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Global public debt soars amidst multiple crises

The United Nations sounded the alarm over an unprecedented surge in global public debt, which hit a historic high of $97 trillion in 2023, driven by cascading crises and a sluggish global economy. It said that repaying the debt has become more costly, with the developing countries being disproportionately impacted.

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Global public debt surges, driven by cascading crises

A series of cascading crises, as well as the sluggish and uneven performance of the global economy has driven global public debt to an alarmingly high level of US$97 trillion in 2023, an increase of US$5.6 trillion from the previous year, according to a United Nations report.

by Kanaga Raja

PENANG: Global public debt, comprising domestic and external general government debt, reached an alarming US$97 trillion in 2023, a US$5.6 trillion increase from 2022, according to UN Trade and Development (formerly known as UNCTAD).

In the 2024 edition of its report, titled "A World of Debt: A Growing Burden to Global Prosperity", UN Trade and Development pointed to the alarming surge in global public debt, driven by cascading crises, as well as the sluggish and uneven performance of the global economy.

It said the growing debt burden disproportionately impacts developing countries, as servicing it diverts essential resources away from their development aspirations.

"Recent events have worsened this challenge. The rise in global interest rates since 2022 further strained public budgets in developing countries."

High interest payments are outpacing the growth in essential public expenditures such as health, education, and climate action, said the report.

In the developing world, home to 3.3 billion people, one out of every three countries spends more on interest payments than on these critical areas for human development, it added.

It said the global financial architecture is no longer capable of meeting the needs of the world in the twenty-first century, adding that this is a substantial challenge to sustainable development.

"Developing countries must not be forced to choose between servicing their debt or serving their people. The international financial architecture must change to ensure a prosperous future for both people and the planet."

Rising public debt

According to the UNCTAD report, in 2023, public debt, comprising domestic and external general government debt, reached US$97 trillion, a US$5.6 trillion increase from 2022.

This growth is marked by significant regional disparities, it said, adding that public debt in developing countries is rising at twice the rate of that in developed countries.

In 2023, public debt in developing countries reached US$29 trillion, accounting for 30% of the global total.

This is a substantial increase from a 16% share in 2010 and reflects the rapid growth of public debt in developing countries, said the report.

Highlighting the stark contrast among the developing regions, the report said that over three-quarters of this debt is owed by countries in Asia and Oceania, while Latin America and the Caribbean accounts for 17% and Africa for just 7%.

The burden of this debt varies significantly with countries' ability to repay it and is exacerbated by the inequality embedded in the international financial architecture: Those least able to afford it end up paying the most, it said.

Examining the evolution of public debt relative to the size of developing economies, the report found that in over half of these countries, public debt has declined relative to GDP.

The median value of the public debt-to-GDP ratio fell from a peak of 60.4% in 2020 to 54.7% in 2023, it said.

It said that this decline is due to high global inflation, which increases nominal GDP, and stronger-than-expected real GDP growth in middle-income countries in Asia and Oceania, and to a lesser extent, in Latin America and the Caribbean.

Consequently, the report said even though the stock of public debt increased also in these regions, the median debt-to-GDP ratios have decreased.

In contrast, economic performance in Africa has faltered due to global shocks, resulting in a heavier debt burden.

The report said that the median public debt-to-GDP ratio has continued to increase, reaching 61.9% in 2023.

As a result, an increasing number of developing countries with high debt-to-GDP levels are concentrated in Africa.

"The region's share of countries with debt-to-GDP ratios above 60% has increased from 25% to 46% between 2013 and 2023."

South's debt burden

Developing countries are grappling with an international financial architecture, whose entrenched asymmetries exacerbate the impact of cascading crises on sustainable development, said UN Trade and Development.

This system intensifies their debt burden by limiting access to affordable development finance and pushing them to borrow from more volatile and expensive external sources, it added.

The report said that the limited size of domestic financial markets and higher levels of external public debt make them more vulnerable to external shocks and financial instability.

For example, it said when global financial conditions change or international investors become more risk-averse, borrowing costs can suddenly spike.

Additionally, if a country's currency devalues, debt payments in foreign currency can soar, leaving less money for development spending.

Consequently, developing countries are forced to increase the transfer of resources to their external creditors, while resolving debt crises becomes more difficult, said the report.

It noted that developing countries' external public debt reached US$3.2 trillion in 2022, and that for half of these countries, external public debt was at least as high as 28.4% of GDP and 92.4% of their exports.

Both indicators show improvements since 2020, marginally in the case of GDP and substantially in the case of exports, said the report.

It said the main driver of the decline in the external public debt-to-export ratio is the evolution of exports, which experienced a sharp slump during the pandemic followed by a strong recovery amid high commodity prices in 2022.

Despite the improvement of these indicators, external public debt service requirements remain high, reaching US$365 billion in 2022.

Of particular concern is the evolution of the external debt service-to-government revenue ratio, said the report.

It noted that governments are now allocating twice as much resources towards servicing this debt relative to revenues compared to 2011, leaving a declining share of resources for investments in sustainable development.

Furthermore, half of developing countries are allocating at least 6.3% of their export revenues to external public debt service, it said.

For comparison, the 1953 London Agreement on Germany's war debt limited the amount of export revenues that could be spent on external debt servicing (public and private) to 5% to avoid undermining the recovery, said the report.

"The growing burden of debt on development is a consequence of the evolution of debt financing over the last decade."

Governments in developing countries borrow from various sources, including bilateral (other governments), multilateral (such as multilateral development banks) and private creditors (including bondholders, banks, and other lenders), said UN Trade and Development.

Since 2010, the portion of external public debt owed to private creditors has risen across all regions, accounting for 61% of developing countries' total external public debt in 2022.

The report outlined three main challenges associated with the rising reliance on private creditors.

Firstly, it said the increasing complexity of the creditor base makes debt restructuring more difficult as it requires negotiating with a broader range of creditors with diverging interests and legal frameworks.

"Delays and uncertainties increase the cost of resolving debt crises. The relationship between restructuring costs and time required for completion is highly relevant in the current context."

The report said that debt restructurings since 2020 are taking longer to finalise compared to episodes in previous decades, underscoring the need for improved debt crisis resolution mechanisms.

Secondly, lending by private creditors is volatile and prone to rapid shifts, especially during crises, as investors pull back in a "flight to safety". This can lead to a resource outflow when countries can least afford it.

In 2022, developing countries paid US$49 billion more to their external creditors than they received in fresh disbursements, resulting in a negative net resource transfer, said the report.

The net resource transfer varied significantly by creditor type, illustrating the complexity of the current creditor base, it noted.

In 2022, bilateral and multilateral creditors provided a total of US$40 billion in positive transfers, while private creditors withdrew a record US$89 billion from developing countries.

The report said a total of 52 countries experienced net outflows of resources in 2022, up from 32 in 2010, with most of the affected countries being in Africa and Asia and Oceania.

The growth in the number of countries experiencing resource transfer highlights the widespread nature of the problem, exacerbated by rising borrowing costs, it added.

Thirdly, borrowing from private sources on commercial terms is more expensive than concessional financing from multilateral and bilateral sources.

The inequalities embedded in the international financial architecture exacerbate these differences in the cost of financing, said UN Trade and Development.

It also said that the borrowing costs of developing countries far exceed those of developed countries.

Developing regions borrow at rates that are 2 to 4 times higher than those of the United States and 6 to 12 times higher than those of Germany.

High borrowing costs increase the resources needed to pay creditors, which makes it difficult for developing countries to finance investments, said the report.

People paying the price

The increase in interest rates by central banks worldwide since 2022 is having a direct impact on public budgets in developing countries, said UN Trade and Development.

Net interest payments on public debt reached US$847 billion in 2023, a 26% increase compared to 2021.

The report said currently, more than half of developing countries allocate at least 8% of government revenues to interest payments, a figure that has doubled over the past decade.

"The rising pressure of interest payments is substantial across regions, particularly in Africa and Latin America and the Caribbean."

In 2023, a record 54 developing countries, equivalent to 38% of the total, allocated 10% or more of government revenues to interest payments, with nearly half of them in Africa.

The report said developing countries' interest payments are not only growing fast, they are outpacing growth in critical public expenditures such as health and education.

The rapid increase in interest payments is constraining spending across developing countries, it added.

For example, during the initial years of the COVID-19 pandemic, Africa and Asia and Oceania (excluding China) spent more on interest payments than on health.

For the 2020-2022 period, public per capita health expenditures in these regions were only US$39 and US$62, respectively, while per capita expenditure to repay public debt interests reached US$70 and US$84, respectively.

The number of countries where interest payments surpass spending in these essential categories is rising. During the years 2020-2022, there were 15 countries whose interest payments exceeded education expenditures, and 46 countries where they were higher than health expenditures.

A total of 3.3 billion people live in countries that spend more on interest payments than on either education or health, the report said, adding that this situation is untenable and must change.

The report also found that the negative impact on developing countries from resource transfers to creditors has been exacerbated by three shifts in Official Development Assistance (ODA):

1. Aid to developing countries has declined for two consecutive years, dropping to US$164 billion in 2022.

2. A growing share of aid is now provided through concessional loans rather than grants. The share of loans in aid for developing countries increased from 28% in 2012 to 34% in 2022.

3. Resources allocated to actions related to debt, including debt relief, swaps, restructuring and others, have hit a historical low, falling from US$4.1 billion in 2012 to only US$300 million in 2022.

The decline in overall aid, the increasing use of loans, and the sharp reduction in debt relief resources add further pressure on developing countries burdened by debt, said the report.

Call for action

The challenges posed by debt to sustainable development are at the forefront of ongoing multilateral discussions, the report noted.

At the most recent United Nations General Assembly, 149 countries addressed issues related to financing for development or debt. Specifically, 73 countries highlighted the various ways in which debt is intertwined with sustainable development.

The call for reforming the international financial architecture is loud, with nearly 50 world leaders calling for efforts towards this common goal, the report said.

To address the global debt challenges and achieve sustainable development, the United Nations, in the SDG Stimulus package and the Summit of the Future's policy brief on the Reforms to the International Financial Architecture, outlines a clear way forward, it added.

According to UN Trade and Development, this includes:

- Make the system more inclusive, improving the real and effective participation of developing countries in the governance of the international financial architecture.
- Tackling the high cost of debt and rising risk of debt distress and create an effective debt workout mechanism to address the slow progress of the G20 Common Framework for Debt Treatment due to limited country eligibility, creditor coordination challenges and the lack of automatic debt service suspension clauses to participating countries.
- Provide greater liquidity in times of crisis, expanding contingency finance so that countries are not forced into debt as a last resort, including through the strengthened use of Special Drawing Rights, a temporary suspension of IMF surcharges, and increased quota-access windows to IMF emergency financing.
- More and better finance, massively scaling up affordable long-term financing. The transformation and expansion of Multilateral Development Banks to support long-term sustainable development and scaling up private resources. More concessional finance; fulfilling aid and climate finance commitments. *(SUNS 10021)*

UNCTAD SG pitches for investment facilitation to raise FDI in South

In launching the "World Investment Report 2024" on 20 June, the Secretary-General of UN Trade and Development (formerly known as UNCTAD) has advocated for "investment facilitation and digital government" as tools to further attract and retain foreign direct investment (FDI) in developing countries.

by D. Ravi Kanth

GENEVA: The Secretary-General of UN Trade and Development (formerly known as UNCTAD) on 20 June made the strongest pitch yet for "investment facilitation and digital government as tools to attract and retain investment", despite these non-mandated plurilateral initiatives being opposed by developing countries at the World Trade Organization on both "systemic" and "procedural" grounds.

