark the 30th anniversary of the WTO, is getting back to the rules enshrined in the Marrakesh Agreement and stop the descent into a "lawless abyss" in the pursuit of additional instruments in alleged violation of the WTO rules. *(SUNS9987)*

Fisheries chair issues two texts to restart talks after MC13 failure

The chair of the Doha fisheries subsidies negotiations at the World Trade Organization has issued two documents for members to ponder over some difficult issues concerning subsidies contributing to overcapacity and overfishing.

by D. Ravi Kanth

GENEVA: The chair of the Doha fisheries subsidies negotiations, Ambassador Einar Gunnarsson of Iceland, on 12 April issued two documents for members to mull over some difficult issues on which ministers failed to reach an agreement on prohibiting subsidies contributing to overcapacity and overfishing (OCOF) at the World Trade Organization's 13th ministerial conference (MC13) in Abu Dhabi, said people familiar with the discussions.

"I encourage you all to carefully study these documents and use the next couple of weeks to consult informally with each other," the chair wrote to Heads of Delegation in his email on 12 April.

The Abu Dhabi ministerial meeting on 2 March failed in the two key areas of agriculture as well as on fisheries subsidies that contribute to overcapacity and overfishing.

The first document (TN/RL/W/278) issued by the chair refers to the text sent by the Minister-Facilitator via email on the morning of 1 March at MC13.

It contains low-ambition middle-ground provisions replete with flexibilities for tackling subsidies that contribute to overcapacity and overfishing provided by the ten large subsidizers, said several people who asked not to be quoted.

The text did not disclose who the ten large subsidizers are.

However, this will come to be known within six months after the agreement comes into force, as members are required to notify their subsidies within four months.

For the first time, the draft text clubs together developing countries with the large subsidizers while subjecting them to a plethora of transparency and notification requirements based on the so-called hybrid approach, said a capital-based official, who asked not to be quoted.

"These provisions appear to balance the specific flexibilities accorded to the large subsidizers on the one side, and the limited exemptions granted to developing countries on the other," the official said.

Significantly, the chair did not suggest in the addendum whether the Pacific Group of countries proposed a "standstill" agreement on OCOF subsidies given the large subsidizers, said people who asked not to be quoted.

The draft final Abu Dhabi text falls well short of fulfilling the targets set out in the mandate of the United Nations Sustainable Development Goal 14.6, said people familiar with the negotiations.

According to the mandate, WTO members are required, by 2020, to, "prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to IUU (illegal, unreported and unregulated) fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation."

The five largest subsidizers are China, the United States, Korea, the European Union, and Japan, with OCOF subsidies running into more than US$22 billion.

According to Ambassador Gunnarsson, the second document (TN/RL/W/278/Add.1) is an explanatory addendum that "contains background, context, explanations for the draft additional provisions."

"I hope that these documents, which are attached, are useful to you in recalling the work done and progress made in Abu Dhabi, and to further assess how we can bring the process forward," the chair wrote in his email attached to the documents.

After explaining the process that was adopted at MC13, the chair said that "despite ambitions of presenting the elements of a package deal in a textual form, by the middle of the night between 29 February and 1 March, we were not able to circulate such a document because consultations continued non-stop."

"At that point, Secretary Eyjolfsson (the Minister-Facilitator from Iceland) decided instead to circulate a complete version of the text incorporating the elements of the package on which he had been consulting with Members," the chair noted.

Though the text contains no bracketed language, the chair said that it includes "yellow highlight in five places which, at that time, were deemed to require resolution before being able to present Members with a final text for adoption."

These five highlights are:

- the transition period placeholder in Article B.1;
- the transition period placeholder in Article B.3;
- the placeholder in footnote 25 for references to Member statements of commitment not to avail themselves of SDT;
- Article C.2(a) on transparency in respect of forced labour; and
- Article C.3 on transparency in respect of non-specific fuel subsidies.

The chair, however, did not mention the specific exemptions given to the big subsidizers in Articles A.1.1 and A.2

Highlights

The first highlight concerning "the transition period placeholder in Article B.1" deals with the exemption to least-developed countries for implementing subsidies that contribute to overcapacity and overfishing, as listed in Article A.1.

Article B.1 states that: "Article A.1 shall not apply to LDC Members. A graduated LDC Member may grant or maintain the subsidies referred to in Article A.1 to fishing or fishing related activities for a maximum of X years after a decision of the UN General Assembly to graduate that Member from the "Least Developed Countries" category."

The OCOF subsidies are listed in Article A.1.

It states: "No Member shall grant or maintain subsidies to fishing or fishing related activities that contribute to overcapacity or overfishing. For the purposes of this paragraph, subsidies that contribute to overcapacity or overfishing include:

(a) subsidies to construction, acquisition, maintenance, modernisation, renovation, or upgrading of vessels;
(b) subsidies to the purchase or maintenance of machines and equipment for vessels (including fishing gear and engine, fish-processing machinery, fish-finding technology, refrigerators, or machinery for sorting or cleaning fish);
(c) subsidies to the purchase/costs of fuel, ice, or bait;
(d) subsidies to costs of personnel, social charges, or insurance;
(e) income support of vessels or operators or the workers they employ except for such subsidies implemented for subsistence purposes during seasonal closures;
(f) price support of fish caught;
(g) subsidies to at-sea support; and
(h) subsidies covering operating losses of vessels or fishing or fishing related activities."

However, these subsidies can be granted by the large subsidizers provided they demonstrate that "measures are implemented to maintain the stock or stocks in the relevant fishery or fisheries at a biologically sustainable level. Such demonstration shall include an explanation of how those measures ensure, or can reasonably be expected to ensure, that the stock or stocks in the relevant fishery or fisheries are maintained at a biologically sustainable level and shall be made through a notification by the subsidizing Member as soon as practicable and no later than six months after a new subsidy program comes into effect, and thereafter in the Member's regular notifications of fisheries subsidies under Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and Article 8.1 of the Agreement on Fisheries Subsidies (AFS)."

During the final hours of MC13 on 2 March, the graduating LDCs were unhappy over the transition period that was accorded to them.

The second highlight mentioned by the chair deals with "the transition period placeholder in Article B.3."

Article B.3 in the Abu Dhabi final text states:

(a) A developing country Member not covered by the special and differential treatment provided for in Article B.1 or Article B.2 may grant or maintain the subsidies referred to in Article A.1 to fishing or fishing related activities within its EEZ, and in the area and for species under the competence of an RFMO/A through which the Member is authorized to engage in such fishing or fishing related activities, for a maximum of X years after the entry into force of these Additional Provisions. A developing country Member intending to invoke this provision shall inform the Committee in writing within one year of the date of entry into force of these Additional Provisions.
(b) Subsidies granted or maintained under subparagraph (a) shall be exempt from actions based on Article A.1 and Article 10 of the AFS for a period of two additional years after the end of the period referred to in the first sentence of subparagraph (a).
(c) A developing country Member to which subparagraph (b) applies may request no more than two two-year extensions of the period referred to in that subparagraph through the Committee. The Committee shall take into account the specific circumstances of that Member, and shall give due and sympathetic consideration to developing country Members that demonstrate concrete progress toward implementing Article A.1.

Effectively, Article B.3 contains flexibilities for those developing countries whose global marine catch in volume terms is more than 0.8 percent (or the de minimis). Countries like India and Indonesia among others come under this category.

During the failed MC13, the countries that fall under Article B.3 are given a transition period of [X] years.

While the EU and other industrialized countries proposed a transition period of around 8 years, India initially sought 24 years. There was no agreement on the number of years, said several negotiators who asked not to be quoted.

To avail of the specific flexibilities, including for artisanal, small-scale, and livelihood fishers, the text contained several transparency and notification

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requirements for compliance.

The third highlight mentioned by the chair refers to "the placeholder in footnote 25 for references to Member statements of commitment not to avail themselves of SDT."

The fourth highlight mentioned by the chair stems from the US proposal on forced labour.

Footnote 25 states that "targeted technical assistance and capacity building assistance to developing country Members, including LDC Members, shall be available for the purposes of implementing these Additional Provisions."

The fourth highlight mentioned by the chair stems from the US proposal on forced labour. It deals with "Article C.2(a) on transparency in respect of forced labour".

In Article C.2(a), it is proposed that each Member shall notify the Committee in writing on an annual basis of: any vessels and operators for which the Member has information that reasonably indicates the use of forced labour, along with relevant information to the extent possible.

