

THIRD WORLD *Economics*

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Push to advance Doha Round arouses concern

As attempts to conclude the WTO's Doha Round of trade negotiations by the end of the year gather pace, concerns have arisen that the talks are sought to be steered towards an outcome that marginalizes longstanding priorities of developing countries in favour of developed-country interests.

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Concern among developing countries on DG consultations in WTO

The WTO Director-General held closed-door meetings in May with a select group of trade envoys in which only market access issues were said to have been broached. This has raised apprehension that the contentious question of farm subsidies which harm developing-country agriculture is being sidelined in a bid to conclude the Doha Round trade talks by year's end.

by Chakravarthi Raghavan

GENEVA: There is increasing concern among developing countries over the "growing attempts" by the WTO Director-General (DG) and the major developed countries to wind up the Doha Round in time for the WTO's Nairobi Ministerial Conference by focusing only on issues of market access for agricultural and industrial products, without addressing and resolving issues of domestic and export subsidies in agriculture, which adversely impact on farmers in poorer countries, trade envoys said.

Some of them said that there also appear to be subtle attempts to split China and India, which so far have been resisting these efforts to focus on market access issues and ignore the huge trade-distorting agricultural subsidies of developed countries.

In a scenario more reminiscent of the bad old days of the pre-WTO trading system, of very restricted "green room" meetings where a few developing countries are sought to be isolated and pressured to force down an accord on the broader membership, the WTO DG Roberto Azevedo has been apparently having closed-door meetings with trade envoys from the United States, the European Union, China, India, Brazil, Australia and Japan.

These meetings, according to those familiar with the discussions, are focusing only on market access issues for agricultural and non-agricultural products, being pushed by the United States.

Some trade envoys told the *South-North Development Monitor (SUNS)* that the meetings are discussing "new ideas" on market access, based on a combination of average cut as well as a cut on the average existing tariff level for reducing tariffs on agricultural and industrial products.

This has raised serious questions as to whether attempts are being made to bury all the existing Doha Round mandates in order to conclude the Round by the end of this year, in time to proclaim success at the WTO's 10th Ministerial Conference, which will take place in Nairobi in December.

"Clearly, there is an attempt to run away with market access results based on an average cut in agriculture products while postponing the outcome on domestic support [subsidies] till the last minute of the 10th Ministerial Conference," according to a developing-country trade envoy familiar with the DG's "green room" meetings.

"One major developed country [the US] doesn't want to discuss domestic support at this juncture as it could raise questions on its trade policy initiatives," said another trade envoy.

Azevedo reportedly held three rounds of green room meetings with the seven countries on 6-12 May to discuss only market access in agriculture and industrial products.

On 8 May, the DG held a larger green room meeting of over two dozen trade envoys on issues concerning services and the development dossier in the Doha Development Agenda (DDA).

During the discussions on market access in agricultural and non-agricultural goods, the chairs of the respective negotiating bodies under the Doha Round – Ambassador John Adank of New Zealand (agriculture) and Ambassador Remigi Winzap of Switzerland (NAMA – non-agricultural market access) – along with the WTO General Council Chair, Ambassador Fernando de Mateo of Mexico, were present and took part in the marathon meetings.

Prior to the DG's green room meetings with the seven countries, a large

majority of developing and least-developed countries had insisted at the WTO Trade Negotiations Committee meeting on 27 April (see *TWE* No. 592/593) that the post-Bali work programme with precise modalities must be largely based on all the existing Doha Round mandates beginning with the 2001 Doha Ministerial Declaration.

The mandates also include the 2004 July Framework agreement, the 2005 Hong Kong Ministerial Declaration and the 2008 revised draft modalities for the agriculture and NAMA negotiations.

In sharp contrast, the developed countries, led by the United States, had raised numerous concerns on the previous mandates while insisting that the work programme must be based on a "recalibrated" approach. The EU consistently propagated what it has been calling a "simplified" approach, but without spelling out the elements of such an approach.

The developed countries have largely coordinated their positions to give short shrift to the previous mandates, particularly the 2008 revised draft modalities, trade envoys suggested, with some suggesting that there is an element of disarray among African envoys in the absence of strong leadership in Geneva and back home.