At a press conference on 20 June, the UN Trade and Development head, Ms Rebeca Grynspan, launched the "World Investment Report 2024", which appears to be replete with grim developments in the global investment landscape.

However, she maintained that "by streamlining procedures, enhancing transparency and leveraging digital tools such as online single windows, we can foster a more conducive investment climate, particularly in developing countries."

The 164-page report covers several aspects concerning global investments, while laying emphasis on investment facilitation.

Global FDI flows

In the first chapter highlighting international investment trends, the report said global foreign direct investment (FDI) decreased marginally last year, by 2 per cent, to $1.3 trillion.

The report notes that "this headline figure was affected by wild swings in financial flows through a small number of European conduit economies; excluding the effect of these conduits, global FDI flows were more than 10 per cent lower than in 2022."

Given the challenges to international investment this year, the report noted that "weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are reshaping FDI patterns, causing some multinational enterprises (MNEs) to adopt a cautious approach to overseas expansion."

While multilateral national companies enjoyed high profit levels, financing conditions are easing and increased greenfield project announcements in 2023 will positively affect FDI, it said, adding that modest growth for the full year appears possible.

It also said that "international project finance and cross-border mergers and acquisitions (M&As) were especially weak in 2023. M&As, which mostly affect FDI in developed countries, fell by 46 per cent in value."

Further, according to the report, "project finance, important for infrastructure investment, was down 26 per cent."

It said that difficult "financing conditions, investor uncertainty, volatility in financial markets and – for M&As – tighter regulatory scrutiny were the principal causes of the decline."

Investment facilitation

In the "foreword" to the report, Ms Grynspan wrote that "digital business and investment facilitation is not merely a technical solution; it is a stepping stone towards wider digital government implementation, which can address underlying weaknesses in governance and institutions that often hinder investment and impede progress towards sustainable development."

"Investment facilitation," she said, "while essential, is not a panacea for the challenges facing global investment flows".

However, she said that it is an "undeniable prerequisite for fostering an environment conducive to sustainable investment."

Later, in the section on "investment facilitation and digital government", investment facilitation is touted as a "top priority for investment policymakers."

The report appears to have made some rather sweeping claims without hard evidence on the cost of commitments that developing countries will likely be compelled to undertake as part of an investment facilitation and digital trade agreement, said a UN official who asked not to be quoted.

The report has made the following claims without providing concrete figures as to how many developing countries have followed the investment facilitation policies:

1. "Business and investment facilitation have become central to both private sector development and FDI attraction in developing countries";
2. "At the core of facilitation efforts are information provision, transparent rules and regulations, and streamlined administrative procedures";
3. "Business and investment facilitation have thus led to a wave of digital government initiatives, including information portals and online single windows".

Surprisingly, the claims made on investment facilitation seem incongruous with the range of sanctions imposed by Western countries on China, as well as the policies of "friend-shoring", said a former UN official who asked not to be quoted.

A former UNCTAD Secretary-General, Mr Rubens Ricupero from Brazil, had once said that UNCTAD works as a "trade union for developing countries" for assisting and helping them in addressing/tackling the uneven WTO agreement.

The alleged unprecedented pitch for investment facilitation by an UNCTAD SG shows how the organization is apparently being navigated to promote the trade and investment agenda of the developed countries - who are referred to as the Group B countries in UNCTAD parlance, the official said.

When asked at the press conference as to whether UN Trade and Development is now promoting the developed country initiatives such as investment facilitation, which is being currently opposed by major developing countries like India on both procedural and systemic grounds, Ms Grynspan said: "There may be reasons for India to have taken that position... We are not commenting on India's position, they have also blocked other plurilateral agreements; they believe that this is not the right process to get to consensus."

To recall, developing countries have all along opposed investment facilitation, which was part of the four so-called "Singapore issues" – trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation - since the WTO's first ministerial meeting in Singapore in 1996.

Later, developing countries rejected the so-called Multilateral Agreement on Investment that was pushed by the Paris-based Organization for Economic Cooperation and Development (OECD).

Unlike the Trade Facilitation Agreement, investment facilitation was not part of the July 2004 package, and was opposed by India when China brought this issue to the WTO in 2016.

In her reply to the question at the press conference, Ms Grynspan went on to say: "IF (investment facilitation) is important for FDI and also for national investments."

Elaborating further on IF, she said that "the position of UNCTAD has always been that without high levels of investment – one of the reasons for China's development, is based on investment - ... you cannot have high growth, and part of the problems that we have always said is the international architecture (for finance) is to have investment rights; you cannot grow without investment in infrastructure."

UN SDGs

In her remarks, Ms Grynspan highlighted the importance of implementing the 17 United Nations Sustainable Development Goals (SDGs) on grounds that they aim to end poverty and hunger, improve health and well-being as well as investments in education, among others.

When asked why UNCTAD is pushing for IF, which is not part of the SDGs, and that even though the SDGs did not call for investment facilitation in the chapter on "industry, innovation and infrastructure", UNCTAD is pushing for this, she said that just "because SDGs don't talk of investment facilitation, it does not mean we don't invest in health and infrastructure."

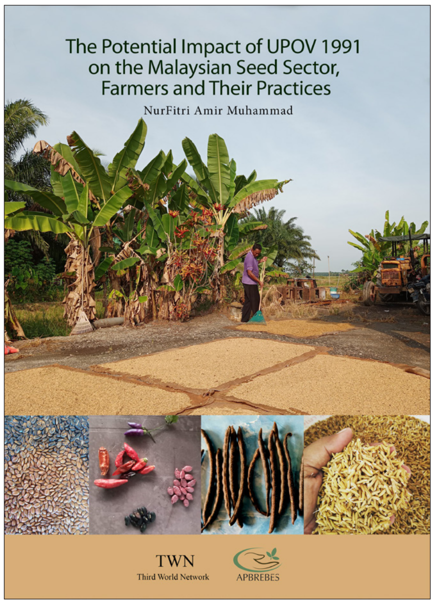
"You need investments, otherwise how would countries grow, and developing countries [are] constrained by (lack) of investment," she said, adding that there is a need for "reform of the international financial system."

Disagreeing with the question, she said that UNCTAD has been promoting IF for the past 20 years.

Both the proposed non-mandated plurilateral digital trade and investment facilitation for development agreements are being pushed by China along with several industrialized and developing countries at the WTO's upcoming General Council meeting before end-July. *(SUNS 10031)*

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

NurFitri Amir Muhammad



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

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

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

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

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UNCTAD's 60 years replete with remarkable achievements – UNSG

In his address at the 60th anniversary of UN Trade and Development (formerly known as UNCTAD) on 12 June, the UN Secretary-General (UNSG) said that "UNCTAD's work has not only created a legacy" but that "it continues to be an inspiration for today's debates and decisions."

by D. Ravi Kanth

GENEVA: The United Nations Secretary-General (UNSG), Mr Antonio Guterres, praised several achievements of the United Nations Conference on Trade and Development (UNCTAD) as it celebrated its 60th anniversary on 12 June, particularly in "contributing to discussions on reforming the international financial architecture."

However, several rather troubling developments appear to cast a dark shadow on the future of the organization as it attempts to "re-brand" itself as a "forward-looking" trade and development body, said people familiar with the development.

In his address at the 60th anniversary of UN Trade and Development (formerly known as UNCTAD) on 12 June, the UN chief acknowledged that "UNCTAD's work has not only created a legacy" but that "it continues to be an inspiration for today's debates and decisions."

The UNSG said the first Secretary-General of UNCTAD, the renowned Argentine economist Raul Prebisch, once remarked that UNCTAD could not be neutral on development problems – just as the World Health Organization could not be neutral on malaria.

Rising "geopolitical divisions", growing "inequalities", and the worsening existential challenges stemming from the "climate crisis", are hitting many developing countries hard, Mr Guterres observed.

Aside from these destabilising developments, he said "global debt has soared while key development indicators, including poverty and hunger, have regressed."

The UN chief pointedly observed that "the international financial architecture has been exposed as outdated, dysfunctional, and unjust."

According to Mr Guterres, "it has failed to provide a safety net for developing countries mired in debt."

He also said the international trading system, which is being "challenged on all sides", is "teetering on the verge of fragmentation."

On the day that the European Union slapped countervailing duty measures to the tune of $2 billion on imports of Chinese electric vehicles, the UNSG pointed out that "trade has become a double-edged sword: a source of both prosperity and inequality; interconnection and dependence; economic innovation and environmental degradation."

"In this context," Mr Guterres said, "I welcome the reforms to UNCTAD initiated by Secretary-General Rebeca Grynspan."

"Your new branding – UN Trade and Development – reflects a renewed commitment to expanding your reach and amplifying advocacy for developing countries," the UN chief said.

He said above all, "UN Trade and Development remains faithful to your core principle of promoting inclusive and sustainable development through trade and investment."

According to the Secretary-General, "the world cannot afford splits into rival blocs," and "the implementation of the SDGs, and the need to ensure peace and security makes it essential to have one global market and one global economy, in which there is no place for poverty and hunger."

Mr Guterres said that "the elimination of poverty remains the primary objective of sustainable development."

He cited International Monetary Fund (IMF) estimates that suggest that "increased international trade restrictions could reduce global economic output by more than $7 trillion US dollars in the long term – three times the annual output of sub-Saharan Africa."

In this context, Mr Guterres mentioned that "the Summit of the Future in New York in September will seek concrete progress and political momentum on these issues."

"This will be a unique opportunity to forge a new global consensus around addressing the complex economic and development challenges we face, and turbocharging investment in the Sustainable Development Goals," he said.

In short, he said "we must channel the courage and wisdom of those who built UNCTAD, to re-imagine a world where trade is a force for shared prosperity - not geopolitical rivalry; where global supply chains are a source of green innovation and climate action – not environmental damage; where sustainable development is a central goal – not an afterthought; and where networked inclusive multilateralism, drawing on the expertise of the corporate sector, academia and civil society, is a means to realizing our shared ambitions – not a relic of the past."

The UN chief said, "UN Trade and Development has an essential role in that world."

60-year history

UNCTAD's long history of 60 years broadly falls into three chapters.

An initial series of "soft" reforms in the areas of trade and finance were pushed, notably to counter the adverse trends in the global financial order.

However, the limited development benefits from the Kennedy Round of trade negotiations launched in Geneva, during 1964-67, under the auspices of GATT (General Agreement on Tariffs and Trade) and the unilateral US decision to end the Bretton Woods arrangement in 1971 exposed the persistent asymmetries and biases in the existing global governance architecture.

A second chapter followed in pursuit of more systemic reforms, with UNCTAD backstopping the developing countries' call for a "new international economic order (NIEO)".

That chapter closed with the then US Fed chair Paul Volker's ultra-aggressive interest rate hike and the resulting developing-country debt crisis which helped open the floodgates for private capital flows and the reassertion of the US dollar hegemony.

The decade ended with the collapse of the Soviet Union and the triumph of neoliberalism.

That opened a third chapter for UNCTAD as a vocal critic of the Washington Consensus and its free trade off-shoot in the World Trade Organization, exposing the damage to developing countries and the alleged hypocrisy of Northern governments whose positions were often replete with double standards. *(SUNS 10026)*

"The world is in need of a new 1964 moment", says UNCTAD chief

At an event on 12 June celebrating UNCTAD's 60th anniversary, the Secretary-General of UN Trade and Development (formerly known as UNCTAD), highlighting the emergence of a new "multi-polar world", said that the world "is in need of a new 1964 moment".

by Kanaga Raja

PENANG: Pointing out that the internationally agreed, rules-based economic order is being contested, and that a new "multi-polar world" has emerged, the Secretary-General of UN Trade and Development (formerly known as UNCTAD) said that the world "is in need of a new 1964 moment".