The fifth highlight mentioned by the chair deals with transparency in respect of non-specific fuel subsidies.

It states: "Notwithstanding Article 1 of the AFS, and to the extent possible, each Member shall notify to the Committee in writing on an annual basis of its fuel subsidies granted or maintained to fishing or fishing related activities that are not specific within the meaning of Article 2 of the SCM Agreement."

Aside from these five issues that must be negotiated, some other issues may still crop up once the text comes under discussion. Also, members may not settle for an agreement without knowing what is going to happen in agriculture and other areas, said people who asked not to be quoted. *(SUNS 9986)*

Marrakesh Agreement eclipsed by US-EU priorities on climate, chips

The United States and the European Union concluded a high-level meeting on trade and technology on 5 April where they outlined their new priorities to strengthen their economic and trade ties and boost their economic security.

by D. Ravi Kanth

GENEVA: As members of the World Trade Organization conclude the 30th anniversary of the foundational Marrakesh Agreement in April, everything seems to be eclipsed from its original goals, with the two dominant members – the United States and the European Union – driving the trade body according to their new priorities.

From a spate of recent developments that are rapidly chipping away at the margins of the Marrakesh Agreement, its 30th anniversary is increasingly becoming one of the proverbial "darkness at noon".

With the WTO's enforcement function, which is enshrined in the Marrakesh Agreement, being made partially dysfunctional, and with the rules being allegedly openly flouted to advance plurilateral outcomes, it appears moot whether members are unwittingly in the process of bidding farewell to what was hailed as a watershed moment in establishing the multilateral trade rules.

On 5 April, the United States and the European Union concluded a high-level meeting on Trade and Technology that suggests an enhanced understanding on several issues concerning trade and technology, while "soft-pedalling long-standing areas of disagreement," according to a news report in Washington Trade Daily on 8 April.

There seems to be a growing wiliness between the trans-Atlantic trade giants that appear to be caught in a quagmire of challenges.

It is an open secret that the initiatives of the US-EU are primarily targeted to contain China that has become a global hub for solar panels, electric vehicle (EV) batteries, 5th generation telecommunication technologies, and even Artificial Intelligence (AI).

Without mentioning China by name, the joint statement issued by the US-EU Trade and Technology Council (TTC) at the end of their sixth meeting last week says that "there has been a buildup of global economic pressure through extensive non-market policies and practices."

"This accentuates excessive and possibly high-risk dependencies of strategic supplies, tilts the level playing field, and poses a threat to our economic security, our prosperity, and the well-being of our firms, workers, and citizens," the statement noted, against the backdrop of the concerns raised by the US Treasury Secretary Janet Yellen during her visit to Beijing last week.

After adopting a unilateral boycott of 5G wireless telecommunications network equipment developed by the Chinese company Huawei on security grounds, the US and the EU raised the bar of cooperation to establish "joint leadership and continue robust coordination on our approaches for creating rules of the road for emerging technologies, such as artificial intelligence (AI), quantum technologies, and 6G wireless communication systems."

Trade & climate

On the trade front, the US and the EU want to "strengthen our economic and trade ties, accelerate the transition to climate-neutral economies, and boost our economic security."

"With the Transatlantic Initiative on Sustainable Trade (TIST)," the US and the EU argued, the "TTC is contributing to the creation of a stronger, more sustainable, and more resilient transatlantic marketplace and facilitating environmentally responsible trade in goods and technologies."

In an attempt to keep several countries, particularly China, out of access to new digital trade tools, the joint statement of the US and the EU said: "We have increased cooperation on interoperability of digital trade tools as well as standardisation of critical and emerging technologies to reduce the costs of trading across the Atlantic."

The two trade majors said: "To boost our economic security, we continue to cooperate through the TTC to diversify strategic supply chains, including solar panels, semiconductors, and critical raw materials, and to reduce vulnerabilities, including those caused by other countries' non-market policies and practices. We have also deepened our dialogue and cooperation on export controls and investment screening."

Despite such pronouncements by the US and the EU last week, the WTO's Director-General, Ms Ngozi Okonjo-Iweala, in her remarks during the launch of the WTO's latest global trade outlook on 10 April, touted "resilient supply chains and a solid multilateral trading framework."

With the alleged attempts to intensify fragmentation of the global trading system, the US and the EU vowed "to use the TTC to advance the governance of critical and emerging technologies, such as artificial intelligence, quantum technologies, semiconductors, biotechnology, and online platforms, including by supporting the development of rights-respecting international technical standards, codes of conduct, principles, and guidance."

Key outcomes

The "key outcomes of the sixth TTC ministerial meeting" in Brussels last week include:

- Advancing Transatlantic Leadership on Critical and Emerging Technologies in areas of Artificial Intelligence; "Quantum Task Force" for further collaboration in frontier sciences; "the Road to 6G (sixth generation of wireless telecommunications)"; "Semiconductors"; "Biotechnology Cooperation to Promote the Bioeconomy and Address Global Challenges".
- Promoting Sustainability and New Opportunities for Trade and Investment that include (a) Transatlantic Initiative on Sustainable Trade; (b) Building a Transatlantic Green Marketplace; (c) Green Public Procurement; (d) Secure and Sustainable Supply Chains for the Clean Energy Transition; (e) US-EU Clean Energy Incentives Dialogue; (f) Critical Minerals; (g) Transatlantic E-Mobility Cooperation; (h) Trade and Labour in the Green Transition.
- Trade, Security, and Economic Prosperity that includes issues such as (1) Trade for Economic Security; (2) Cooperation on Export Controls and Sanction-Related Export Restrictions; (3) Investment Screening; (4) Outbound Investment Security; (5) Addressing Non-Market Policies and Practices.

In short, it appears that the US and the EU are embarking on a new international trade order sans China. This could mark a new beginning in reshaping the WTO's Marrakesh Agreement. *(SUNS 9985)*

Brazil's agriculture proposal defers PSH permanent solution to MC14

A proposal tabled by Brazil at the World Trade Organization on moving forward the agriculture negotiations, has pushed a decision on the permanent solution for public stockholding (PSH) programs for food security to the WTO's 14th ministerial conference (MC14).

by D. Ravi Kanth

GENEVA: Brazil on 8 April tabled a draft decision aimed at galvanizing the stalled agriculture negotiations at the World Trade Organization, proposing that members adopt a decision at the WTO's General Council in July before the summer break on "moving the agriculture negotiations forward".

Coming close on the heels of a failure to arrive at any outcome on agriculture at the WTO's 13th ministerial conference (MC13) in Abu Dhabi in March, the Brazilian proposal (WT/GC/W/931) suggests some significant changes in arriving at modalities in all areas, particularly on domestic support, before the WTO's 14th ministerial conference (MC14).

However, Brazil suggested one major change by deleting the first option on the permanent solution for public stockholding (PSH) programs for food security, as contained in the revised MC13 draft agriculture text that was prepared by the European Union, where two options were proposed.

The two options were:

"21. [Pursuant to the Bali Ministerial Decision (WT/MIN(13)/38-WT/L/913), the General Council Decision (WT/L/939), and Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members adopt a permanent solution as set out in Annex [...] to this Decision.]

OR

21. [Pursuant to Bali Ministerial Decision (WT/MIN(13)/38-WT/L/913), the General Council Decision (WT/L/939), and the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members commit to pursue and intensify negotiations on PSH in Dedicated Sessions of the CoA-SS. A permanent solution on the issue of public stockholding for food security purposes shall be available to all developing country Members. Public stockholding programmes shall not distort trade or adversely affect the food security of other Members. Members will agree on the elements and the methodology of implementation of the reform according to the Timeline of Implementation section below.]"

Brazil removed the first option and instead proposed new language on the permanent solution on PSH in paragraph 19.

Paragraph 19 states: "Pursuant to Bali Ministerial Decision (WT/MIN(13)/38-WT/L/913), the General Council Decision (WT/L/939), and the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members commit to pursue and intensify negotiations on PSH in Dedicated Sessions of the CoA-SS. The negotiations on PSH should pay particular attention to the needs of LDCs and NFIDCs. A permanent solution on the issue of public stockholding for food security purposes shall be available to all developing country Members. Public stockholding programmes shall not distort trade or adversely affect the food security of other Members. Members will agree on the elements and the methodology of implementation of the reform according to the Timeline of Implementation section below."

This change in the permanent solution on PSH could render the Brazilian proposal "dead on arrival", as many developing countries, including India, and Indonesia on behalf of the G33 coalition, will fiercely oppose the change, said people familiar with the proposal.