"New approach"

Against this backdrop, the DG has reportedly focused on a "new approach" based on average formula without specifying any figures that would be used for such a formula. Azevedo asked the seven countries to spell out their views, said trade officials familiar with the meeting on 6 May.

The average formula framework had been proposed at the agriculture meetings in April by Paraguay and then Norway. But these proposals did not fly, as they failed to secure any support from the developing countries, particularly China and India. China had accused Paraguay of acting as a front for some developed countries who are promoting the average formula framework so as to deny the flexibilities (for developing countries).

Clearly, the average formula framework is seen as a death knell for the tiered formula approach that the former chair of the agriculture negotiations Ambassador Crawford Falconer of New Zealand had suggested in the 2008 revised draft modalities. That tiered ap-

proach was aimed at reducing the sensitive agriculture tariffs in the developed countries. Developing countries also had to bring down their tariffs based on the tiered framework and in return, they were provided flexibilities through increased entitlement for sensitive products and special products.

The DG's emphasis on average formula is thus seen as a clear ruse for the developed countries to protect their sensitive tariffs, said a former trade envoy from an industrialized country. "An average low tariff cut will help industrialized countries to shelter their sensitive tariff products," the envoy argued.

The US, the EU, Australia and Japan have favoured the average formula approach for different reasons. While Australia, which is the coordinator for the Cairns Group of agriculture exporters, had suggested an aggressive market access approach in the past, Canberra is now willing to change course in line with the interests of other developed countries, said an agriculture negotiator familiar with the discussions.

However, India and China told the DG that while they are willing to consider new approaches, they prefer that the 2008 revised draft modalities remain as the basis. The two countries sought to know how the flexibilities will be treated in the event the average framework is to be adopted.

India also pointed out that it would prefer the tiered approach with flexibilities as compared to the average framework which might have an uneven impact on its tariffs, said negotiators familiar with the discussions.

The two developing countries, particularly India, also raised concerns as to whether the average formula approach would address tariff peaks, tariff escalation and tariff capping. These are long-pending issues that the Tokyo Round negotiations in the 1970s failed to address, and were placed on the agenda of the subsequent Uruguay Round. They again were not tackled in the Uruguay Round's Marrakesh treaty (which established the WTO), but developing countries accepted the "good faith" assurances of the developed countries then that the agriculture reform process, while needing a long timeframe for implementation, was now irreversible and that these issues would be addressed as part of the process.

These assurances were renewed and are a fundamental part of the Doha Round negotiations and mandate, but all

of that is again sought to be brushed away.

At the DG's meetings with the seven countries, there was considerable discussion on what will happen with regard to special products and the special safeguard mechanism for developing countries.

Apparently there was a suggestion that only China must be given entitlement to designate a few special products while other developing countries must not have these products because the level of ambition is said to be already lowered with the average cut, trade officials told *SUNS*.

The suggestion for a few special products for China came from the DG, said a trade official from an industrialized country.

This is being seen as an effort by Azevedo to break the unity of China and India in attacking domestic agricultural subsidies of the US and other industrial countries affecting the poor farmers in these and other developing nations.

In the area of industrial products, the seven countries discussed what is called "a cut from the average" given in the Swiss formula that was proposed in the 2008 revised draft modalities. There was no clarity as to how the cut on average would compare with the Swiss formula and whether the associated flexibilities for developing countries in the NAMA tariff reduction commitments would be retained as they are in the 2008 revised draft modalities, trade officials said.

The US has maintained that with the proposed "recalibration" to reduce the overall level of ambition in market access for agriculture and industrial goods, there should be no demands for any additional flexibilities.

Silence on subsidies

However, the most puzzling aspect of the DG's meetings with the seven countries is that there was no discussion at all on domestic support and export competition in agriculture, developing-country trade envoys told *SUNS*. The US has said there is nothing to discuss in domestic support while the DG has made no effort to discuss the issue despite demands from India and China.

The 2008 revised draft modalities had suggested a figure of \$14.5 billion for the US Aggregate Measurement of Support (AMS). But, with the current American farm bill enacted last year, the

US AMS will go well beyond \$14.5 billion.

Azevedo also did not discuss commitments on export competition in which the EU and the US remain major culprits, said a trade official.