In a statement at the opening ceremony of the Global Leaders Forum in Geneva on 12 June, which is celebrating UNCTAD's 60th anniversary, Ms Rebeca Grynspan, the head of UN Trade and Development, said that 60 years ago, here in Geneva, "a powerful idea was born."

"That from the ashes of war, and from the complex history of trade, a new chapter could be written. A chapter where the inequities of the past will not dictate the terms of the future."

She said this ambitious idea, alongside the creation of the Group of 77, is what became the UN Conference on Trade and Development, or UNCTAD.

This idea was both a rejection and a promise, Ms Grynspan noted.

"A rejection of business as usual, of the idea that the global economy in 1964 was already a level playing field, that the rules of the game were fair and just."

They were not then, and they are not now, said the head of UN Trade and Development, pointing out that 1964 was also a promise.

Namely, "a promise of recognition that the newly independent nations, forged in the postwar struggle, had a right to a seat at the table, to negotiate common principles, common agreements, common solutions. That their voices mattered. That their development aspirations were legitimate and required special consideration. That the fruits of globalization could be shared. That prosperity could be for all," said Ms Grynspan.

"The history of the last 60 years is the history of that promise being tested, challenged and, sometimes, realized."

The global economy today is very different from what it was in 1964. It is far larger, more interconnected, more complex, said Ms Grynspan.

Over a billion people have been lifted out of poverty, and the developing world is now the engine of global trade and economic activity.

Seen from the viewpoint of history, this may give the illusion that the ground is less uneven today than it was six decades ago, she added.

But seen from the perspective of those who still struggle - the poor, the unconnected, the discriminated, the rural, but also the women, and the youth - the ground remains uneven, the climb too steep, said Ms Grynspan.

"The winds of trade have filled the sails of some, propelling them to new heights of wealth and influence," she added.

But for others, those same winds have been a tempest, leaving them exposed and vulnerable to the boom and the bust of capital, environmental degradation and commodity dependence.

"Technology has transformed our world, unlocking possibilities once unimaginable," she further said.

The head of UN Trade and Development said that the digital economy is a powerful new engine of development, which is transforming trade itself, making it intangible and easy to scale, while at the same time risking to deepen divides and inequalities.

Ms Grynspan said the resurgence of industrial policy signals a welcome recognition that the state has a vital role to play in fostering development and transformation.

But for many developing nations, burdened by debt and limited fiscal space, this resurgence is a distant horizon, she added.

"The world is in need of a new 1964 moment. Our internationally agreed, rules-based economic order is being contested," said the head of UN Trade and Development.

"A new multi-polar world has emerged. But multi-polarity without multilateralism is a path to fragmentation, a descent into trade wars and dwindling global cooperation," she warned.

"It is a world where the voice of the developing countries that are at the heart of our membership, our mandate, and our mission, risk being lost in the cacophony of competing interests."

Ms Grynspan said multi-polarity with multilateralism is a different path – one where decentralization of global economic and political power becomes a vehicle for inclusion.

Where globalization shows a new face – the face of new players, new ideas, new generations, new hopes shaping the world, she added.

She said that this meeting is therefore also a message – that it is a mistake to think that multi-polarity is a choice.

"Multi-polarity is not a choice. What is a choice is multilateralism," she underlined.

It is multilateralism that is the fragile exception, the crowning achievement of development, of mankind's quest for peace, she added.

"We must make this choice right. We

defend multilateralism every day. But a renewed form of multilateralism - with greater representation in governance, with fairer rules in trade and the environment, with much less inequity in international finance."

The head of UN Trade and Development recalled the UN Secretary-General saying last year in New York that: "We must reform, or rupture".

She said this meeting today in Geneva is thus a proud prelude to the Summit of the Future, a unique opportunity to rebuild trust and hope.

She added that this task will require the same spirit that sixty years ago gave birth to UNCTAD.

"The promise of 1964 is alive in this room," Ms Grynspan emphasized.

"It lives in the hearts and minds of those who have dedicated their lives to the cause of trade and development, from Raul Prebisch, our visionary architect, to all former Secretaries-General, whose wisdom have illuminated our path."

"It lives in the tireless efforts of our staff, past and present, whose expertise, commitment and passion have been the lifeblood of this organization," she said.

Ms Grynspan also said that it lives in the member states, and in the tables around which they have met, year after year, for six decades now.

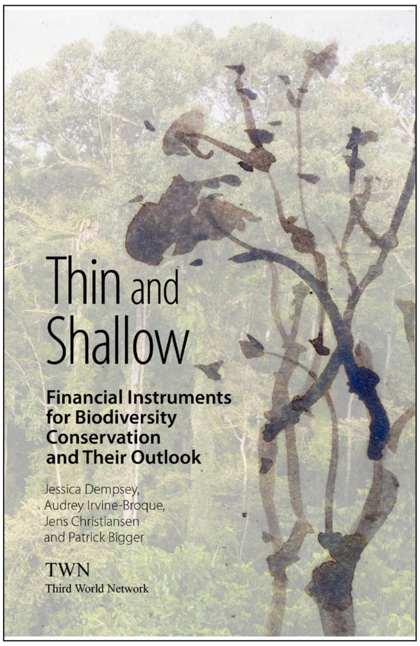
"Let us be inspired by that spirit and that promise. Let's go forward together," she concluded. *(SUNS 10026)*

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

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger

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.



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Will DSS reform talks safeguard binding enforcement function?

The facilitator overseeing the reform of the World Trade Organization's dispute settlement system (DSS) on 20 June presented a report on the crucial issue of the "appeal/review" mechanism, which could potentially replace the binding Appellate Body.

by D. Ravi Kanth

GENEVA: The facilitator overseeing the work on the reform of the World Trade Organization's dispute settlement system (DSS) on 20 June presented a report on various aspects of the central issue concerning the "appeal/review" mechanism, which could replace the binding Appellate Body and thereby attenuate the "enforcement" function of the multilateral trade body, said people familiar with the development.

Without a robust enforcement function undergirding the two-tier dispute settlement system, which is seen as the "jewel in the crown" of the Marrakesh Agreement that established the WTO in 1995, the value/purpose of negotiating any new agreements at the WTO could become meaningless and redundant, said people familiar with the negotiations.

The decision reached by trade ministers at the WTO's 13th ministerial conference (MC13) in Abu Dhabi on 2 March states:

* "Recalling our commitment made at our Twelfth Session to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024, we take note of the works done thus far.
* We recognize the progress made through this work as a valuable contribution to fulfilling our commitment. We welcome all submissions from Members that help advance our work.
* We instruct officials to accelerate discussions in an inclusive and transparent manner, build on the progress already made, and work on unresolved issues, including issues regarding appeal/review and accessibility to achieve the objective by 2024 as we set forth at MC12."

At a heads of delegation (HoD) meeting on 20 June, the facilitator, Ambassador Usha Dwarka-Canabady of Mauritius, presented a report on how technical negotiations were carried out during the last fortnight.

"Since we last met, work has commenced among experts, facilitated by the six co-convenors," she informed members.

The six co-convenors assisting the facilitator are: Mr Joel Richards (Saint Vincent and the Grenadines) and Ms. Jessica Dickerson (Australia) for appeal/review; Mr. David Stranger-Jones (United Kingdom) and Ms. Claudia Diaz Paulino (Mexico) for accessibility; and Mr. Fırat Yeltekin (Turkiye) and Mr. Stacy-Paul Healy (Canada) for any other issues to be considered at the later stage.

The HoD meeting was attended by WTO General Council chair Ambassador Petter Olberg of Norway, and Ms Angela Ellard, the WTO deputy director-general, who had earlier worked at the United States Congress as Majority and Minority Chief Trade Council and Staff Director.

The facilitator said the meetings held with the co-convenors "have been quite productive, not least because the co-convenors have a very clear picture in their own heads of how they want to move forward."

The six co-convenors had issued a technical work plan on 10 June. They suggested that "the technical work on the topics of Appeal/Review and Accessibility are structured around several sub-topics."

Under the Appeal/Review mechanism, the following sub-topics have been listed for further discussions. These include: (1) Access to the mechanism; (2) Scope of review; (3) Standard of review; (4) Form of the mechanism; (5) Reducing/changing incentives to appeal; and (6) Clarifying members' expectations of adjudicators.

The list of sub-topics seems to be a radical departure from the Uruguay Round negotiations.

Following an organizational meeting on 13 June, the co-convenors sent an email to members on 14 June inviting experts to attend the meeting on the Appeal/Review mechanism on 19 June.

The email, seen by the SUNS, suggested that the meeting will focus on the following sub-topics of the Appeal/Review mechanism:

(1) Scope of review

Discussions under this sub-topic may include, without limitation, possible filters/criteria/admissibility tests for claims (such as clarifying appeal/review adjudicators' role with respect to the panel's assessment of the facts) and for appeal/review generally (such as leave to appeal).

(2) Standard of review

Discussions under this sub-topic may include, without limitation, the standard that appeal/review adjudicators should apply when reviewing claims that fall within the scope of their review.

According to the email, "the co-convenors will provide a recap of the previous discussions with respect to these sub-topics. Experts that have previously put forward proposals or ideas with respect to these sub-topics may wish to outline them. Experts will also have the opportunity to outline any new proposals or ideas."

Subsequently, another meeting was held on 21 June to discuss the issue of "accessibility".

Under the rubric of "accessibility", several sub-topics were raised for further discussions:

(1) Meaning of accessibility to demandeurs

Discussions under this sub-topic may include, without limitation, effective access to and use of the dispute settlement system; and an inclusive, equitable and accessible mechanism.

(2) Costs and administrative burdens (including a funding mechanism)

Discussions under this sub-topic may include, without limitation, pre- and actual litigation costs; concrete examples of unnecessary administrative costs and burdens; and funding mechanism(s) to increase capacity and enhance participation.

Questions

However, it is not clear how well equipped these co-convenors are with the negotiating history of the Uruguay Round negotiations during 1986-1993, said a negotiator who asked not to be quoted.

"During the dispute settlement negotiations in the Uruguay Round, the negotiating participants proposed numerous reforms of the GATT dispute settlement system to provide more stringent rules in the operation of the mechanism," according to the negotiating history of the GATT Uruguay Round (page 2669 in Volume II of Terence P Stewart's book on the topic).

It is also not clear from the list of topics and sub-topics suggested by the co-convenors on the appeal/review mechanism, whether paragraph 14 of Article 17 of the Dispute Settlement Understanding (DSU) will be safeguarded, said people familiar with the discussions.

Paragraph 14 of Article 17 of the DSU states: "An Appellate Body report shall be adopted by the DSB and unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt the Appellate Body report within 30 days following its circulation to the members. This adoption procedure is without prejudice to the right of Members to express their views on an Appellate Body report."

In short, there appears to be considerable confusion whether the negative consensus principle that undergirds the adoption of Appellate Body reports will be eschewed and reverted to the GATT practice of positive consensus where any one member can block consensus on the adoption of a report.

To recall, the United States was apparently the principal architect for bringing in the principle of negative consensus in the adoption of Appellate Body reports so as to make it a binding mechanism, said people familiar with the development.