Brazil, which had led the Group of 20 (G20) developing countries against the trade-distorting policies of the developed countries in agriculture during 2003 to 2008, seemingly changed its negotiating strategies by aligning more with the developed countries in deferring the much-delayed decision on the permanent solution on PSH.

As reported in SUNS #9957 dated 1 March 2024, in a "green room" meeting at MC13 attended by the WTO's Director-General, Ms Ngozi Okonjo-Iweala, India had said that if there is no permanent solution on PSH at MC13 as per the first option in the draft agriculture text (WT/MIN (24)/W/13), there wouldn't be any outcome in agriculture.

The Brazilian proposal is unlikely to be accepted by the G33 members as a way forward for further progress in the agriculture negotiations, said a person familiar with the negotiations.

Other features

The other features of the Brazilian proposal on the rest of the issues in the agriculture dossier are as follows:

DOMESTIC SUPPORT

7. Members commit to pursue and intensify negotiations on domestic support, with a view to reducing substantially and progressively trade-distorting support in a fair and equitable manner, to encourage a shift towards less trade-distorting support, and improving disciplines in accordance with the reform objective in the AoA within a reasonable implementation period to be agreed by Members. These negotiations shall preserve developing country Members' ability to assist agricultural and rural development, as well as to encourage diversification from growing illicit crops. Members will agree on the elements and the methodology of implementation of the reform according to the Timeline for Implementation section below.

MARKET ACCESS

8. Members commit to pursue and intensify negotiations on agricultural market access with a view to reducing substantially and progressively protection in a fair and equitable manner, to improve market access opportunities for all Members, and improving disciplines in accordance with the reform objective in the AoA and within a reasonable timeframe to be agreed by Members. These negotiations shall take into account exporting Members' interests and importing Members' sensitivities, including non-trade concerns. Members will agree on the elements and the methodology of implementation of the reform according to the Timeline for Implementation section below.

SSM

9. Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/43-WT/L/978), Members commit to pursue and intensify negotiations in Dedicated Sessions of the CoA-SS on a special safeguard mechanism for developing country Members, as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC), and to which the developing country Members will have the right to have recourse under paragraph 1 of the Nairobi Ministerial Decision. Members will agree on the elements and the methodology of implementation of the reform according to the Timeline for Implementation section below.

EXPORT PROHIBITIONS AND RESTRICTIONS

10. Members agree to continue discussions on export prohibitions or restrictions with a view to enhancing transparency and predictability and to improving disciplines in Article 12 of the AoA and Article XI:2(a) of the GATT 1994. The discussions shall take into account the interests of all Members, with particular attention paid to the needs of LDCs and NFIDCs. Members will agree on the elements and the methodology of implementation of the decision according to the Timeline for Implementation section below.

EXPORT COMPETITION

11. Members agree to continue negotiations to enhance disciplines on export credits, export credit guarantees or insurance programmes, agricultural exporting state trading enterprises and international food aid and other measures with equivalent effect to prevent circumvention of export subsidy elimination commitments including through non-commercial transactions. Special consideration shall be given to the needs and circumstances of least-developed and net food-importing developing countries. Members will agree on the elements and the methodology of implementation of the decision according to the Timeline of Implementation section.

COTTON TRADE-RELATED COMPONENT

12. Members commit to pursue and intensify negotiations on cotton trade-related measures based on Members' submissions, and pursuant to the cotton-related elements of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC), as complemented by the Bali Cotton Ministerial Decision (WT/MIN(13)/41-WT/L/916), and the Nairobi Cotton Ministerial Decision (WT/MIN(15)/46-WT/L/981) to address it ambitiously, expeditiously and specifically within the agriculture negotiations. These negotiations shall seek to reduce substantially and progressively the trade-distorting domestic support for cotton. Members will agree on the elements and the methodology of implementation of the decision according to the Timeline for Implementation section.

13. The negotiations shall also seek to significantly reduce market access barriers, pursuant to the Ministerial outcomes listed in paragraph 12, for cotton-producing and exporting LDCs. Members are encouraged to open their markets allowing greater purchases of cotton products and byproducts from cotton-producing LDCs, including through the offer of duty-free quota free market access.

14. Members undertake to continue efforts aimed at enhancing transparency and monitoring of cotton-related trade measures affecting the global cotton market through the Dedicated Discussions on Cotton held on a bi-

annual basis, as mandated by paragraphs 5, 6 and 7 of the Bali Ministerial Decision on Cotton (WT/MIN(13)/41-WT/L/916) and confirmed in paragraph 14 of the Nairobi Ministerial Decision on Cotton (WT/MIN(15)/46-WT/L/981). Members reaffirm the need to respect their notification obligations in the context of the required transparency.

COTTON DEVELOPMENT ASSISTANCE COMPONENT

15. Members reaffirm that development-related aspects of cotton shall be addressed as provided for in paragraph 12 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and paragraphs 10, 11, 12 and 13 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/ L/981).

16. Members reiterate their commitment to the rules-based multilateral trading system, which strengthens the possible synergies between trade in cotton, productive investment and development assistance for LDCs. They recognize the need for an inclusive partnership that makes cooperation and negotiations the preferred instruments for finding the most appropriate solutions to the considerable systemic and cyclical challenges faced by cotton producing and exporting LDCs, in particular the C-4 countries.

17. Members underscore the central role of the WTO Director-General's Consultative Mechanism on Cotton as an international forum of reference bringing together the various stakeholders of the global cotton community (public and private sectors, and multilateral agencies) and as an effective multilateral consultation platform for the development of cotton-producing and exporting LDCs. As such, they agree to coordinate cotton development assistance interventions, follow up on completed and ongoing projects, and use this platform to attract and mobilize further investment with a view to promoting and supporting the production, processing and marketing of cotton and its by-products in LDCs.

18. Members welcome the initiatives undertaken with development partners over recent years such as partner conferences, World Cotton Day, or WTO-FIFA Memorandum, aimed at better integrating the cotton sector of LDCs, in particular the C-4 countries, in global value chains for value-added products deriving from cotton and its byproducts, and encourage all development partners to intensify their efforts in this perspective.

(Paragraph 19 on PSH highlighted above)

TIMELINE FOR IMPLEMENTATION

20. In order to achieve tangible progress and concrete outcomes, Members instruct the CoA-SS Chair to provide, based on Members' contributions, annual negotiating schedules to discuss all aspects, including the elements and the methodology, of each of the negotiating topics in this Decision.

21. The General Council shall regularly review progress in these negotiations.

22. Senior Officials will review the progress achieved in the negotiations one year after MC13, particularly in relation to the definition of the elements and the methodology of implementation of the reform, and make recommendations for the way forward.

23. Members shall adopt an intermediate framework of the agreement 4 months before MC14. This framework shall provide a comprehensive view of the basic structures of the agreement or other outcomes to be delivered by MC14 and may include texts with different levels of maturity.

24. Members shall adopt a decision on modalities by MC14.

25. Modalities shall be implemented as a package taking into consideration the overall balance of outcomes in Agriculture in a timeframe to be decided by Members. *(SUNS 9985)*

General Council discussions muddle on following MC13 failure

A General Council meeting held in the aftermath of the failure of the World Trade Organization's 13th ministerial conference (MC13) in Abu Dhabi discussed a host of issues, with positions remaining basically unchanged in the key areas of agriculture and fisheries subsidies.

by D. Ravi Kanth

GENEVA: Members of the World Trade Organization debated on a host of issues at the General Council meeting that concluded on 22 March, amidst proposals to reinvigorate discussions on several issues, including TRIPS and Development, Investment Facilitation for Development, agriculture and development among others, said people familiar with the discussions.

However, statements issued by members suggest that positions have changed little after the failed WTO's 13th ministerial conference (MC13) in the two key areas of agriculture and fisheries subsidies, said people who asked not to be quoted.

At the end of the two-day General Council meeting on 22 March, members are caught in a reviewing mode, venting frustrations on the lack of outcomes in agriculture and other areas.

Given the upcoming elections in India, the United States, and several other countries, as well as the election for the post of the WTO Director-General, discussions are expected to muddle on with some traction to emerge only in the second half of 2025, said people familiar with the discussions.

TRIPS & development

Colombia, along with India, Bangladesh, and Egypt, introduced their proposal on TRIPS and Development at the General Council meeting on 25 March.