The WTO's Appellate Body had ruled that the domestic subsidies and export-financing schemes for cotton producers in the US had adversely affected global cotton trade. The ruling was handed down in a dispute launched by Brazil and was adopted by the WTO's Dispute Settlement Body, but is yet to be implemented by the US, which has been "buying off" affected Brazilian farmers

by means of lump-sum payments to Brazil.

In a dispute on sugar subsidies, the Appellate Body had passed strictures against the EU.

In a nutshell, Azevedo's specific focus only on market access without discussing all the outstanding issues in the domestic support and export competition pillars has raised more questions about the integrity of the process being adopted, several trade envoys told *SUNS*. (*SUNS8023*) □

This article was written with inputs from D. Ravi Kanth.

Ambassador Remigi Winzap of Switzerland respectively.

"Potential approaches"

Almost a week after the Director-General's last meeting with the seven countries, NAMA chair Winzap issued a note in which he has suggested five "potential approaches" that were brought to his attention.

"Besides the request and offer approach submitted by Argentina and discussed in March, the following potential approaches have been brought to my attention," Winzap said in the note, without revealing the proponents of these approaches.

So far, only two members – Argentina and Paraguay – have proposed different approaches. Argentina had proposed a request-and-offer approach while Paraguay had circulated a proposal on average and minimum cut for agriculture products. Both these approaches were rejected by a large majority of developing and least-developed countries which have consistently demanded that the Doha Round negotiations must be concluded on the basis of the 2008 revised draft modalities in agriculture and industrial goods.

Despite the rejection of the Paraguayan proposal, Norway had submitted to the chair of the agriculture negotiations an almost identical proposal, which is yet to come up for discussion.

Against this backdrop, it doesn't require rocket science to discern the proponents of the NAMA chair's latest note.

The five "potential approaches" mentioned by Winzap are:

(i) Increasing the coefficients of Rev. 3 (the 2008 revised draft modalities for industrial products) for developing and developed Members.

(The coefficient in the Rev. 3 draft was 8 for the developed countries and between 20 and 25 for the developing countries with a set of flexibilities such as a certain percentage of unbound tariffs or a percentage of tariffs without cuts for sensitive products);

(ii) Taking the average of line-by-line reductions according to Rev. 3, using the coefficients 8 for developed and 25 for developing countries (but without flexibilities), as the starting point for applying a cut of the overall tariff average;

(iii) Same as under (ii), but starting from a reduced reference level (e.g., average of cuts multiplied by a number

Transparency by others, secrecy for WTO

The revelations about Roberto Azevedo's consultations with seven member state delegations have reportedly upset the WTO chief, writes *D. Ravi Kanth*.

GENEVA: WTO Director-General Roberto Azevedo is apparently upset that his meetings with trade envoys from seven developed and developing countries to discuss the benchmarks in the market access pillars of agriculture and industrial goods for concluding the Doha Round negotiations by the end of this year are being reported in some publications, including the *South-North Development Monitor* (*SUNS*), according to people familiar with the development.

An exasperated Director-General was unhappy as to why closed-door deliberations among seven countries – the United States, the European Union, China, India, Brazil, Australia and Japan – could not be kept confidential, said a trade official from South America.

For the Director-General, who constantly chants the mantra of a "bottom-up and transparent" process, the comment in *SUNS* (reproduced as the preceding article in this issue) is seen as a breach of confidentiality because it raised some fundamental questions on how a market access package is being constructed without discussing trade-distorting domestic and export subsidies in order to suit the interests of the two trans-Atlantic trade giants, the official said.

The article in *SUNS* also challenged the basis for adopting the approach of an "average cut in tariffs or a cut on the average existing tariff level" for reduc-

ing tariffs on agricultural and industrial products in total disregard of the tiered formula in the 2008 revised draft modalities for agriculture and the so-called Swiss formula for industrial products.

The article raised questions on who the proponents of these average-cut-based formulae were and whether the Director-General is echoing them at the behest of the two dominant developed-country members, the US and the EU.