"The co-convenors recognize that how we run the process is integral to the very nature of the outcome," said Claudia Diaz Paulino, one of the co-convenors from Mexico, at the HoD meeting on 20 June.

She said: "In order to achieve substantive results, the co-convenors consider it critical to ensure that the process and the methods of our work respond favourably to the needs of members so as to build and maintain trust and preserve an atmosphere of transparency and inclusivity, which are essential to the conduct of the work going forward."

In conclusion, the discussions on the reform of the dispute settlement system show how one powerful member can allegedly get away with its demand for an "atrophied" appeal/review mechanism without paying any price, said a negotiator, who asked not to be quoted. *(SUNS 10032)*

Need to reinvigorate services talks at WTO, says outgoing CTS chair

The outgoing chair of the World Trade Organization's Council for Trade in Services (CTS) outlined several recommendations on "reinvigorating" the stalled work on trade in services.

by D. Ravi Kanth

GENEVA: The outgoing chair of the World Trade Organization's Council for Trade in Services (CTS) on 17 June presented many recommendations for "reinvigorating" the work on trade in services, which appears to have become a casualty due to the pursuit of the controversial plurilateral Joint Statement Initiatives (JSIs) instead of multilateral processes, said people familiar with the development.

In a seven-page restricted report (Job/SERV/CTS/32) issued on 17 June, seen by the SUNS, the outgoing chair, Ambassador Tsvetelina Georgieva Dimitrova of Bulgaria, said that "all members underscored their commitment to reinvigorating the work of the Council, and many highlighted the value of advancing work on trade in services more generally, as a reflection of the economic importance of services and trade in services."

As she steps down from office soon, the outgoing chair expressed confidence in the incoming chair, Ambassador Syahril Syazli Ghazali of Malaysia, who she said "will ably steer the work of the Council in the months ahead."

"Various Members noted that, as per the Ministerial mandate, services work needed to focus on the development dimension and be responsive to the needs of developing and least-developed members," the chair said, following her sustained consultations with members on five specific mandates arising from the Abu Dhabi Ministerial Declaration.

In paragraph 18 of the Abu Dhabi Ministerial Declaration, which was adopted at the WTO's 13th ministerial conference (MC13) in Abu Dhabi on 2 March, trade ministers agreed on the following mandate on trade in services: "Members recognise the role and importance of services to the global economy as it generates more than two-thirds of global economic output and accounts for over half of all jobs. Services play a critical role in providing a stable environment for economic growth and development and tackling global challenges. We acknowledge the need to facilitate the increased participation of developing Members, including LDCs, in global services trade paying particular attention to sectors and modes of supply of export interest to them. We acknowledge the importance of the work undertaken in the Council for Trade in Services (in regular and special session) and its subsidiary bodies and commit to reinvigorate work on trade in services within the mandate of the GATS and other existing mandates including through further thematic, evidence-based discussions."

Based on this mandate, the outgoing chair held discussions with members on the following five topics: (1) work on trade in services; (2) challenges when confronting crises; (3) WTO reform; (4) response to pandemics; and (5) the LDC services waiver.

Ambassador Dimitrova held consultations with around 75 members on 27-29 May to elicit their views on these five topics.

She said that during these consultations, "it was suggested that synergies should be built with other relevant WTO work, notably when it came to the role that services played in tackling global challenges; this could be a cohesive theme around which discussions could be organised."

She noted that "many delegations indicated their openness to addressing any issue that Members put forward, including by holding thematic sessions and seminars, as long as the topics to be considered were trade-related and fell within the mandate of the Council."

Emphasizing that "work had to continue to be Member-driven," she made specific suggestions for future work in the CTS.

Without indicating the number of countries, she said that "many members mentioned trade in environmental and related services, and the green transition was mentioned by many members as an area of great interest."

It is an open secret that the major industrialized countries, as well as China, want to push trade in services, in particular that pertaining to environmental services.

In her report, the outgoing CTS chair said that "it was observed that relevant discussions were ongoing elsewhere in the WTO, notably under the Committee on Trade and Environment and the plurilateral Trade and Environmental Sustainability Structured Discussions (launched by the European Union), and that services- specific issues and information could be brought to the attention of CTS delegates."

Amidst the growing calls by major industrialized countries as well as China for discussions on trade-related climate measures, the chair said that "it was noted by some delegations that environmental services were also relevant to the discussion on responding to crises, namely with regard to climate emergencies."

Cost of remittances

According to the chair, "several delegations mentioned that the cost of remittances was an important issue, particularly for developing Members".

India had pressed for discussions on the cost of remittances, but the US appears to have blocked it, said people familiar with the discussions.

Without naming the countries, Ambassador Dimitrova said, "however, while some Members called for engaging in further discussions on this topic, including based on contributions from other International Organisations and the private sector, others underscored that the trade relevance of this issue and its link to the CTS mandate were, at best, limited, and that it was not clear what role, if any, the WTO could play in trying to reduce the cost of remittances."

The chair said "one delegation noted that, although the cost of remittances was set by private actors, government measures also mattered, for instance, when they set limits on applicable Merchant Discount Rates."

Also, she said several members "stressed that the best forum for any discussion on the cost of remittances was the Committee on Trade in Financial Services (CTFS) and noted that it was premature to address the issue in the CTS."

Despite the JSI on domestic regulation in services, which allegedly undermined the multilateral work program on domestic regulation in services, the chair noted that "a number of delegations suggested discussing the Services Domestic Regulation disciplines, for instance, by having an exchange of information on Members' best practices, or undertaking and discussing research on relevant rule-making in bilateral and regional settings."

Digital trade

The chair said that "a number of Members mentioned discussing work by the Secretariat, especially when related to the development dimension or digital trade issues."

More importantly, members sought that "the Secretariat be mandated to update all its earlier sectoral and modal Background Notes, which would be a public good."

Despite repeated calls by developing countries for an update by the WTO Secretariat on Mode 4 concerning short-term services providers, the issue has been kept in "cold storage" for many years.

Against this backdrop, it was observed that "the long-standing proposal that the CTS agree to update the Secretariat Note on mode 4 was also highlighted."

Commenting on the WTO Secretariat research initiatives, the chair said "one delegation said that it would be useful to have advance notice of the topics that would be examined, while another called for Members to be involved in the choice of topics and co-authors."

According to the chair's report, "the following topics were additionally suggested by individual delegations as areas for further work in the CTS:

(i) trade in services and Artificial Intelligence (AI) and AI governance;
(ii) trade in digitally delivered services;
(iii) electronic payments, which could be addressed within the broader rubric of inclusivity and finance and development;
(iv) APEC's San Francisco principles on integrating inclusivity and sustainability into trade and investment policy;
(v) measures affecting trade in services as reflected in Trade Policy Reports and Monitoring Reports;
(vi) technical assistance and capacity building, as key development components, and examining how the Council's work could help;
(vii) resuming exploratory discussions on market access in the Special Session of the CTS, to create a knowledge basis on which possible future negotiations could build."

LDC services waiver

As per the MC13 mandate, ministers stated that they "note our instructions in Paragraph 8 of the MC12 Outcome Document concerning operationalization of decisions taken in favor of the LDCs and acknowledge the work done so far. We instruct the relevant bodies to continue their work, and the General Council to report back to our next Session on progress."

However, it remains "a blot" that this long mandated-issue has been stalled because of opposition from a major industrialized country, said a person familiar with the discussions.

In her report, the chair said "members generally underscored the importance of the LDC services Waiver and expressed strong support for continued engagement on this issue."

Ambassador Dimitrova said that "several noted the importance and urgency of making concrete progress by MC14; this could be facilitated by holding informal meetings and consultations, putting forward questions for discussion, and setting out action plans. The importance of being mindful of the capacity constraints that many LDC delegations faced was underscored."

On the way forward, the outgoing CTS chair said, "I would like to take this opportunity to make a special appeal with regard to the issue of the operationalisation of the LDC Waiver."

"What I heard in the course of my consultations was a collective desire to advance on this issue, and to do so quickly," she emphasized. *(SUNS 10028)*

G7 calls for WTO reform, S&DT differentiation

At their two-day summit in Apulia, Italy, on 14 June, the G7 leaders called for reform of the World Trade Organization's monitoring, "deliberative" and negotiating functions, as well as differentiation among developing countries for availing of special and differential treatment (S&DT).

by D. Ravi Kanth

GENEVA: The leaders of the Group of Seven (G7) industrialized countries have underscored the need for reforming the three functions of the World Trade Organization, namely, negotiating, implementation, and enforcement, as well as differentiation among developing countries for availing of special and differential treatment (S&DT).

At the end of their two-day summit in Apulia, Italy, on 14 June, the G7 leaders issued a long communique comprising calls to reform the WTO as well as pleas to China to adhere to the WTO rules.

The G7 members include the United States, Canada, Germany, France, the United Kingdom, Japan, and Italy, as well as being joined by the European Union.

Over the last several years, the G7 leaders seemed heavily preoccupied with China on several grounds after it became the world leader in several frontier technologies, including in green goods and critical raw materials, said people familiar with the discussions.

In response, some of the policies followed and implemented by the G7 countries, particularly the US, appear to be hypocritical and replete with double standards, said people who asked not to be identified.

Against this backdrop, in their communique, the G7 leaders reaffirmed their "commitment to the rules-based, free and fair, equitable, and transparent multilateral trading system (MTS), with the World Trade Organization (WTO) at its core".

They lamented over the lack of "ambitious outcomes" at the recently concluded WTO's 13th ministerial conference (MC13) in Abu Dhabi.

Yet, they welcomed the "decision to maintain the moratorium on customs duties on electronic transmissions until MC14", which is scheduled to be held in early 2026 in Cameroon.

Meanwhile, the G7 leaders announced their commitment "to working towards a prompt conclusion of negotiations on the Joint Statement Initiative on E-commerce", a non-mandated plurilateral initiative that was launched in 2019.

WTO reform

The Apulia communique made several important observations on the stalled WTO reforms due to the lack of consensus on several proposals tabled by the industrialized countries.

The G7 leaders said: "We underscore the need to reform the WTO's monitoring, deliberative, and negotiating functions and remain committed to conducting discussions with a view to having a fully and well-functioning dispute settlement system accessible to all Members by the end of 2024".

Interestingly, there is no "deliberative" function in the WTO rule-book, and not even in the Abu Dhabi Ministerial Declaration adopted by trade ministers at MC13 on 2 March.

As previously reported, the EU had underscored the need for reinforcing the "deliberative" function of the WTO to respond to trade policy changes, including discussing issues on trade and climate change.

However, the EU's proposal failed to attract consensus and it also failed to get a mention in the Abu Dhabi Ministerial Declaration.

However, the Apulia communique said that it supports "WTO deliberations that contribute to achieve COP28 commitments, including plurilateral initiatives such as those facilitating and promoting trade in environmental goods, services and technologies, and fighting plastic pollution."

As regards the negotiating function, several attempts were made by the previous Trump administration to move away from "consensus-based decision-making", which was also pursued with varying levels of emphasis by the current Biden administration.

However, proposals for "responsible consensus" and other changes for advancing the plurilateral initiatives, have also failed to attract consensus, as many developing countries rejected such calls at a recent WTO General Council meeting, said people familiar with the development.

S&DT

In the same paragraph in the communique dealing with the reform of the WTO, the G7 leaders said: "We call on relevant countries to refrain

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from claiming special and differential treatment in the WTO commensurate with their economic weight and role in the global trading system."