For almost 30 years, the industrialized countries, particularly those countries that regard intellectual property rights on "theological" grounds, have scuttled the TRIPS-review discussions as mandated in Article 71 of the TRIPS Agreement, said several people familiar with the Doha work program mandate that called for the review of the TRIPS Agreement.

Article 71 of the TRIPS Agreement

on review and amendment states:

"1. The Council for TRIPS shall review the implementation of this Agreement after the expiration of the transitional period referred to in paragraph 2 of Article 65. The Council shall, having regard to the experience gained in its implementation, review it two years after that date, and at identical intervals thereafter. The Council may also undertake reviews in the light of any relevant new developments which might warrant modification or amendment of this Agreement.

2. Amendments merely serving the purpose of adjusting to higher levels of protection of intellectual property rights achieved, and in force, in other multilateral agreements and accepted under those agreements by all Members of the WTO may be referred to the Ministerial Conference for action in accordance with paragraph 6 of Article X of the WTO Agreement on the basis of a consensus proposal from the Council for TRIPS."

Paragraph 19 of the Doha Ministerial Declaration states unambiguously: "We instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this declaration, to examine, inter alia, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension."

Yet, 23 years after the Doha mandate, there has been no progress on the review of the TRIPS Agreement, said people familiar with the discussions.

On behalf of the co-sponsors, Colombia explained the evolving scenarios associated with the iron-clad intellectual property rights which failed to properly address issues such as access to medicines and equity.

"The TRIPS rules were pushed to the limit and harshly questioned by a very significant number of countries," Colombia said.

The World Health Organization is currently involved in negotiations on a pandemic treaty, "with difficult and profound discussions about the role of IP in the diversification of production, equity and access," Colombia said.

It reminded members that "health costs that affect the budgets of all our countries have been growing steadily and drastically in recent years, and this was caused mostly by new technologies."

The growing health costs across countries is a cause for concern and an immediate problem that governments are forced to grapple with, including immediate actions by several industrialized countries, Colombia argued.

In addition to the rising health costs, according to Colombia, the world is facing an existential climate crisis that requires "rapid dissemination of green technologies for mitigation and adaptation."

Colombia said "the existence of exclusivity rights over technologies slows down and makes this dissemination more difficult."

"Collectively assessing the balance between greater speed and diffusion, on the one hand, and the promotion of innovation by some actors, on the other, is of course a crucial issue in today's world," Colombia added.

Moreover, it said that intellectual property, a domain of monopoly rights, "is also at the center of debates on technological development, autonomy, sophistication of production chains and even national security."

Unsurprisingly, Colombia said that "the great geo-political debates are easily explained in technological terms," and "the technological gap between developing and developed countries, or the growing technological competition between state actors, has a fundamental component in intellectual property."

Colombia said that the IP rules are at the centre of the most important debates covering (1) "Human Health"; (2) climate change; (3) budgetary sustainability; (4) economic development of the developing world; (5) geopolitical tensions in technology.

Bogota maintained that "the strictest intellectual property rules belong here, to the WTO", not to the World Intellectual Property Organization, or the United Nations "whose treaties or provisions are much less strict."

More importantly, the WTO TRIPS Agreement is the basis of the existing institutional rules scheme regarding intellectual property, and its monitoring and discussion belongs and should happen in this house, in the WTO, Colombia said.

Sadly, it said that the issue was not discussed in the ministerial conferences because of opposition from several industrialized countries who "repeatedly said that intellectual property would not be discussed at the ministerial."

According to Colombia, "despite being one of the 3 pillars of this organization along with goods and services, and despite being the basis of many of the main problems of our time, it turns out that it was better not to talk about intellectual property."

Colombia said it "expressed its discontent from the very moment that the modalities and agenda proposed for the ministerial did not include any discussion of intellectual property."

It is commonplace knowledge that the US and other industrialized countries forcefully pushed the TRIPS Agreement during the Uruguay Round negotiations, despite opposition from several developing countries.

Interestingly, the same countries who brought the TRIPS Agreement into the WTO's Final Act are now reluctant to discuss changes or to review the current provisions to address various challenges.

Colombia said, "the group of countries that requested this agenda item has ideas and proposals to open the discussion more about the review, about the Biodiversity Convention, about learning from the pandemic, about the technological evolution of developing countries."

The co-sponsors want members to "bring proposals related to the rules of the Agreement to the center of this Organization, where it belongs, and with increasing importance."

Colombia said it "will make a series of proposals associated with the periodic review of the implementation of the agreement that must be done according to its Article 71."

Instead of discussing the issue under the oversight of the General Council, the co-sponsors are told that it must be addressed at the TRIPS Council.

Colombia said "we will be making concrete proposals, and we hope that such a mandated discussion will finally be fulfilled after 30 years of waiting."

The other three co-sponsors, particularly India, made strong statements on how the discussions should be conducted so as to make progress in the coming months.

China said it "supports further efforts and discussions at the TRIPS Council to advance issues highlighted in the joint communication and report to MC14 on the progress made."

"In particular, I consider it important to complete the long overdue first review under Article 71 of the TRIPS Agreement, and to intensify engagement to ensure the mutual supportiveness between the TRIPS Agreement, the CBD and the Traditional Knowledge and Folklore," it added.

Indonesia said, "the use of the TRIPS Agreement to further support the development efforts of developing WTO members could not be understated, especially in the face of continuing unprecedented crises and emerging challenges."

"Thus, it is critical for members to undertake necessary action that could further amplify the contribution of TRIPS toward development efforts, including in facilitating technology transfer for developing members," Indonesia argued.

Indonesia said it supports this initiative by the four countries, emphasizing that it is ready to work together with other members - "especially to ensure that TRIPS could address the needs and priorities of developing members."

IFD Agreement

While 126 countries supported the Investment Facilitation for Development Agreement, India, South Africa, and Turkiye raised their objections/ reservations on the issue.

The standoff on the IFD Agreement, which was witnessed at MC13 when India blocked an outcome for integrating the IFD Agreement into Annex 4 of the WTO Agreement concerning plurilateral agreements, remained unchanged at the General Council meeting.

Chile, the lead campaigner for the IFD Agreement, and several other countries proposed a "dedicated" meeting under the oversight of the General Council.

China, a prime mover of the IFD Agreement, said "for an effective exchange of views, it is suggested that a dedicated process be established under the auspices of the GC, with the aim of facilitating the consensus to incorporate the IFD Agreement into WTO framework at an early date."

China expressed hope that "through the joint efforts of family members, the IFD agreement, as one of the major outcomes of the development dimension, will surely find its rightful home in the WTO."

However, the proposal for dedicated sessions under the auspices of the General Council appears to have not attracted consensus at the meeting.

In the WTO, large support for any initiative is not a guarantee that it will be accepted, as seen in the support of 130 countries for filling the vacancies on the Appellate Body which has been blocked for the past five years by the United States, said a person, who asked not to be quoted. *(SUNS 9974)*

 Third World ECONOMICS No. 791-792, 16 March-15 April 2024

Correspondent banking relationships and their impact on trade

The decline in correspondent banking relationships (CBRs) in many developing economies could hinder trade activities, widen the trade finance gap, and limit businesses' ability to engage in international trade, according to UN Trade and Development.

by Kanaga Raja

PENANG: In recent years, correspondent banking relationships (CBRs) have declined in many developing economies, creating a challenge for Least Developed Countries (LDCs), Landlocked Developing Countries, and Small Island Developing States (SIDS) to conduct trade, according to UN Trade and Development.

In its latest Policy Brief (No. 115), UN Trade and Development pointed out that banks often use intermediary banks through CBRs to enable cross-border payments, and that these relationships are critical for international trade transactions that rely on those payments.

It warned that the reductions of CBRs could hinder trade activities, may widen the trade finance gap, and limit businesses' ability to engage in international trade.

Against this backdrop, the report examines the cause of declining CBRs, and assesses how it can affect trade, and proposes possible pathways of action.

Among the main findings of the report are that anti-money laundering and countering financing of terrorism (AML/CFT) regulations are essential to combating financial crimes and ensuring the integrity of the financial system.

However, it said limited capacity in developing countries to implement AML/CFT raises compliance risks and costs for banks, leading to a decline in correspondent banking relationships (CBRs).

Least Developed Countries (LDCs), Landlocked Developing Countries, and Small Island Developing States (SIDS), that lose more CBRs experienced larger reductions in export growth, it noted.

Therefore, efforts are required to reduce divergence in the banks' implementation capacity and step-up support for LDCs, LLDCs, and SIDS, said UN Trade and Development.