[Perhaps Azevedo and others (members or officials) wanting secrecy for their talks and making a fetish of it, would do well to read what the *Financial Times*' Alan Beattie – an ardent supporter of the WTO and the opening up of markets to transnational corporate investors (including FT owners Pearson) – has to say about US President Barack Obama's insistence on secrecy for the Trans-Pacific Partnership trade talks ("Five arguments against the self-defeating secrecy of the Trans-Pacific Partnership", *blogs.ft.com*, 19 May). What is true of the TPP is even more true of the WTO. It will not be the Doha Round alone that will be a casualty, but the WTO itself, and the US will lose more than others. – *SUNS*]

The Director-General's meetings were attended by the General Council Chair, Ambassador Fernando De Mateo of Mexico, and the heads of the agriculture and non-agricultural market access (NAMA) negotiating bodies, Ambassador John Adank of New Zealand and

smaller than 1);

(iv) Taking the average of line-by-line reductions according to Rev. 3, using the coefficients 8 for developed and 25 for developing countries (without flexibilities), as the starting point for applying an average cut of tariff lines; and

(v) Following an approach for the so-called formula applying members similar to what Rev. 3 envisaged for other members, such as small and vulnerable economies (i.e., grouping members according to levels of their existing bound tariff averages).

The chair did not explain how he arrived at these five approaches, whether through a top-down or bottom-up process. In the informal open-ended meetings he held with members at large, these approaches hardly figured as they are indicated now in the note.

Clearly, it is easy to surmise that the chair's note is based on what one major industrialized country wants to do, a developing-country trade official said.

During the 2008 negotiations, the US was unhappy with a coefficient of 8 because it would cut into its peak tariffs on textiles and apparel products and leather products, which are around 40%. The US wants to get a high coefficient so that it can protect some of these peak tariffs, but more importantly, it wants to ensure that there are no flexibilities for developing countries, the developing-country official said.

Many developing countries had accepted the 2008 revised modalities on the basis that they were a compromise in which the developing countries would undertake higher cuts than the industrialized countries in their bound tariffs but also avail themselves of the entitlement for a small percentage of sensitive products. Even then, South Africa and Argentina had some fundamental concerns on the 2008 NAMA modalities.

Therefore, it is not clear what the underlying rationale of the chair's proposal is, the official said.

Fundamental questions

In his note, the chair said that "the NAMA negotiations need to take account of today's international environment, in particular the fact that market access negotiations in WTO are 'competing' with such negotiations in RTAs [regional trade agreements], which impacts the ambition level in WTO."

"I also mentioned as a further determinant the very different tariff profiles of Members – the difficulty being that

whatever approach is chosen, the implications may be quite different for different Members ... Both observations also apply in agriculture," the NAMA chair argued.

This raises two fundamental questions.

Firstly, is the chair adhering to the existing Doha Round mandates or trying to conceive an approach that is suitable for industrialized countries?

The 2001 Doha Ministerial Declaration, the 2004 July Framework agreement, the 2005 Hong Kong Ministerial Declaration and the unsettled 2008 revised draft modalities are all premised on the development dimension of the Doha Round.

For example, the 2004 July Framework agreement and the 2005 Hong Kong Ministerial Declaration had called for "less than full reciprocity" (LTFR), in which the developed countries undertake higher reduction commitments than the developing countries.

The LTFR-based approach was followed in the modalities proposed by the former chair of the agriculture negotiations, Ambassador Crawford Falconer of New Zealand, through a bottom-up process. However, it was an open secret that the approach was torpedoed by the then chair of the NAMA negotiations, Ambassador Don Stephenson of Canada, who had resorted to a top-down approach.

The developing countries grudgingly accepted the broad parameters of those 2008 revised draft NAMA modalities as a compromise. Now the current chair's note raises a further question of whether even that compromise would be respected, said an official familiar with the negotiations.

Secondly, at a time when the Director-General and major industrialized countries are pushing for a "recalibration" framework which aims to lower the level of ambition in order to conclude the Doha Round by the end of this year, why is the chair suggesting that the level of ambition in NAMA must correspond to what is being done by some members in RTAs, the developing-country official asked.

Winzap emphasized that "Members are looking at market access in NAMA and in agriculture in a more parallel way than in the past." He went on to raise several questions such as: "What could that mean? Comparability by taking as starting points Rev. 3 in NAMA and Rev. 4 in agriculture? Comparability by moving to formulas based, both in NAMA and agriculture, on an average cut of tar-

iff lines or on cutting the overall tariff average? Should the chosen approach be the same in NAMA as in agriculture or could it be different?"