The proposal for seeking differentiation among developing countries for availing of S&DT was first made by the Trump administration and it has now been echoed in the Apulia communique, at the insistence of the Biden administration, said people familiar with the discussions.

The G7 leaders also called for "an ambitious and comprehensive agreement on global fisheries subsidies."

In give-and-take trade negotiations, the fate of the fisheries subsidies agreement will likely hinge on progress in the agriculture negotiations where the major industrialized countries with huge levels of Amber Box subsidies are unlikely to agree to any ambitious commitments to reduce their subsidies, said people familiar with the negotiations.

In the Apulia communique, the G7 leaders reaffirmed "our attachment to transparency, to coordination, and to the respect of WTO rules in our respective policies."

In the wake of the Russia-Ukraine war, which led to global shortages of fertilizers in which Russia is a main supplier, the Apulia communique acknowledged "the importance of supporting fertilizer value chains including local fertilizer production in line with the WTO rules and through supporting the use of local sources of energy in consistency with a 1.5 degrees warming limit and goals of the Paris Agreement."

Focus on China

Aside from the Russia-Ukraine war, the Apulia summit largely focused on China.

The G7 leaders remain concerned by China's industrial progress, and went on to say: "We are not trying to harm China or thwart its economic development, indeed a growing China that plays by international rules and norms would be of global interest."

"However, we express our concerns about China's persistent industrial targeting and comprehensive non-market policies and practices that are leading to global spillovers, market distortions and harmful overcapacity in a growing range of sectors, undermining our workers, industries, and economic resilience and security," the G7 leaders maintained.

Significantly, they said that "we are not decoupling or turning inwards. We are de-risking and diversifying supply chains where necessary and appropriate, and fostering resilience to economic coercion."

Amidst the pursuit of "friend-shoring" policies based on national security grounds, it is doubtful whether the G7 communique would have any impact on China, said people familiar with the discussions.

While the US is implementing export sanctions on advanced semiconductors and other critical exports on national security grounds, it seems rather unconvincing to "call on China to refrain from adopting export control measures, particularly on critical minerals, that could lead to significant global supply chain disruptions," said people familiar with the development.

In a similar vein, the G7 leaders said that they "will support local value creation in critical minerals supply chains in line with the WTO rules", but questions are already being raised as to whether the policies adopted by the industrialized countries are consistent with the global rules.

Without naming China, the Apulia communique drew attention to tackling "non-market policies" that are allegedly being implemented by some countries.

"We will also tackle non-market policies and practices, such as harmful subsidies, including by state-owned enterprises (SOEs) and forced technology transfers, notably when these policies and practices are used targeting sectors for dominance," it said.

Without mentioning the huge tariffs imposed on Chinese electric vehicles and other green goods, the communique said its members are committed to "effectively use our trade tools, including new ones, as appropriate, to identify, challenge, and counter these practices, and to promote stronger international rules and norms, together with partners."

In short, the G7 Apulia communique seems like a proverbial hogwash of pronouncements that may not gather much consensus at the WTO as some of these positions have been repeatedly rejected. *(SUNS 10028)*

WTO budget & pension "structural reforms" amid multiple crises

Discussions on potential long-term "structural reforms" concerning issues relating to the World Trade Organization's budget and its pension fund appear to be facing multiple systemic crises.

by D. Ravi Kanth

GENEVA: Discussions on "potential long-term structural reforms that will best serve the interests of the WTO (World Trade Organization) in the future" concerning budget- and pension-related issues in the rules-based, member-driven trade body appear to be facing multiple systemic crises, said people familiar with the development.

With the world's largest trading nation having seemingly plunged into "friend-shoring" to create new forms of trade and supply chain resiliency, according to Financial Times columnist Rana Foroohar on 10 June, and with the multilateral trade negotiations in agriculture, fisheries subsidies, and other issues facing numerous hurdles, all focus appears to be shifting to the issues concerning "structural reforms" of the WTO's budget, finance, and administration, particularly on pension reforms, said a person who asked not to be quoted.

In a restricted document issued following an informal meeting of the WTO's Committee on Budget, Finance and Administration (CBFA) on 10 June, it is suggested that the underlying purpose is "to consolidate an understanding of what concrete and actionable outcomes a working process would accomplish and what elements need to be included for Members to proceed."

According to the document, seen by the SUNS, it is further stated that "following the informal meeting, the Chair (Ambassador Jose R Sanchez-Fung of the Dominican Republic) will refine the approach and prepare a short document including a draft decision to be considered by the Committee at the July meeting."

The informal meeting is tasked with addressing two issues: (1) "commitment to a Working Group to be chaired by the CBFA chair to determine whether any refinements of the Board's recommendation should be made and to examine how to continue deliberations"; and (2) "agreement that CBFA, by its December meeting, will recommend to the General Council the package of pension reforms recommended by the Board in 2023 [with any amendments agreed to by the Members through the WG process.]"

Four informal meetings are being scheduled to discuss a range of issues starting with "technical questions on actuarial situation and investment of assets."

As part of the "technical questions", the first informal meeting will "review Current Actuarial Position to address remaining technical clarifications" and "review investment approach and performance over time/assumptions including presentation by WTOPP [World Trade Organization Pension Plan] investment advisor."

In the second meeting, members will consider "questions about (the) current package" for employees.

The questions posed for consideration include: (1) "review of (the) current proposed package of reforms"; (2) "consideration of burden sharing"; and (3) "what, if anything, should be done in light of 12.4% v. 10.5% gap?"

The important third meeting will focus on "long-term structural reforms" involving the pension system at the WTO.

The following questions are being raised for members' consideration:

- What would be the objectives of changing the pension model at the WTO?
- What are the options that Members should consider and respective pros and cons?
- How should the costs of different options be realistically assessed?
- When would shifting to a new model realistically make sense?
- What should be the process for analysing identified options in sufficient detail?
- What external expertise would be necessary for Members to feel comfortable with any analyses and be able to ultimately take a decision?

Lastly, the fourth meeting will focus on issues concerning what needs to be done in 2024 and beyond for members' consideration, particularly "fixing the actuarial funding deficit to stop or mitigate the costs of being under-funded in 2024" and "establishing a specific process and time-lines for considering longer term structural reforms".

While members last year approved an increase of 3.6 percent in the WTO's budget for 2024, sharp concerns were expressed over the proposed rise in the pension fund, which was not agreed then, said people familiar with the discussions.

As previously reported, members, however, did not approve the WTO Director-General Ms Ngozi Okonjo-Iweala's proposal for a "modest budget increase of CHF 14.56 million (around $15 million) for 2024", and an additional CHF 1.94 million for 2025.

Despite the near rejection of her first budget-hike proposal last year, the DG chose to come back again with a new 43-page proposal that came up for a first reading at the CBFA on 18 July 2023.

Recent developments

Despite her repeated calls for hiking the WTO budget during 2022 and 2023, the DG on 29 April acknowledged that "the organization will have a budgetary surplus of CHF 4.8 million (close to USD 5 million)", an increase that prompted her to seek "stepping up our recruitment to hire the very best staff."

In a restricted letter (JOB/BFA/102) sent to the chair of the CBFA on 29 April, the DG wrote that the "very best staff" will be hired "utilizing the strategic staffing competency and mapping framework that we are developing."

Since she took office on 1 March 2021, there has been a perceptible rise in expenses towards travel (the DG is currently on a tour of several former Soviet republics) and seemingly extravagant projects like the reform of the WTO Secretariat undertaken by the management consulting firm McKinsey & Company, which allegedly cost around $1 million, said a person who asked not to be quoted.

The controversial Secretariat reform process generated considerable turmoil in the organization, said several people familiar with the reform-related developments.

Against this backdrop, in her letter, seen by the SUNS, she told the chair, Ambassador R. Sanchez-Fung, "I am reaching out to you at this time because we have closed the books for 2023, and our External Auditors are in the process of auditing our Financial Statement. That statement and the audit report will be provided to Members for discussion at the July CBFA meeting."

She said that "before the audited statements are released to us and to Members," she wanted "to provide some informal insight to you as to our budgetary result for 2023. I do so in the interest of making sure that you and our Members have pertinent information as quickly as possible."

She said, "As we could begin to see in the 3rd Quarter Report issued to Members last year, the Organization will have a budgetary surplus of CHF 4.8 million for 2023."

Ms Okonjo-Iweala admitted that "it may seem counter-intuitive that we had a budget surplus in 2023 at the same time that we were asking for an increase in budget for the 2024 and 2025 biennium."

Behind this development, she said, "last year, we were facing considerable uncertainty as to whether Members would provide us with a budget increase as we faced inflationary pressures as well as certain unavoidable mandatory and essential expenses."

She said, "I am gratified that Members granted us a modest increase, but that decision was not made until mid-December."

The DG maintained that "we have seen a record number of Members in arrears or quite tardy in making the required contributions."

With several countries, including Nigeria, currently mired in economic crises, it remains to be seen whether it is indeed an opportune time to focus on "long-term structural reforms," said a member, who asked not to be quoted. *(SUNS 10025)*

Slight drop in global unemployment amid persisting inequalities

A report by the International Labour Organization (ILO) has found that despite the global unemployment rate being projected to fall in 2024, there is still a persistent lack of employment opportunities, with women, especially in low-income countries, being disproportionately affected.

by Kanaga Raja

PENANG: The global unemployment rate is projected to hit 4.9 per cent in 2024, slightly lower than the 5.0 per cent recorded in 2023, and a downward revision from a previous projection of 5.2 per cent for this year, according to the International Labour Organization (ILO).

In an update to its World Employment and Social Outlook report, released on 29 May, the ILO said that the downward trend for joblessness is expected to flatten in 2025, with unemployment remaining at 4.9 per cent.

The ILO also pointed to a persistent lack of employment opportunities.

It estimated that the "jobs gap", which measures the number of persons without a job but who want to work, stands at 402 million persons in 2024. This includes 183 million people who are counted as unemployed.

The report found that women, especially in low-income countries, are disproportionately affected by the lack of opportunities.

The jobs gap for women in low-income countries reaches a striking 22.8 per cent, versus 15.3 per cent for men.

This contrasts with high-income countries, where the rate is 9.7 per cent for women and 7.3 per cent for men, said the ILO.

The ILO said that these differences are just the "tip of the iceberg", as significantly more women than men are completely detached from the labour market.

The report suggested that family responsibilities can explain much of the difference seen in women's and men's employment rates.

The report further underscored that while GDP growth remains crucial for development, it is essential to measure and monitor social progress indicators beyond economic activity alone.

GDP growth is important, but it is not a panacea for sustainable development. Global trends show that progress in reducing poverty and informality has slowed down since 2015 and the relationship between these indicators and GDP has weakened, it said.

"Today's report reveals critical employment challenges that we must still address. Despite our efforts to reduce global inequalities, the labour market remains an uneven playing field, especially for women," said ILO Director-General Gilbert F. Houngbo.

"To achieve a sustainable recovery whose benefits are shared by all, we must work towards inclusive policies that take into consideration the needs of all workers."

"We must place inclusion and social justice at the core of our policies and institutions. Unless we do, we will fall short of our objective to ensure strong and inclusive development," he added.

Job situation

According to the ILO report, economic growth during the first months of 2024 has been broadly consistent with expectations at the start of the year.

Recently revised estimates project global GDP growth of 3.2 per cent in 2024, a 0.1 percentage point upward revision since January, it said.

"Global inflation is decreasing, which will tend to mitigate the erosion of real wages seen in recent years. This stabilisation in the macroeconomic environment is translating into a relatively stable labour market outlook."