Role of CBRs

According to the Policy Brief, correspondent banking involves a financial institution (the correspondent) that provides banking services to another financial institution (the respondent).

The CBR is the agreement authorizing the correspondent bank to provide financial services on behalf of another bank in a different country.

Banks use CBRs to facilitate a range of international transactions and services, including cross-border retail payments, cross-border remittance transfers, trade finance, and providing documents supporting transactions.

According to the Bank of England, the global value of cross-border payments will increase from $150 trillion in 2017 to over $250 trillion by 2027, with the majority of those transactions being done through correspondent banking.

Banks with a CBR operate internationally and must comply with various international financial requirements, including the AML/CFT regulations and those set by the authorities governing the currencies they settle in, such as the US dollar and the Euro, said UN Trade and Development.

For instance, in the European Union, the Anti-Money Laundering Directive, initially enacted in 2015 and last amended in 2018, serves as a key pillar in anti-money laundering and countering terrorism.

These regulations mandate enhanced due diligence for banking relationships and transactions involving high-risk third countries.

Following the global financial crisis of 2008, increased enforcement of AML/CFT regulation created a challenge for some banks in developing countries to meet compliance standards, said the report.

"Some of these banks have inadequate resources to comply with these requirements effectively, and some have limited capacity to implement the AML/CFT regulation by conducting a risk assessment for their consumers."

The report noted that the Financial Action Task Force (FATF) has proposed a global standard for AML/CFT, which employs a risk-based approach that allows banks to address money laundering and financing terrorism.

These international standards are then implemented at the national level, with each country interpreting and adapting them to local conditions, it said.

Both correspondent and respondent banks operating internationally are subject to the resulting ambiguity and inconsistencies in AML/CFT regulations across jurisdictions.

As a result, the report said those banks face a compliance risk that may raise costs in four areas: (i) the sanction and penalty risks that heighten cross-border exposure, (ii) increased due diligence on customers, (iii) the lack of harmonization in compliance requirements across jurisdictions, and (iv) constantly evolving compliance requirements continue which banks need to keep up with them.

"To avoid compliance risks, certain banks have de-risked entire categories of clients based on risk profiles or geographic locations."

De-risking means a situation where financial institutions terminate or restrict CBRs to avoid risk instead of conducting risk analyses and applying risk-based approaches.

The de-risking strategy, in turn, had led to the decline of CBRs in some developing countries, said the report.

It noted that the Bank for International Settlements (BIS) has measured the number of active correspondents since 2011, and declining trends have been observed across all regions, with the biggest falls in Latin America, the Caribbean, and Oceania.

The report said that the decline in that number would mean fewer CBRs handle a larger share of cross-border transactions, concentrating the market on larger banks that can maintain the global network.

"In addition, the market concentration among correspondent banks results in less competition, fewer available payment channels, and longer payment chains."

Consequently, this has impacted the costs of international payments. As a result, the decline in CBR and the increased cost of cross-border payments will have an impact on financial flows to de-risked jurisdictions, the report said.

For example, between 2011 and 2022, Barbados and Tonga, both classified as SIDS, saw a 48 per cent drop in CBRs, resulting in respective declines of 21 and 33 per cent in the value of cross-border transactions.

A report by the International Monetary Fund highlights that the decline in CBRs is notably higher in smaller economies across Africa, the Caribbean, Central Asia, and the Pacific.

These economies, often classified as LDCs, LLDCs, and SIDS, rely heavily on CBRs as a lifeline to facilitate cross-border transactions and access the international financial market due to their small size, remote locations, and vulnerability, said UN Trade and Development.

It said that these economies also depend on trade to support their economic growth, including from export of commodities and trade in services such as tourism, with the share of trade to GDP in LDC and Pacific Island small states reaching 52 per cent and 106 per cent, respectively, in 2022.

Trade challenges

According to the report, banks use CBRs to intermediate trade finance, which is particularly vulnerable to declines in these relationships.

CBRs facilitate cross-border trade by settling transactions, providing payment guarantees, and handling related documentation necessary for conducting trade, said UN Trade and Development.

Therefore, the reductions of CBRs could hinder trade activities, may widen the trade finance gap, and limit businesses' ability to engage in international trade, it added.

Preliminary assessment suggests that during the period from 2011 to 2022, the LDCs, LLDCs, and SIDS that lost the largest shares of CBRs also experienced larger reductions in export growth, said UN Trade and Development.

It said the observations are based on trade data from UNCTADStat and secondary banking data collected by BIS, covering aspects such as the number of CBRs, transaction volumes, and changes in transaction values between 2011 and 2022 within specific regions or countries.

This observation serves as a preliminary check to determine whether there is any correlation between the decline in the corresponding banking and export growth, while no causality is discussed at this stage, it explained.

The report illustrates how the average export growth rate changed between the country groups most and least impacted by the changes in CBRs, using the average export growth before (2000-2014) and after (2015-2022) in 72 countries that are categorized as LDCs, LLDCs, and SIDS.

The year 2014 served as a cut-off period, marking the accelerated decline in CBRs as the result of broader enforcement of AML/CFT regulation.

The report said on average, export growth of the ten LDCs, LLDCs, and SIDS countries most affected by the loss of CBRs slowed by 12.8 percentage points from 2015 to 2022 compared to the period between 2000 and 2014.

It said an estimated assessment suggests that countries that lost more CBRs show a higher deceleration in export growth than those that lost fewer CBRs.

For example, Bhutan, which lost 1.5 per cent of its CBRs, experienced only 1.3 percentage points less export growth during this period.

On the other hand, the report said that Mauritius, which lost 60 per cent of its CBRs, saw a 12-percentage point decrease in export growth during the same period.

A similar assessment for 132 developing countries shows that the 10 most affected developing countries by the loss of CBRs experienced only 3 percentage points fall in export growth for the same observation period.

According to the report, this suggests that the LDCs, LLDCs, and SIDS were more adversely impacted by the decline of CBRs.

It said that another challenge of declining CBRs to trade in vulnerable countries is the high exposure to illicit financial flows (IFFs), especially in commodity-dependent countries.

"When CBRs pull back from these countries, legitimate trade finance and access to formal financial channels become disrupted. In turn, this can incentivize businesses to turn to underground banking systems or money laundering networks to move money."

The report said regulatory authorities in the European Union and the United States of America have recognized some of the negative consequences of banks' de-risking practices.

For instance, the report said that the European Banking Authority stated that de-risking entire categories of clients could negatively impact the fight against financial crime, as some excluded clients may resort to the less regulated non-bank channels.

Meanwhile, the United States Treasury Department noted the need to clarify and revise regulations and improve international cooperation to enhance AML compliance.

Some countries suffering from de-risking have engaged with the international community to address concerns related to AML requirements.

As an example, the report cited Barbados which has worked with FATF to strengthen its AML regime.

Despite these important efforts, more needs to be done for an exhaustive assessment of the impacts of losing CBRs on developing countries, especially in LDCs, LLDCs, and SIDS, it emphasized.

It said that such analysis needs to take due consideration of the many other variables impacting export growth, including changes in market access, macroeconomic conditions, foreign direct investment flows, commodity prices, and the country's financial architecture.

Pathways for action

The report said that the likely connections between the CBR decline and export growth slowdown in LDCs, LLDCs, and SIDS suggest that the issue needs more attention for those countries to sustain trade and secure external earnings.

It noted that the following possible pathways of action are for consideration by the international community and national governments:

- Expand the evidence base on the broader economic impacts of losing CBRs on international trade. A better understanding of the broader economic repercussions of losing CBRs on international trade is warranted.

Such an understanding could mobilize support within countries to further prioritize compliance with financial requirements.

- Enhance capacity-building efforts in LDCs, LLDCs, and SIDS to improve their implementation capacity to AML/CFT regulations.

Targeted support is needed for the most affected LDCs, LLDCs, and SIDS. Priorities should be given to formulating effective policy responses to improve due diligence and reduce compliance costs, as well as providing guidance on industry-led solutions within the banking sector.

Additionally, efforts to assess the current situation and consolidate evidence are crucial to identify pathways for increasing the implementation capacity of these countries.

- Increase clarity in compliance requirements and reduce divergence in implementation capacity. One of the main challenges faced by financial institutions in developing countries, particularly in LDCs, LLDCs, and SIDS, is navigating a diverse and complex regulatory environment.