The chair is conspicuously silent on what happens to the internal balance of the agriculture negotiations between the three pillars of domestic support, market access and export competition, and whether it is proper to treat only the market access pillar without considering the other two pillars.

Also, the Doha Round negotiations were premised, and this has been repeatedly reiterated, on the understanding that agriculture will decide the level of ambition. But now there is no clarity on what happens to trade-distorting domestic subsidies in agriculture because the US cannot bring its Aggregate Measurement of Support below \$14.5 billion due to its latest farm law which came into force last year.

Also, it is not clear what happens to the balance within NAMA between tariff reduction commitments on the one side, and the removal of non-tariff barriers (NTBs) on the other.

The chair said that he doesn't see much traction in NTBs and "I understand that it is difficult to advance on NAMA NTBs as long as we do not see progress on the tariff side."

Here again a major industrialized country remains opposed to any discussion on NTBs at this juncture, said a trade official who is familiar with the negotiations.

"At this stage, it would certainly be helpful if there were not any upfront rejection of ideas," the Swiss chair emphasized.

It is intriguing why the chair chose to make such a statement even before the discussion began on the issue, the official added.

Also, Winzap maintained that "the work on the NAMA tariff side needs to be pursued in relation to what is going on in Agriculture. Therefore, I will also further coordinate my work with the Chair of the Agriculture negotiation and the Head of the TNC [Trade Negotiations Committee]."

In a nutshell, the chair's note falls in line with what the Director-General wants to do at this juncture. The DG, who was the former Brazilian trade envoy to the WTO and who had maintained that the 2008 modalities in agriculture are the final landing zones, is now determined to put the Doha Round to bed by the end of this year so as to ensure that the developed countries walk away without

undertaking significant commitments in agriculture.

Perhaps, having obtained for free from the developing countries the gift to the US and EU of the Trade Facilitation Agreement (trade facilitation was a part of the Doha single undertaking), he now wants to achieve the same and wind up

the Doha Round, more so when the African nations appear to be in difficulties, torn between the need to secure a fair deal for themselves and supporting, from a sense of African solidarity, Kenya's need to show success at Nairobi for the Ministerial Conference. (SUNS8025) □

US call to drop SSM rebuffed by South envoys

Many developing countries have rejected a US call to drop the proposed agricultural special safeguard mechanism from the Doha Round agenda, insisting that the SSM is needed as protection against excessive volatility in farm trade.

by D. Ravi Kanth

GENEVA: Many trade envoys from the developing countries rebuffed on 28 May the United States' demand that the special safeguard mechanism (SSM) must be dropped due to the lowered level of ambition in market access for agricultural products for concluding the Doha Round negotiations by the end of this year, several trade envoys told the *South-North Development Monitor* (SUNS).

At a "green room" meeting of select trade envoys convened by WTO Director-General Roberto Azevedo to discuss the SSM for developing countries in agriculture, the US stood completely isolated on its call that the SSM should not be pursued in the post-Bali work programme to conclude the Doha Round at the 10th WTO Ministerial Conference in Nairobi, Kenya, this December.

A large majority of developing countries have consistently demanded a credible and simple SSM to curb unforeseen surges in heavily subsidized agricultural imports from countries in the North.

But the US, which is one of the world's largest subsidizers as well as a leading exporter of farm products, struck a hardline stance, saying the SSM is not going to "fly" because of the proposed low level of ambition in market access for agriculture products.

The SSM is part of the market access package and since the market access is going to be recalibrated, there is no need for such SSM-type flexibility, the US trade envoy Ambassador Michael Punke maintained at the green room meeting, according to trade envoys who were present.

However, a large majority of the

trade diplomats who took part in the meeting upbraided the US for its stance, saying that the SSM is among the "developmental" imperatives of the Doha Round negotiations for developing countries.

Indonesia, India, China, Turkey, Barbados on behalf of the Africa, Caribbean and Pacific (ACP) group, Lesotho on behalf of the African Group, and several other trade envoys from developing countries challenged the US on its intransigent position of rejecting the SSM without even entering into any hard negotiations, a trade envoy said.

India corrected the DG when he tried to sum up the meeting by saying that "some" members had reservations on the need for the SSM. "Except for one member, all other members are ready to negotiate the SSM," India told the DG.