Nonetheless, the ILO said the latest estimates show that real wages remain slightly below 2019 levels globally, but with observed real increases in some major emerging economies.

"In the medium run, the situation remains uncertain, with significant monetary and fiscal policy adjustments expected at a global scale."

This is particularly relevant for employment, as labour market conditions tend to react with a sizeable lag to output, the ILO explained.

Hence, it said that restrictive macroeconomic policies will have a delayed effect on the labour market.

Moreover, although aggregate global economic growth remains relatively robust and aggregate global inflation is falling, many countries in a vulnerable situation face multiple challenges including conflict, food insecurity, cost of living crises, rising debt, and fiscal constraints.

These vulnerabilities are limiting the prospects for broad based improvements in labour market outcomes, the ILO said.

Given the recent macroeconomic stability and taking into account the latest incoming labour market data, the ILO said it has revised its projections of global unemployment in 2024, to 4.9 per cent (against the 5.2 per cent projected in November 2023).

This revision derives mainly from lower-than-expected unemployment rates in China, India, and high-income countries, it added.

Global unemployment in 2024 is projected to remain below the 2019 level, before the COVID-19 pandemic and the inflationary period that ensued in its aftermath.

While labour markets are tight in certain countries, incoming data show that job vacancies have returned to prior trends following their unusual increase in the aftermath of the pandemic, said the report.

Overall, the data point to a stable situation. Hence, there is no evidence of overly tight labour markets that could result in inflationary pressures, even in the mainly high-income countries for which the data is available, it said.

"Notwithstanding the relatively benign cyclical outlook in predominantly high-income countries, labour under-utilisation remains pervasive around the world."

An unemployment rate of 4.9 per cent means that 183 million persons are unemployed in 2024, the ILO noted.

It said the latest estimates of the jobs gap shows that 402 million persons are without a job but wanting to work in 2024.

Of these, 183 million are unemployed (they meet the two technical criteria: being available at short notice and actively searching for work), 137 million are in the potential labour force (they meet one of these criteria, but not both) and 82 million are willing non-jobseekers (they meet neither criterion but are willing to work).

"Hence, the latest ILO estimates show that global labour markets are still characterised by sizeable employment deficits, though this is manifested across different degrees of labour market attachment in the categories above."

In terms of dynamics, the ILO said a similar picture of stability is seen for the unemployment rate, the combined rate of unemployment and the potential labour force (LU3), and the jobs gap rate.

According to the latest projections, this trend is expected to persist through 2025, as the unemployment rate is expected to remain at 4.9 per cent.

In 2024, the Arab States region is estimated to have the highest jobs gap rate, at 20.5 per cent, followed by Africa (17.4 per cent). In contrast, the jobs gap rate for Asia and the Pacific is estimated at 7.5 per cent.

Finally, in all regions except the Arab States, which has an unemployment rate of 10.3 per cent, unemployment rates are in a narrower range of between 4.2 per cent (Asia and the Pacific) and 6.3 per cent (Africa), the report said.

Women held back

In 2024, the ILO estimates that 45.6 per cent of women (aged 15 and above) are employed, compared to 69.2 per cent of men, a gap of 23.6 percentage points, said the report.

It said this gap is much larger than what the labour under-utilisation indicators would imply, including the most broadly defined jobs gap indicator.

It said empirical ILO analysis shows that family responsibilities are a key driver of the gender gap in employment rates.

The contributions of family responsibilities to the observed gender gaps in employment are generally large and follow an inverse U-shape across country income groups, it noted.

It said in low-income countries, they stand at 14 percentage points and in lower-middle-income countries at 21 percentage points.

The report said in upper-middle-income and high-income countries, the contributions are 18 and 13 percentage points, respectively.

It must be highlighted that family responsibilities explain a large share of the observed gender employment gap across all income groups, it added.

In low-income countries, the estimated effect of family responsibilities accounts for 62 per cent of the gender employment gap.

In high-income countries, this share reaches 80 per cent and it is close to 76 per cent in middle-income countries.

Given these results, the report said it seems likely that social norms concerning the organisation of unpaid care work, coupled with deficits in care services, are critical factors behind the observed employment penalties.

First, women generally bear disproportionate childcare responsibilities. Moreover, the effect of this can become entrenched through a deterioration of job prospects that can last well beyond the first few years of a child's life.

Second, even in the absence of children in the household, women devote a disproportionate amount of time to unpaid care work compared to men.

In a 2018 ILO report, the authors found in a sample of 11 countries that daily hours spent in unpaid care work by women in households with no children averaged 3.7, which increased to 6.1 daily hours in households with small children.

For men, daily hours on unpaid care work are 1.7 with no children and 2.2 with small children in the household.

The ILO said that this suggests a disproportionate share of time devoted to unpaid care work beyond childcare, whether for household upkeep or care of relatives other than children.

Even when women are employed, they face stark gender inequalities, particularly in the developing world, the report said.

It found that employed women earn 73 cents to the dollar compared to employed men in high-income countries, while in low-income countries, women earn just 44 cents to the dollar.

This reflects severe deficits in employment quality for women, who are over-represented in vulnerable jobs, said the ILO.

For instance, the global incidence of contributing family work is 16 per cent for women compared to only 6 per cent for men.

The ILO said the drastic widening of gender labour income gaps as national income declines points to severe gender inequalities in developing countries.

It said given the high prevalence of informal employment in those countries, much of this inequality must materialize in the informal economy, which is characterized by persistent inequities, the prevalence of low productivity activities, and, often, poor working conditions.

Measures beyond GDP

Economic growth is an important driver of labour market conditions, such as unemployment, and sustainable development. In this sense, the recent resilience in economic growth is to be welcomed, said the report.

However, it said as the UN Secretary General's report "Our common agenda" acknowledges, there is also an urgent need to find complementary measures beyond GDP.

Since 2015, the year the Sustainable Development Goals were adopted, global GDP per capita has grown at a yearly rate of 1.8 per cent.

The ILO said this represents a moderate slowdown compared to the period from 2005 to 2015, of approximately 0.4 percentage points, which can be fully explained by the pandemic, as the growth rate of 2015-2019 was in line with the longer-run historical trend.

According to the latest IMF projections, the expected pace of per capita GDP growth going forward, 2.2 per cent for both 2024 and 2025, is in line with the longer run trend.

Hence, output growth – with the exception of the pandemic – is expected to be similar during the 2015-2025 period as during the prior decade, 2005-2015, said the report.

In contrast, it said that trends in other indicators point to a "decoupling" from GDP during the last decade.

Since 2015, poverty reduction has

slowed down compared to the decade prior to the establishment of the SDGs, from 5.7 per cent annually to only 1.4 per cent.

The report said although the COVID-19 pandemic played a large role in this slowdown, this remains worrying for three reasons.

First, it shows that the pandemic produced much larger scarring effects for poverty than for economic output (in fact, the poverty headcount in 2022 was 712 million, above the 689 million estimated in 2019).

Second, even before the pandemic, the slowdown was already apparent.

Third, in the pandemic's wake, rising geopolitical instability has impacted on food and energy prices, increasing food security risks and vulnerabilities.

Overall, the disappointing progress since 2015 in all likelihood puts the 2030 poverty target out of reach, said the report.

Progress on informality has also been disappointing. The share of informal employment was 61.4 per cent in 2005 and by 2015, this had decreased to 58.4 per cent, it added.

Since then, the pace of progress has been considerably slower: in 2024, the estimated share stands at 57.8 per cent, representing a clear slowdown in the pace of progress.

Informal employment has been growing at 1 per cent annually since 2015, 0.3 percentage points higher than the growth registered over the prior decade, said the report.

In contrast, formal employment has grown at an annual rate of 1.4 per cent, 0.6 percentage points lower than during the period from 2005 to 2015.

Moreover, informal employment has increased in absolute levels due to insufficient formal job creation alongside the growth in the working-age population, said the ILO.

"The number of persons informally employed, and hence working under more vulnerable conditions, continues to grow substantially year after year."

In 2005, there were approximately 1.7 billion workers employed informally. By 2015, the number had increased to 1.83 billion.

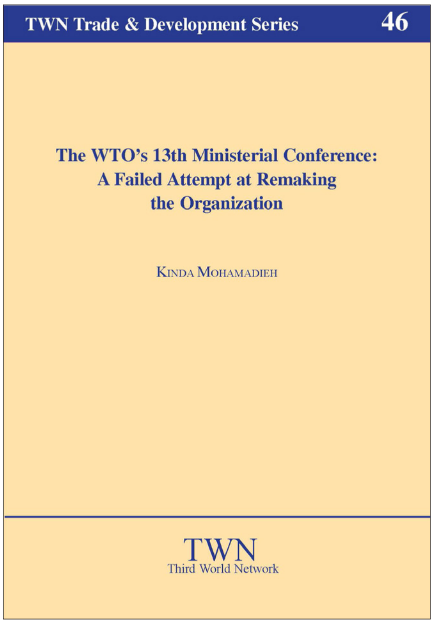
The latest estimates for 2024 point to almost 2.03 billion workers employed informally, said the report.

These findings indicate that a strategy of simply "growing out" of poverty and informality, even if faster growth materialised, is extremely unlikely to fulfil the promise of the 2030 agenda, it added. *(SUNS 10017)*

TWN Trade & Development Series no. 46

The WTO's 13th Ministerial Conference: A Failed Attempt at Remaking the Organization

By Kinda Mohamadieh



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The World Trade Organization (WTO)'s 13th Ministerial Conference (MC13), held in Abu Dhabi on 26 February–2 March 2024, was a stage where moves to reshape the governing body for international trade were played out. Spearheaded by developed countries, these efforts aim at loosening decision-making practices at the WTO in order to more easily expand the organization's ambit into new areas. Such a push could not only sideline longstanding issues of interest to developing countries but also distort the WTO's legal architecture of rules and erode its multilateral character.

This paper looks at how the attempt to remake the WTO unfolded at MC13, focusing among others on the difficult negotiations to draw up the main outcome document of the conference, and on the contentious issues of investment facilitation and services domestic regulation that were sought to be introduced into the WTO rulebook. The author also contends that this drive at remaking the organization will continue beyond MC13 and could come to have a major bearing on the very role and future of the WTO.

Available at: https://twn.my/title/tnd/td46.htm

Third World ECONOMICS No. 794-795, 1-31 May 2024

Current focus on increasing GDP to fight poverty is "misguided", says UN expert

A United Nations human rights expert has said that the current focus on increasing the Gross Domestic Product (GDP) to combat poverty and inequalities is "misguided".

by Kanaga Raja

PENANG: An increase in gross domestic product (GDP) is not a precondition for the realization of human rights or for combating poverty and inequalities, according to a United Nations human rights expert.

In his report (A/HRC/56/61) to the 56th regular session of the UN Human Rights Council, the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, argued that the current focus on increasing the gross domestic product is misguided.

He said that the dominant approach to the fight against poverty relies on increasing the aggregate output of the economy (measured as the gross domestic product), combined with post-market redistribution through taxes and transfers.

However, the UN expert said the ideology of "growthism" should not become a distraction from the urgent need both to provide more of the goods and services that enhance well-being and to reduce the production of what is unnecessary or even toxic.

As long as the economy is driven mainly by profit maximization, it will respond to the demand expressed by the richest groups of society, leading to extractive forms of production that worsen social exclusion in the name of creating more wealth, and it will fail to fulfil the rights of those in poverty, said De Schutter.

Moving from an economy driven by the search for maximizing profits to a human rights economy is possible and, to remain within planetary boundaries, necessary, he emphasized.