The international community should collaborate in harmonizing these regulations, recognizing that a one-size-fits-all approach is not viable due to differing implementation capacities across countries. *(SUNS 9990)*

UNCTAD re-brands itself as "UN Trade and Development"

Marking its 60th anniversary, the UN Conference on Trade and Development (UNCTAD) has re-branded itself as "UN Trade and Development".

by Kanaga Raja

PENANG: Commemorating its 60th anniversary this year, the United Nations Conference on Trade and Development (UNCTAD) announced on 9 April its re-branding as "UN Trade and Development".

According to a news release posted on its website, the newly-re-branded UN Trade and Development said this strategic move underscores the organization's commitment to greater impact, with a new, clearer visual identity aiming to better reflect its work and values and to amplify its global voice on behalf of developing countries.

According to UN Trade and Development, the re-branding of UNCTAD marks a pivotal moment.

It said that it's the first-ever comprehensive review of UNCTAD's global communication footprint and a bold forward-looking strategy to communicate its work and values.

At a media briefing at the United Nations Office at Geneva on 9 April, Ms Rebeca Grynspan, Secretary-General of UN Trade and Development, said today (9 April) represents "a milestone for marking not just the beginning of our 60th anniversary, but also the presentation of our re-branding as UN Trade and Development."

According to Ms Grynspan, it isn't a simple change.

"Our new brand as UN Trade and Development represents a stronger and renewed organisation committed to expanding our reach, amplifying our voice as a firm advocate for developing countries in the global economy."

"We want our mission to be better understood and our voice to be heard in the global economic debates, where decisions that affect developing countries are taken today," Ms Grynspan underlined.

The Secretary-General of UN Trade and Development pointed out that the need for renewal couldn't be clearer.

"We live in a world which is very different from 1964. There have been significant shifts in the global economic landscape and in 2024, cascading crisis, geopolitics, and climate change are having a profound and disruptive effect on global trade and the global economy that have also geared towards higher and increased inequalities."

Global debt has soared especially in developing countries and key development indicators have regressed, she said.

The indicators on poverty in the Human Development Index for the first time since the Index has been launched has decreased, Ms Grynspan noted.

She also said trade in services growth now outstrips trade growth in goods, and the digital economy is both an opportunity and a major disruptor for trade and development.

"The challenges we face are complex and urgent and at the same time they are both old and new," she added.

"It is essential to stay true to our founding principles and adapt to the demands of the present."

"As secretary-general of the UN Trade and Development, I am proud to represent today an organisation that's not only rooted in history but is forward looking and adapting to new challenges," said the Secretary-General.

Looking ahead, Ms Grynspan said that she would like to announce that "to mark our 60th anniversary, we will convene a Global Leaders Forum here in Geneva between the 12th and 14th of June."

According to UN Trade and Development, under the theme "Charting a new development course in a changing world", the forum will emphasize the organization's integrated approach to trade and development, addressing finance, technology, investment and sustainable development, with a specific focus on the needs of developing countries, and UNCTAD's work in Africa, the least developed countries, small island developing states (SIDS) and landlocked developing countries.

At the media briefing on 9 April, Ms Grynspan said that the UN secretary-general will attend this forum which will bring together heads of state and government ministers, leading world economists, private sector and civil society Nobel Laureates.

She said that they will debate a new course for development and new economics for the rapidly changing world.

The Global Leaders Forum will include thematic sessions looking at the substance of key emerging issues in the global economy, such as trade and industrial policy for development, reshaping foreign direct investment policies in the new economy, development strategies in a world of cascading crisis, data for development and digital revolution, and finding new momentum for the development of Africa, least developed countries and small island developing states, she added.

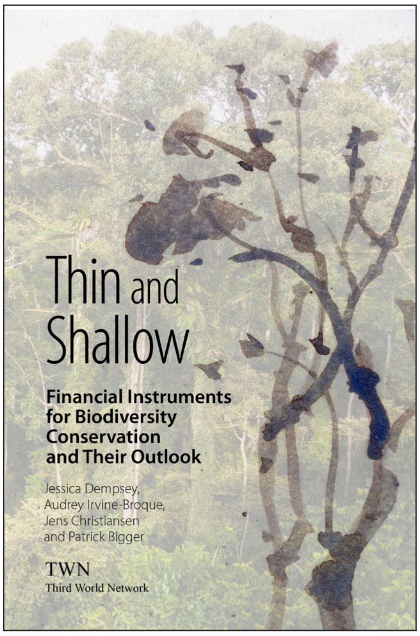
"This forum will provide a platform for innovative solutions to emerge with new economic thinking to help us address the most pressing challenges of our time," said Ms Grynspan.

UN Trade and Development now more than ever remains a cornerstone of the United Nations system, she added.

"Our commitment to promoting the interest of developing countries in the global economy, fostering dialogue and providing invaluable insights and support remains the same," she emphasized. *(SUNS 9985)*

Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger



Published by TWN
Year: 2024 No. of pages: 55

This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.

Available at: https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf

 Third World ECONOMICS No. 791-792, 16 March-15 April 2024

UN HRC calls for urgent measures to alleviate South's debt problem

In a resolution adopted at its 55th regular session in Geneva, the UN Human Rights Council (HRC) has called on States, international financial institutions and the private sector to take urgent measures to alleviate the debt problem of the developing countries.

by Kanaga Raja

PENANG: The UN Human Rights Council (HRC) has urged States, international financial institutions and the private sector to take urgent measures to alleviate the debt problem and to address the debt sustainability of developing countries.

In a resolution (A/HRC/55/L.5) adopted by a vote of 31 in favour, 12 against and 4 abstentions, the Council said that this is to enable more financial resources to be released and used for health, education, sanitation, public services, social protection and the realization of other economic and social rights in the countries affected.

Those voting in favour of the resolution are: Algeria, Bangladesh, Benin, Brazil, Burundi, Cameroon, Chile, China, Costa Rica, Cote d'Ivoire, Cuba, Dominican Republic, Eritrea, Gambia, Ghana, Honduras, India, Indonesia, Kazakhstan, Kuwait, Kyrgyzstan, Malawi, Malaysia, Maldives, Paraguay, Qatar, Somalia, South Africa, Sudan, United Arab Emirates and Viet Nam.

Those voting against the resolution are: Albania, Bulgaria, Finland, France, Georgia, Germany, Japan, Lithuania, Montenegro, Netherlands, Romania and the United States.

Argentina, Belgium, Luxembourg and Morocco abstained in the vote.

The Human Rights Council held its 55th regular session from 26 February to 5 April in Geneva.

In its resolution on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, the Human Rights Council stressed the primacy of the means of implementation for the 2030 Agenda for Sustainable Development, and in this regard underlined the fundamental principles of international cooperation, which are pivotal for the practical achievement of the Sustainable Development Goals.

It also stressed the determination expressed in the 2030 Agenda to assist developing countries in attaining long- term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and to address the external debt of highly indebted poor countries to reduce debt distress.

The Council recognized the commitments made in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, and noted that, despite international debt relief efforts, many countries remain vulnerable to debt crisis and some are in the midst of a deepened crisis due to the COVID-19 pandemic, including a number of least developed countries and small island developing States and some developed countries.

It reaffirmed that the increasing debt burden faced by the most indebted developing countries, in particular the least developed countries, is unsustainable and constitutes one of the principal obstacles to achieving progress in people-centred sustainable development and poverty eradication, and that, for many developing and some developed countries, excessive debt servicing has severely constrained their capacity to promote social development and to provide basic services to create the conditions for the realization of economic, social and cultural rights.

The Council expressed its concern about the impact of delays in debt restructuring, higher excessive borrowing costs, surcharge policies and the lack of an international legal framework on sovereign debt resolution on the realization of economic, social, cultural and other human rights, including the right to development, and that, despite repeated rescheduling of debt, developing countries continue to pay more in debt servicing each year than the actual amount they receive in official development assistance.

It recognized that States have an obligation to respect and protect human rights, even in times of economic and financial crisis or a global pandemic, and to ensure that their policies and measures do not result in impermissible retrogression in the realization of human rights, as recognized in relevant international human rights instruments, and acknowledged that the guiding principles on human rights impact assessments of economic reforms constitute an important reference for States in that regard.

The Council also recognized the sovereign right of any State to restructure its sovereign debt, which should not be frustrated or impeded by any measure emanating from another State, international financial institution or private creditor.

It recognized further that illicit financial flows, including tax evasion by high net-worth individuals and commercial tax evasion and avoidance through trade mis-invoicing and transfer mis-pricing by transnational corporations, contribute to the build-up of unsustainable debt, as Governments lacking domestic revenue may resort to external borrowing.