Need for a simple and effective instrument

Indonesia, which is the coordinator for the 47-member G33 developing-country coalition, told the DG that the SSM is not an issue for one or two members. Indonesia's ambassador Iman Pambagyo made a detailed presentation about how the SSM evolved and the progress made in drawing up the instrument over the last 14 years. He said it is unsustainable to link the SSM to the market access package – as suggested by the US trade envoy during the meeting – saying that it has a "standalone" status.

The SSM, said Pambagyo, ought to be a "simple, operable and effective safe-

guard mechanism" for all developing countries to implement in the face of volatile world prices and supply of agriculture products due to increased climate change-induced disturbances and persistently high subsidization of agriculture in both domestic and export subsidies. He said small and subsistence farmers in developing countries need the SSM to respond to import surges and price declines.

The G33, said Ambassador Pambagyo, had proposed both price and volume triggers for the SSM to deal appropriately with situations where low-priced, undervalued and/or subsidized exports cause havoc in the developing countries. The G33 called for price and volume triggers based on "most recent or current market realities". Indonesia suggested that a three-year rolling average must be the basis for replacing "the 3-decade-old fixed reference price of 1986-1998."

The G33 proposed a price trigger involving a 10% drop in the price of agriculture products and a volume trigger of an increase in imports to the tune of 110%, 115%, 135% and above.

Indonesia dismissed suggestions that the SSM can be adopted through a modified special safeguard, saying that developing countries will need a simple and effective instrument and policy space.

Pambagyo assured members that the SSM would guarantee "predictability, coverage and sunset provisions", in the face of arguments advanced by Australia and other industrialized countries that such a mechanism will undermine market access because of lack of predictability.

Indonesia also dismissed arguments that the SSM will lead to an increase in tariffs beyond the Uruguay Round ceiling.

Pambagyo said it should be possible to apply safeguards exceeding existing bindings, especially for tariffs that are very sensitive and with no tariff overhang. The SSM measures will be consistent with the formula and the required conditions for remedies. The volume-based safeguards may be maintained for a period of 12 months from the initial invocation of the measure.

He said there is not "one reality" as suggested by an industrialized country but "several" realities in the developing countries that warrant the use of the SSM

to protect resource-poor farmers from the vagaries of international market pressures.

Trade envoys from India, the Philippines, China, Turkey, Barbados and Lesotho supported Pambagyo, arguing that the Doha Round cannot be concluded without finalizing the SSM. The developing countries warned that attempts to deny the SSM could torpedo the Round, said people familiar with the meeting.

Argentina, Pakistan and Mexico cautiously welcomed the need for the SSM, while Australia, New Zealand, the European Union and Japan among others said that while they have a problem with the demand for the SSM, they are willing to discuss options from the G33.

Meanwhile, Brazil's Agriculture Minister Katia Abreu told reporters during a media briefing at the Brazilian mission here on 28 May that there are differing interests among countries on the SSM, emphasizing the need for avoiding "hardline" positions on the issue.

Meeting on export competition

In a separate development, the WTO DG held a meeting with seven major industrialized and developing countries on 27 May to discuss the outstanding issues in the export competition pillar of the agriculture negotiations: the elimination of export subsidies, the phasing out of export credits, the termination of monetization of food aid, and the disciplining of state trading enterprises.

The EU, which had committed to eliminating export subsidies by 2013, maintained at the meeting that it is ready to do more than what is required in the 2008 revised draft modalities in the export competition pillar for eliminating export subsidies provided the developing countries agree to ending special and differential treatment flexibilities in Article 9.4 of the Agreement on Agriculture.

"The EU stand amounted to cherry-picking and forcing developing countries to pay for something that it is required to do," said an African trade envoy.

India, China and Brazil dismissed the EU's demand, saying that it is completely unacceptable because it is inconsistent with the existing Doha Round mandates.

"This demand to do away with Article 9.4 will never be accepted and it is an initial position from the EU which it

knows will never be accepted," said a developing-country trade envoy.

Trade envoys from the US, the EU, China, India, Brazil, Australia and Japan took part in the meeting.

The US had suggested that it cannot see any landing zone in export credits while demanding the continuation of monetization in food aid, according to people familiar with the meeting.

Another developed country suggested that it would have some concern about strong disciplines on state trading enterprises.