In his report, the Special Rapporteur said defined as the increase in gross domestic product (GDP), economic growth has long been seen as desirable for its own sake.

Economists have debated how it can be achieved and politicians how its benefits could be shared.

He said human rights bodies have seen growth as an indispensable condition for the realization of economic and social rights, based on the assumption that without growth, there would be no resources to mobilize for the progressive realization of such rights - for investments to be made in the provision of health care, social housing or education, or for the creation of jobs.

According to De Schutter, governments still act as if infinite growth were possible.

"Ignoring the warnings of scientists, they seem to believe that economic activity can expand endlessly, as if the Earth will forever provide limitless resources and absorb the waste resulting from our apparently endless quest for more."

However, in his report, the Special Rapporteur questioned these assumptions.

First, he argued that growth is a distraction from what truly matters, namely: poverty eradication and well-being for all.

Second, the economies of rich countries have grown far beyond what is necessary to allow people to flourish; they have become obese.

In those countries, growth is failing to reduce poverty and inequalities and to create jobs. It is leading to the transgression of a number of planetary boundaries.

Third, it has been fuelled by a plundering of the resources of the global South, in a post-colonial pattern of domination maintained by the stranglehold of foreign debt.

In poor countries, where significant investments are still required - for the building of schools and hospitals, or for transport or electricity infrastructure - growth can still serve a useful role.

The Special Rapporteur said in practice, however, it has often been extractive, relying on the exploitation of a cheap workforce and the unsustainable mining of natural resources.

If it is to contribute to the realization of human rights, therefore, its direction must change, he added.

"It should be re-oriented towards satisfying needs and shared more widely, rather than simply making the rich richer and furthering the dominance of major economic actors."

De Schutter said that despite its limitations, growth has become hegemonic. GDP remains the main indicator by which the performance of governments is measured.

"Its increase is seen both as a substitute for large-scale re-distribution and as a pre-condition for meeting certain challenges societies face."

The UN expert said that unsurprisingly, it is in the name of growth that trade liberalization has been pursued: the Agreement establishing the World Trade Organization refers to the need to ensure "a large and steadily growing volume of real income and effective demand, and [to expand] the production of and trade in goods and services" (first preambular paragraph).

Perhaps more troubling, economic growth is also referred to in the 1992 Rio Declaration on Environment and Development, which includes a pledge to support an "open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation."

More recent multilateral environmental agreements replicate that language, he added.

The dominant approach to poverty eradication has largely remained within this hegemony of "growthism": it has relied on fuelling economic growth first, followed by redistributing wealth through taxes and transfers.

The report said instead of seeking to make the economy more inclusive, ensuring real equality of opportunities, governments have focused on stimulating growth, which they have seen as a precondition for job creation and for the financing of public services and social policies.

De Schutter said that policy choices such as trade liberalization, the flexibilization of work or the creation of a "business-friendly investment climate" (code words for lowering taxes and regulatory burdens on the largest corporations) have been made in the name of increasing GDP, despite such measures causing social exclusion and testing the resilience of communities.

He said because it has acquired the status of a State imperative, the endless quest for growth restricts political imagination: more promising avenues for development, which could contribute better to human well-being and the realization of human rights, are insufficiently explored.

"That must and can be reversed. Within the Sustainable Development Goals themselves, while Goal 8 refers to "sustained, inclusive and sustainable economic growth" and includes a target of 7 per cent annual growth for least developed countries (target 8.1), target 17.19 calls for measurements of progress "that complement" GDP."

World leaders gathered at the Sustainable Development Goals Summit in September 2023 agreed on the need to "go beyond" GDP.

Momentum is growing. The search for post-growth forms of development has begun, in part because advanced economies have entered an era of secular stagnation.

The negotiations of the next development goals, starting with the Summit of the Future in September 2024, provide a unique opportunity to accelerate that endeavour, he said.

Limits to growth

The emphasis placed on economic growth is often justified by the need to increase State revenue, allowing it to provide public services and social protection, said the Special Rapporteur.

"It is also seen as a way to create jobs, thus compensating for job losses that result from technological change, including artificial intelligence."

De Schutter said that on that latter front, it has disappointed: while economists have long relied on Okun's law, positing that economic growth is needed to absorb the excess workforce made redundant by productivity gains, the correlation between GDP growth and the employment rate has been highly uneven in recent years, amounting to a meagre 0.34 since 2012 for Organisation for Economic Co-operation and Development (OECD) countries.

Once the exception, jobless growth is becoming the norm. In rich countries at least, growth has passed its sell-by date, said the UN expert.

It has modernized poverty without eradicating it. And it has become uneconomical, undermining the foundations of the productive economy itself, he added.

Poverty is often defined as lacking the income required for an adequate standard of living, resulting from the lack of access to decent work or gaps in social protection, the Special Rapporteur noted.

It is that definition that is used to monitor progress towards the eradication of poverty, which is target 1.1 of the Sustainable Development Goals.

Today, 670 million people (8.4 per cent of the world's population) live below the international poverty line of $2.15 a day at 2017 purchasing power parity, and it is estimated that this figure will fall to 575 million by 2030, which is far short of the target.

The UN expert said that the money-centric approach to poverty, adopted to monitor progress under target 1.1 of the Sustainable Development Goals, is hardly useful to capture the experience of persons in poverty.

De Schutter said that multi-dimensional approaches to poverty, such as the one adopted in the Multidimensional Poverty Index developed by the United Nations Development Programme (UNDP) and Oxford University, seek to capture deprivations not only in the areas of consumption or income, but also of educational attainment, educational enrolment, drinking water, sanitation and electricity.

"Such approaches reflect much better the impacts of multiple deprivations on individuals' ability to lead decent lives. They too, however, remain insufficient."

They fail to capture the reality of social exclusion, which may result from the inability of certain households to meet social expectations, such as the need to organize decent funerals for their parents or decent weddings for their children, to pay for extracurricular activities for a child or to own a smartphone.

The UN expert said that such social expectations change as overall affluence increases.

"As such, economic growth (defined by an increase in GDP), if accompanied by rising income inequality, may ultimately prove counterproductive: by raising the bar within a particular society, it may in fact worsen social exclusion - the sense of shame and worthlessness that people in poverty will experience."

In addition, if the rise in overall affluence leads to the increased commodification of certain services in areas such as health, education or transport, under the pretext that most people will now be able to afford paying for such services, the impacts of income poverty will be worsened, said the UN expert.

In that sense, economic growth can go hand in hand with the modernization of poverty: even while extreme material deprivation is reduced, the number of socially excluded persons may increase, he added.

"The so-called productive economy, the activity of which is registered by the GDP indicator, depends on the ecosystems that provide the resources and absorb the waste and pollution on which economic activity relies."

The UN expert said the productive economy also depends on the so-called reproductive economy, which takes place within households and communities, without remuneration, and to which women are the main contributors.

It depends, finally, on the "commons", on which many people in poverty still rely for the satisfaction of their basic needs, he added.

"A process of economic growth that erodes those foundations instead of recognizing that triple embeddedness is bound to fail in alleviating poverty."

The UN expert also said that economic growth demands escalating energy and material resource consumption to levels that can no longer be afforded.

Unsustainable forms of consumption by certain groups of the population, primarily in rich countries, have pushed the Earth well outside a safe operating space.

Six out of the nine planetary

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boundaries defining Earth stability and life support conducive to human welfare and societal development have already been transgressed, he noted.

"The United Nations Environment Programme (UNEP) recently warned that the extraction of resources had tripled since the mid-1970s, and it expected material extraction to rise by a further 60 per cent by 2060."

The Special Rapporteur said in its 2019 global assessment report on biodiversity and ecosystem services, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services estimated that, as a result of human activity, 75 per cent of the Earth's land surface had been significantly altered, 66 per cent of the ocean area was experiencing increasing cumulative impacts, more than 85 per cent of wetlands had been lost, and approximately 1 million species would be facing extinction within decades, unless action was taken to reduce the intensity of drivers of biodiversity loss.

De Schutter said that economic growth is a major driver of those trends: "Economic incentives generally have favoured expanding economic activity, and often environmental harm, over conservation or restoration."

Socially useful work

The focus on increasing GDP obscures the importance of domestic and care work and the need to value it better, the report further said.

Approximately 16.4 billion hours are spent each day on direct personal care of young children or older relatives and indirect care activities, such as cooking, cleaning or collecting water or fuel-wood, representing two billion people working eight hours a day without remuneration.

If that contribution were to be remunerated on the basis of the minimum hourly wage, it would represent 9 per cent of global GDP.

More than three quarters of that work (76.4 per cent) is provided by women, who dedicate 3.2 times more time than men to unpaid care work, said the UN expert.

De Schutter said that care work is vital to the economy: productive work would be impossible without it.

Yet, because care work is not valued in monetary terms, it has generally neither been accounted for nor supported through social investment, he noted.

"That is gradually changing. Since 2013, labour force surveys more systematically include unpaid domestic and care work in statistics, under the heading "own-use provision of services"; the Sustainable Development Goals include a target (5.4 under Goal 5 on gender equality) to recognize and value unpaid care and domestic work."

The Special Rapporteur said recognizing unpaid domestic and care work is a first step, ensuring that it is factored into economic analysis and taken into account in public policies; that the upbringing and education of children or caring for a dependent relative is considered valuable work experience by prospective employers; that the paid parental and other carers' leaves are granted; and that "care credits" are included in pension calculations, as is required under the International Covenant on Economic, Social and Cultural Rights.

In addition, he said governments should reduce the scope and weight of domestic and care work, which means ensuring the provision of universal access to safe water, sanitation and domestic energy systems, of affordable and high-quality care services, as well as policies that support mothers and fathers in their parenting roles and other caregivers.

Beyond domestic and care work, "growthism" leads to undervaluing work that makes positive contributions to society, while work that "adds value" is overvalued: as emphasized, for instance, by scholars of the "foundational economy", it is the most profitable jobs, but not the most useful, that are better rewarded through higher wages and better working conditions, including job security, said the Special Rapporteur.

"Steering economies towards post-growth scenarios does not mean imposing austerity; nor should it be confused with recession, although recessions are characterized by negative growth rates."

Rather, De Schutter said directing the economy towards a post-growth future means democratically planning a transition towards an economy that will reduce its addiction to growth, in a way that contributes to the realization of economic, social and cultural rights and to the reduction of inequalities.

"Attempts to steer societies away from the search for growth will be met with resistance as long as people equate economic growth with progress and improved well-being."

The Special Rapporteur said the strengthening of democracy is therefore necessary if a post-growth approach to development is to succeed: participatory forms of democracy in particular can allow the questioning of certain widespread assumptions about the correlation between growth and well-being, or happiness.

Significant progress has been achieved in recent years in designing, and using, indicators of social progress as an alternative to GDP, he noted.

While a number of countries have introduced well-being indexes under various forms, some have gone further, using such indicators to guide policy.

For instance, the Special Rapporteur said in 2008, Bhutan introduced the gross national happiness index, which seeks to measure progress through nine domains and 33 indicators that encompass psychological, health, cultural and environmental well-being; the Constitution of Bhutan requires the government to consider gross national happiness in its policymaking.

Fighting inequalities

The report said the fight against income and wealth inequalities - "vertical inequalities", as opposed to the "horizontal inequalities" between groups that human rights law has traditionally been more concerned with - should be at the heart of the search for post-growth approaches to poverty eradication.