The Council emphasized that inequality continues to increase worldwide, and that it often contributes to social exclusion and the marginalization of certain groups and individuals.

The Council expressed deep concern at estimates that the COVID-19 pandemic has ended global progress in poverty reduction, and noted that without an acceleration of progress toward the achievement of the 17 Sustainable Development Goals of the 2030 Agenda for Sustainable Development, the world is destined to face continued poverty and other challenges, in particular in the developing countries, with statistics indicating that an estimated 575 million people will be living in extreme poverty by 2030.

It recognized that, together with the health crisis associated with the

COVID-19 pandemic and other systemic crises, the global economy is being confronted with a rapidly unfolding, synchronized and severe economic recession affecting both developed and developing economies and all continents at the same time, and emphasized the need to create the economic and social conditions that will enable States to realize the right to development and to face future crises and pandemics.

The Council also recognized the need for reform of the global financial architecture, including reform of credit rating agencies, and that credit rating agencies should play a role in debt crisis prevention, and emphasized that a more effective international financial architecture is required now more than ever in order to respond to the socioeconomic fallout resulting from the COVID-19 pandemic and promote progress in the realization of all human rights.

It affirmed that debt burden further aggravates the complex challenges faced by developing countries, contributes to extreme poverty and is an obstacle to sustainable human development, and is therefore a serious impediment to the realization of all human rights, particularly economic, social and cultural rights.

In the operative part of the resolution, the Council took note with appreciation of the report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, entitled "Fiscal legitimacy through human rights: a principled approach to the financial resource collection and allocation for the realization of human rights".

It invited the Independent Expert to give, in accordance with her mandate, appropriate consideration to the impact of all international financial obligations on groups living below the poverty line, including women, youth, children, persons with disabilities, Indigenous Peoples, migrants and persons belonging to national, ethnic, religious and linguistic minorities suffering from socioeconomic inequalities and discrimination.

The Council recognized that developing countries require massive liquidity and financing support to deal with the immediate fallout resulting from the COVID-19 pandemic and its repercussions for the economy and for all human rights owing to the challenges faced in the areas of health care, education, employment and social protection systems, as well as to the heavy debt burden and deteriorating economic buffer.

The Council recalled that every State has the primary responsibility to promote the economic, social and cultural development of its people, and to that end has the right and responsibility to choose its means and goals of development and should not be subject to external specific prescriptions for economic policy.

"Debt relief can play a key role in liberating resources."

It recognized that debt relief can play a key role in liberating resources that should be directed towards activities consistent with attaining sustainable growth and development and the realization of human rights, including poverty reduction and the achievement of development goals, including those set out in the 2030 Agenda for Sustainable Development, and therefore that debt relief measures, where appropriate, should be pursued vigorously and expeditiously, ensuring that they do not replace alternative sources of financing and that they are accompanied by an increase in official development assistance.

The Council reiterated its call on States, international financial institutions and private creditors to participate in and implement the enhanced programme of debt relief without further delay and for industrialized countries to agree to cancel all the official bilateral debt of those countries covered by the programme in return for their making demonstrable commitments to poverty reduction.

It stressed that the economic programmes arising from foreign debt relief and cancellation must not reproduce past structural adjustment policies that have produced a negative impact on the realization of human rights, including the right to development, such as dogmatic demands for privatization and reduced public services.

It urged States, international financial institutions and the private sector to take urgent measures to alleviate the debt problem and to address the debt sustainability of developing countries, so that more financial resources may be released and used for health, education, sanitation, public services, social protection and the realization of other economic and social rights in the countries affected.

The Council reiterated its view that, in order to find a durable solution to the debt problem and for the consideration of any new debt resolution mechanism, there is a need for a broad political dialogue between creditor and debtor countries and multilateral financial institutions, within the United Nations system, based on the principle of shared interests and responsibilities.

It requested the United Nations High Commissioner for Human Rights to pay more attention to the problem of the debt burden of developing countries, in particular of least developed countries, and especially the social and human rights-related impacts of the measures arising from foreign debt, and to provide global analytical and policy strategies in the context of reforms of the international financial architecture.

It encouraged the Independent Expert to cooperate, in accordance with her mandate, with the Committee on Economic, Social and Cultural Rights, the special procedures of the Human Rights Council and the Advisory Committee of the Council on issues relating to economic, social and cultural rights and the right to development in her work.

The Council requested the Independent Expert to continue to report regularly to the Human Rights Council and the General Assembly in accordance with their programmes of work.

It requested the Secretary-General to provide the Independent Expert with all necessary assistance, in particular all the staff and resources, required to carry out her functions.

It urged Governments, international organizations, international financial institutions, non-governmental organizations and the private sector to cooperate fully with the Independent Expert in the discharge of the mandate.

The Council decided to continue its consideration of this matter under the same agenda item in accordance with its programme of work. *(SUNS 9982)*

Third World ECONOMICS No. 791-792, 16 March-15 April 2024

Concerns over AI's "drinking problem" amid water scarcity

Lean Ka-Min argues that any discussion of Artificial Intelligence's environmental impact must look not only at the carbon footprint it generates from its energy use but also its "water footprint".

PENANG: While it's well known that artificial intelligence (AI) is power-hungry, less widely recognised is the fact that AI is also extremely "thirsty".

The same server computers that consume massive amounts of energy in running AI models require lots of water to cool down.

Any discussion of AI's environmental impact will therefore have to look not only at the carbon footprint it generates from its energy use but also its "water footprint".

And it's shaping up to be one large, wet imprint – global demand for AI could end up extracting more water in 2027 than the equivalent of 4-6 Denmarks.

This is cause for concern at a time when over 2 billion people live in countries with inadequate water supply and 4 billion experience severe water scarcity for at least one month each year.

Water is gulped down in huge quantities by data centres housing the servers that run AI applications and other online cloud services that have become part and parcel of everyday life for many, such as email and Internet search engines.

The considerable heat generated by the energy-intensive servers has to be expelled from the data centres, usually through either cooling towers or outside air cooling – both of which need water, and plenty of it.

In a cooling tower, some of the water that had been heated up after being circulated through the server room is evaporated to dissipate the heat into the outside environment, and the remaining, cooled water is pumped back into the system to absorb further heat.

This water can only be recycled a few times, however, before the accumulated salts and minerals render it unsuitable for use in the pristine setting of a data centre.

Fresh supplies of clean water – often the same potable water needed for human consumption – must therefore be constantly added to make up for the evaporated water and discharged water.

Instead of a cooling tower, outside air can be blown through the servers to cool them down.

Nevertheless, water is still required for evaporation when the outside air is too hot, and for humidity control when the air is too dry.

This factor becomes all the more important in scorching tropical countries earmarked as potential data centre sites.

Besides their direct use of water, AI data centres' thirst extends to the water consumed by the power plants generating the electricity on which they run.

As in the data centres themselves, much water is needed to cool down thermal power (e.g., coal and natural gas) and nuclear plants, while water is lost through the expedited evaporation from hydropower generation.

A further indirect form of water usage is embedded in the chips and servers doing the data-crunching for AI applications.

Ultra-pure water is needed for wafer fabrication, and water's cooling properties are called upon by semiconductor plants too.

What all these add up to is some gargantuan guzzling. Google's, Microsoft's and Meta's data centres worldwide together extracted an estimated 2.2 billion cubic metres of water in 2022, roughly equivalent to the total annual water withdrawal of two Denmarks.

Not all of this can be attributed to AI, of course, since data centres run a gamut of other cloud applications.

But with AI contributing one of the fastest-expanding workloads in these centres, their need for water is set to soar.

Already, Google's data centre water usage shot up by 20% from 2021 to 2022, and Microsoft's by 34% in the same period.

It has been estimated that the combined water withdrawal of global AI could amount to 4.2-6.6 billion cubic metres in 2027 – greater than the annual water withdrawal of 4-6 Denmarks.

Take GPT-3, for example, the "large language model" on which the popular ChatGPT AI chatbot runs.

A 2023 study by four US-based researchers found that training GPT-3 in Microsoft's US data centres can consume a whopping 5.4 million litres of water.

On a more quotidian scale, engaging GPT-3 in a question-and-answer session consisting of 10-50 responses will see the model "drink" a half-litre bottle's worth of water.

These figures will likely increase with the newer, larger GPT-4 iteration.

As water scarcity intensifies, more people are voicing concern about AI's "drinking problem".