First, inequalities (both within countries and among countries) allow the most affluent to command resources that, as a result, are not available to meet the basic needs of persons in poverty.

"The more the production system is guided by demand, and the more income differentials are allowed to persist, the more resources will be diverted to satisfying the desires of the rich, rather than the needs of the poor."

The report said the economy is thus less efficient in meeting those needs if it tolerates high levels of inequality.

Second, the accumulation of wealth within a narrow elite has significant impacts, in particular on greenhouse gas emissions, due to the investment choices of the wealthiest groups.

The most wealthy 1 per cent of the world's population has been responsible for 23 per cent of the total increase in emissions since 1990 (while the poorest 50 per cent has been responsible for only 16 per cent of all emissions growth); the bulk of the emissions from the richest result from their investments rather than from their consumption.

"Third, reducing inequalities would put a brake on the most unsustainable lifestyles, which only the richest segments of the population, located mostly in rich countries, can afford."

The UN expert said globally, the wealthiest 10 per cent of the world's population (two thirds of whom live in high-income regions) contribute about 36-45 per cent of global greenhouse gas emissions, while the lifestyle consumption emissions of the middle-income and poorest citizens in emerging economies are between 5 and 50 times below their counterparts in high-income countries.

"It is not just the wealth of the elite that is the problem, due to the kind of consumption patterns its allows, but inequality itself, since inequality encourages status competition through material consumption."

Fourth, income and wealth inequalities have political consequences. Economic dominance is easily converted into political influence, allowing the richest groups of the population and the most powerful economic actors to veto any change that might challenge the status quo they benefit from, said De Schutter, adding that inequalities thus lead to a vicious cycle.

They lead to a financialization of the economy that is a major source of increased greenhouse gas emissions and they stimulate the adoption of consumption patterns by the rich - larger houses, more powerful cars, exotic trips - which compete against marginalized communities and low-income households for the use of scarce resources.

De Schutter said those communities and households are priced out from that auctioning process, and they may ultimately be unable to satisfy their needs, even in situations in which resources would otherwise be sufficient to ensure decent standards of living for all.

The UN expert said that "the lifestyles of the rich, driven by status competition and conspicuous consumption, fuel the consumption-driven model of our current global economic system, which relies on the ever-increasing production and purchase of consumer goods to sustain economic growth."

Such lifestyles are entirely incompatible with the need to reduce environmental pressures.

Yet, their control of assets allows powerful economic actors, who thrive on the status quo, to veto any significant reform that might threaten their dominant position, he added.

Reforms of the economy that reduce its dependency on the market can allow societies to move away from the treadmill in which overproduction, dictated by the need to increase profits, can only be sustained by stimulating over-consumption, thus locking people into an employment-consumption cycle that is an obstacle to flourishing lives, said the Special Rapporteur.

At the consumption end, access to goods and services necessary for the full enjoyment of human rights should be made less conditional on the ability to pay and thus on access to remunerative jobs, he added.

"At the production end, the productive machinery should focus more on responding to basic needs, and less on satisfying wants manufactured by the marketing strategies of companies and stimulated by status anxiety."

In this context, De Schutter highlighted five priorities that have emerged: (1) stimulating the social and solidarity economy; (2) democratizing work; (3) sharing employment (he said shortening working hours holds significant potential for reducing the pressure of economic activity on ecosystems); (4) combating consumerism; and (5) providing universal basic services.

He said that significant obstacles remain to steer the economy towards the fulfilment of human rights rather than towards increasing outputs valued in monetary terms.

The cultural barriers are real: many people still believe that economic growth can be equated with human progress.

Political economy issues too should not be underestimated: the players who gain from the status quo will seek to oppose change, he noted.

Beyond creating the necessary support, the Special Rapporteur said that policymakers face two key challenges.

Firstly, he said it is commonly believed that GDP growth is required to finance the services the State provides to the population, as well as to make the investments required for the green transition – in renewable energy or in public transport infrastructure, for example.

Indeed, the welfare states that emerged in advanced economies in the early twentieth century were mainly funded by the contributions of workers and employers and by income taxes, De Schutter noted.

He said the challenge today is to finance these State policies without having to further increase the total flow of economic activity (as measured by the GDP indicator).

While States that are monetarily sovereign (issuing their own currency, which suppliers of goods and services accept as payment) can afford high levels of public debt, significant constraints nevertheless exist, he added.

The Special Rapporteur highlighted global interdependencies as being the second key challenge.

The current growth model is the source of a deeply unequal exchange, in which growth in the global North relies on exploiting resources in the global South, and in which wealth creation in the global South largely depends on producing for the high-value markets of rich countries, in large part to pay back a foreign debt labelled in hard currencies, he said.

"Thus, while the North imposes social and ecological costs on the South, countries in the global South depend on transfers and on imports from the North. No "beyond growth" strategy can ignore such dependencies inherited from colonial patterns of domination."

Overcoming those dependencies requires a fair allocation of efforts. While the economies of rich countries have become obese, economies in low-income countries are still too lean: they should be supported in their efforts to expand further, said the UN expert.

According to the Special Rapporteur, the support of the international community in that direction should be guided by the principle of common but differentiated responsibilities and respective capabilities, to take into account both the past contributions of countries to environmental pressures and their ability to contribute to reversing this trend as measured by financial resources and technologies.

He said structural dependencies between North and South may require de-growing North-South trade patterns and instead developing South-South trade and local and regional markets; increasing the capacity of developing countries, particularly low-income countries, to produce to satisfy their own needs, including by technology transfers and infant industry protection; and favouring debt restructuring and forgiveness to ensure that heavily indebted poor countries are not forced to produce for global markets, and can instead prioritize the needs of local communities.

In conclusion, the Special Rapporteur said that the transition to a post-growth development trajectory, focused on the realization of human rights rather than on an increase in the aggregate levels of production and consumption, should be explicitly mentioned in "A Pact for the Future", which is expected to be adopted at the Summit of the Future in September 2024.

However, he said that cannot be achieved at once; nor can it be achieved locally or at country level alone.

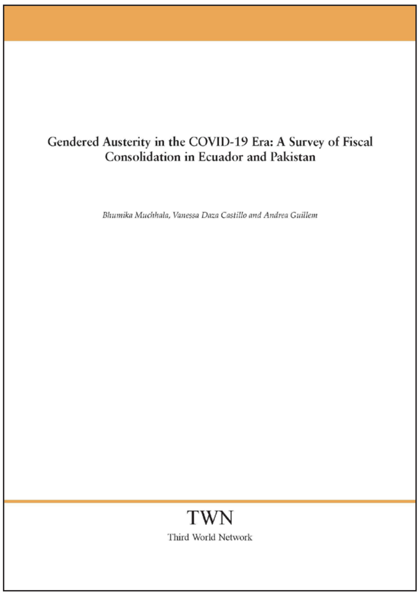
Escaping growth dependencies will require multi-year strategies and it will require an effort at different levels of governance.

The overall objective should be to reshape the economy in order to produce more socially useful and ecologically sustainable goods and services, and to significantly reduce unnecessary and wasteful production, he said.

Appropriate sequencing and coordination of the transition at multiple levels of governance is key, the UN expert concluded. *(SUNS 10016)*

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

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Government debt is symptom, not cause

Ndongo Samba Sylla and *Jomo Kwame Sundaram** argue that myths about public debt are legion, and that media hysteria surrounding this issue is unjustified. Instead, attention should be paid to the macroeconomic and distributive impacts of public spending.

DAKAR/KUALA LUMPUR: Developing country governments are being blamed for irresponsibly borrowing too much.

The resulting debt stress has blocked investments and growth in this unequal and unfair world economic order.

Myths about public debt are legion. The most pernicious see governments as households.

Hence, a "responsible" government must try to run a surplus like an exemplary household head or balance its budget.

This analogy is simplistic, unfounded and misleading. It ignores the fact that governments and households are not equivalent monetary entities.

Unlike households, most national governments issue their currencies.

As currency is widely used for economic transactions, government debt and liabilities influence households' and businesses' earnings and wealth accumulation.

The standard analogy also ignores principles of double-entry bookkeeping, as one entity's expenditure is another's income, one entity's debit is another's credit, and so on.

The government deficit equals the surplus of the non-government sector, which includes households, businesses, and the "rest of the world".

Thus, when a government budget is in deficit – spending exceeds revenue – the government has created net financial wealth for the non-government sector.

Government deficits, therefore, increase private savings and the money supply.

Since only the government issues the national currency, its spending does not "crowd out" private-sector spending but complements it.

As the currency is debt issued by the state, no money would be left in an economy if the government paid off all its debt!

Hence, media hysteria about public debt is unjustified. Instead, attention should be paid to the macroeconomic and distributive impacts of public spending.

For example, will it generate inflation or negatively impact the balance of payments? Who would benefit or lose?

Debt-to-GDP ratio

Another widespread myth maintains that public debt beyond a certain level is not sustainable or negatively impacts economic growth.

Allegedly supportive studies have been discredited many times, including by IMF research. Yet, the myth persists.

Mimicking euro-zone criteria, many West African governments have set policy targets, including public deficits of less than 3% of GDP and debt-to-GDP ratios of less than 70%.

The debt-to-GDP ratio undoubtedly shows relative levels of indebtedness. But otherwise, this ratio has no analytical utility.

After all, public debt is a "stock", whereas GDP or output is a "flow".

Suppose a country has an annual income of $100 and zero debt. Suppose its government issues debt of $50 over 25 years, with annual repayments of $2.

Its public debt-to-GDP ratio will suddenly increase by 50%.

This poses no problem as GDP will likely increase thanks to increased investments while repaying the $50 debt.

With an annual economic growth rate averaging 3%, GDP will more than double over this period.

Second, public debt is always sustainable when issued and held in domestic currency, and the central bank controls interest rates.

With a debt-to-GDP ratio of 254%, the Japanese government will never lack the means to pay off its debt.

Unlike developing countries that take on foreign currency debt at rates they do not control, it will always be solvent.

Thus, Peru defaulted in 2022 with a debt-to-GDP ratio of 33.9%!

Monetary "Berlin Wall"

Thus, there is a significant difference between the governments of the North - mainly indebted in their own currencies – and those in the South, whose debt is at least partly denominated in foreign currencies.

But governments in the South are not indebted in foreign currencies due to inadequate savings.

They can always finance any spending requiring local resources, including labour, land, equipment, etc.

Objectively, no country issuing currency can lack "financing" for what it has the technical and material capacity to do.

The chronic indebtedness of most developing countries and the ensuing crises are thus manifestations of the international economic and financial system's unequal and unfair nature.

Global South countries have been required to accumulate "hard currencies" – typically dollars – to transact internationally.

This monetary "Berlin Wall" separates two types of developing countries.

First, net exporting countries that accumulate "enough" dollars usually invest in low-yielding US Treasury bonds, allowing the US to import goods and services virtually free.

Second, those which do not earn "enough" hard currencies resort to transnational finance, typically increasing their foreign indebtedness.

Most eventually have to turn to the IMF for emergency relief, inadvertently deepening their predicament.

However, as they have to cope with prohibitive terms and conditions for access to emergency foreign financing, it is difficult to escape these external debt traps.

Paradoxically, countries of the South with chronic dollar deficits are often rich in natural resources.

Bretton Woods institutions typically demand protracted fiscal austerity and economic denationalisation, undermining developing countries' chances of getting fair returns for their resources and labour.

Abuses and mismanagement may aggravate Global South governments' indebtedness in foreign currencies, but these should always be understood in the context of the unequal world economic and financial order. *(IPS)*

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