Residents of West Des Moines in the US' Iowa state – home to a data-centre cluster running GPT-4 – filed a lawsuit which revealed that the cluster used some 6% of the district's water in July 2022, the month before training for the model ended.

In drought-stricken Chile, Google's plan to build a data centre in Cerrillos, Santiago, has faced local push-back, culminating in a court ruling calling on the firm to take into account the effects of climate change on the Central Santiago Aquifer and to revise the design of the centre's cooling system.

Such design changes – which may entail a greater reliance on air cooling or purifying non-potable water, for instance – are among the measures proposed to shrink AI's water footprint.

In addition, where and when AI is trained and deployed also matter, since its water usage differs according to temperatures outside the data centre and the energy sources employed by the local electricity grid (thermoelectric plants require far more water than their solar- and wind-powered counterparts).

"For example," says Shaolei Ren, an associate professor of electrical and computer engineering at the University of California, Riverside, "AI consumes 1.8-12 litres of water for each kWh of energy usage across Microsoft's global data centres, with Ireland and the [US] state of Washington being the most and least water-efficient locations, respectively."

Despite research undertaken by the likes of Ren, AI's water-guzzling ways have thus far not drawn widespread scrutiny, certainly less so than its energy use.

Kate Crawford, a University of Southern California Annenberg professor specialising in the societal impacts of AI, cautions: "Without better transparency and more reporting on the issue, it's impossible to track the real environmental impacts of AI models. And this matters at a time when many parts of the planet are experiencing deep and extended droughts, and fresh drinking water is already a scarce resource."

More clarity may be on the way.

Under the European Union's Artificial Intelligence Act, recently approved by the European Parliament, "high- risk AI systems" (including the "foundation models" that power ChatGPT and similar applications) will have to report their energy consumption, resource use and other impacts throughout their life-cycle.

In the US, a bill introduced in Congress would require the government to assess and establish a standardised system for reporting AI's environmental impacts.

Meanwhile, the International Organization for Standardization (ISO), which develops international production standards for goods and services, is drawing up criteria for "sustainable AI" that will cover energy efficiency and water consumption, among others.

A clearer picture of AI's environmental footprint should in turn raise greater awareness that, while the technology's potential is said to be sky-high, its use of natural resources has to be grounded in the reality of scarcity.

Water that is essential to the survival of humankind must not be sucked dry by clusters of "thirsty" machines, however "intelligent" they may be. *(SUNS 9987)*

Gendered Austerity in the COVID-19 Era: A Survey of Fiscal Consolidation in Ecuador and Pakistan

by Bhumika Muchhala, Vanessa Daza Castillo and Andrea Guillem

Austerity is gendered in that the power relations that shape the distribution of resources and wealth as well as the labour of care and reproduction turn women and girls into involuntary "shock absorbers" of fiscal consolidation measures. The effects of austerity measures, such as public expenditure contraction, regressive taxation, labour flexibilization and privatization, on women's human rights, poverty and inequality occur through multiple channels. These include diminished access to essential services, loss of livelihoods, and increased unpaid work and time poverty. This report examines the dynamics and implications of gendered austerity in Ecuador and Pakistan in the context of the fiscal consolidation framework recommended by International Monetary Fund (IMF) loan programmes.

Available at: https://twn.my/title2/books/pdf/GenderedAusterity.pdf

 Third World ECONOMICS No. 791-792, 16 March-15 April 2024

Trade deception returns in Pan-Africanist guise

*Jomo Kwame Sundaram** argues that a World Bank report analysing the economic and distributional effects of the African Continental Free Trade Area (AfCFTA) has exaggerated the probable gains emanating from the free trade area.

ACCRA: The World Bank has exaggerated probable gains from the African Continental Free Trade Area (AfCFTA) to promote partial and uneven trade liberalisation that is unlikely to enhance development on the continent.

The Bank report claims significant net employment and income gains for all from joining the AfCFTA.

Advocates claim it will accelerate African economic growth and progress, creating millions of jobs and raising incomes.

However, even mainstream economic theory and history do not support its claims about expected benefits.

Even conventional trade theory does not claim that all trade liberalisation accelerates economic growth.

And even when it does, international trade mahaguru Jagdish Bhagwati noted long ago that the ensuing economic growth could be "immiserising" when productivity gains accrue to consumers, not producers.

Nor does empirical evidence show trade liberalisation necessarily accelerating economic growth.

Bhagwati has also shown preferential commercial agreements undermining free trade.

History shows today's developed countries have been pragmatic and opportunistic.

Typically, they only opened up after freer trade would benefit them while "kicking away the ladder" for others trying to emulate them.

Most developing countries had partial trade liberalisation forced on them by modern European colonialism and structural adjustment from the 1980s.

Often, they ended up with economic activities with "diminishing returns", keeping them poor.

Alleged gains

Advocates claim trade liberalisation improves economic efficiency, implying production can be costlessly relocated internationally to produce more at less cost.

Mainstream theory also maintains freer trade only improves efficiency under certain conditions:

- full employment, i.e., no unemployment or under-employment;
- no supply-side rigidities, with exporting firms able to quickly increase output, lower unit costs, and easily adjust to changing demand;
- an efficient market for risk exists, with affordable insurance for producers to cope with price volatility;
- "losers" are compensated by "winners" of trade liberalisation.

All these conditions have never been met anywhere, least of all in developing countries, especially the poorest ones.

Most importantly, there has never been cross-border compensation of losers in the South by winners in the North.

Model distractions

For its report, The African Continental Free Trade Area: Economic and Distributional Effects, the Bank used computable general equilibrium (CGE) models to simulate some AfCFTA economic impacts.

However, the models' unrealistic assumptions prevent meaningful assessment of their actual impacts.

Thus, full employment and unchanging trade and fiscal balances – required by such CGE modelling – are presumed, with actual conditions assumed away and ignored!

The models are typically specified to favour trade liberalisation, invariably generating net positive economic impacts.

Nonetheless, the gains are generally modest, sometimes negligible.

Hence, such apparent benefits depend on problematic assumptions and biased model specifications.

With different assumptions and model parameters, findings change radically, e.g., changing government revenue affects public spending and, thus, aggregate demand.

The new findings may even undermine the case for trade liberalisation. For example, more realistic elasticities yield less impressive results.

Hence, the models' claims of gains from trade liberalisation have "dubious empirical relevance at best".

Hence, "developing countries would be ill-advised to follow the radical recommendations of the World Bank's liberalisation strategy insofar as it rests on results drawn from the current trade models."

The Bank report admits its CGE simulations greatly qualify its claimed impacts on employment, unemployment and wages.

It claims trade liberalisation reduces poverty by assuming very high "elasticities" of poverty reduction due to greater foreign market access raising incomes.

It acknowledges the "analysis does not capture the effects of AfCFTA on job creation, but rather its impacts on job reallocation as employment shifts from sectors of comparative disadvantage to sectors of comparative advantage. This analysis, therefore, focuses on workers switching jobs or on labour displacement, not job creation."

The report assumes total employment in Africa remains unchanged by trade policy effects.

Hence, AfCFTA does not increase jobs; it only moves workers from one sector to another, raising incomes with higher wages, not more jobs.

What were this dubious exercise's main employment results?

First, agriculture's share of jobs is projected to decline from 35.9% to 29.7% between 2020 and 2035. Second, the share of wholesale and retail trade workers will increase from 16.9% to 20.0%.

Third, wages of less-skilled workers will increase faster than for the more skilled, reducing the "skill premium" and poverty among the former.

Female wages will rise faster than men's as more women are employed in labour-intensive activities. But the magnitude and significance of these trends are moot.

The simulations do not show the AfCFTA boosting value-addition and jobs. While manufacturing value-added would increase between 2020 and 2035 in 15 of the 24 countries covered, its share of output would only grow in six!

Learning from mistakes

Like other reports preceding it - including those for the African Union – the Bank study is based on unrealistic assumptions grossly understating the actual risks and costs of trade liberalisation.

Such studies provide a veneer of legitimacy for such policies. Their results depend on the data used and modellers' choices.

While seemingly impressive, they are of dubious relevance and value.

Trade liberalisation from the 1980s undermined Africa's modest manufacturing capacity and food security, primarily developed post-independence.

This worsened its protracted stagnation lasting into this century.

In 2017, economist Ndongo Samba Sylla warned the AfCFTA implies "suicide for African countries".

Regardless of its pan-Africanist pretensions, the AfCFTA risks resuming trade liberalisation's earlier devastation. (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.