Azevedo expects to convene a meeting on trade-distorting domestic support after an informal ministerial meeting in Paris in the first week of June on the margins of the Organization for Economic Cooperation and Development (OECD) meeting.

In short, attempts are being made to deny special and differential treatment as set out in Article 6.2 on domestic support and Article 9.4 on the export-related measures in agriculture.

Call for a "balanced" outcome

Meanwhile, at her media briefing, Brazil's Agriculture Minister Abreu made a fervent plea for arriving at a "balanced" outcome with measurable progress for reducing trade-distorting domestic subsidies and eliminating export subsidies so as to conclude the Doha Round negotiations by the end of this year.

"This is a very important phase and [it is] very important to finalize a balanced outcome in all three pillars [of the agriculture negotiations, viz., market access, trade-distorting domestic support and export competition] by December 2015," Abreu told reporters after meetings with the trade envoys of the BRICS (Brazil, Russia, India, China and South Africa) and seven major industrialized and developing countries.

"We are optimistic and there is a shared responsibility [for all members to make appropriate commitments]," she said, emphasizing the importance of substantial reduction commitments in domestic subsidies and export subsidization. The Brazilian minister suggested that members are open to a balanced outcome in the domestic support pillar except for the US.

Abreu also spoke of an increase in the level of subsidies provided by India

and China, maintaining that members must attempt a "meaningful deal" to strengthen the WTO.

She concurred with her colleague Celso Amorim, who had said at the Cancun Ministerial Conference in 2003 that no deal is better than a bad deal. However, she argued that an outcome at the Nairobi Ministerial Conference is essential for revitalizing the WTO.

The Brazilian minister met with trade envoys from Argentina, the EU, Japan, Australia, the US, New Zealand and Kenya.

Argentina reminded Abreu that agriculture is the key in the Doha Round. Buenos Aires said it wants strong results in domestic support and market access because of its offensive interests in agriculture.

The EU said it wants balance within each pillar of the agriculture talks as well as balance between the three pillars of domestic support, market access and export competition.

The EU's trade envoy Ambassador Angelos Pangratis pointed to the need to bear in mind the linkage between agriculture, market access for industrial goods, and services. Brussels called for a lot of political consultations in a step-by-step process for concluding the Doha Round by the end of this year.

Japan said it is a net food-importing country which has considerable food security concerns. Tokyo said it is not expecting a high level of ambition, suggesting that it is ready to adjust its high ambition in industrial goods and services in line with the outcomes in agriculture, said a trade envoy familiar with the meeting.

Australia called for substantial reduction commitments in trade-distorting domestic support. Australia said with low ambition, it would need an outcome that can deliver on the open markets.

The US maintained that it is a big exporter of farm products with strong interests in external markets. It said that it wants to reduce trade-distorting domestic support provided emerging economies also undertake commensurate commitments. The US argued that it is not going to secure any gains in market access with no new market access in the emerging economies, according to participants familiar with the meeting.

Kenya told the Brazilian minister that Nairobi wants a successful outcome

at the 10th Ministerial Conference, with "development" as the key to success. Kenya called for substantial reduction commitments in trade-distorting domes-

tic support while ensuring a permanent solution for public stockholding programmes for food security. (SUNS8031) □

South nixes US, EU call for binding autonomous services liberalization

Developing countries have opposed developed-country calls to set their autonomously taken services liberalization measures as binding WTO commitments.

by D. Ravi Kanth

GENEVA: A large majority of developing countries on 7 May firmly rejected demands from the United States, the European Union and other developed countries for binding the autonomous liberalization measures taken by them in the services sectors after the Uruguay Round of commitments.

The developing countries made clear that they are not willing to undertake "commitments for free" in the services negotiations under the Doha Round, several services negotiators told the *South-North Development Monitor* (SUNS).

The developing countries, especially Brazil, South Africa, India and Argentina among others, made it clear that agriculture remains the yardstick of the Round and at the core of the sequencing framework. They said that without clarity in agriculture, it would be futile to discuss elements in the services negotiations at this juncture.

Around 61 members also rejected a demand from Canada which wanted the WTO secretariat to circulate the offers made by developing countries at the services signalling conference in 2008. The developing countries made clear that it is inappropriate to discuss those offers when the level of ambition was already being lowered in agriculture and industrial goods.

The developing countries – Brazil, South Africa, India, Ecuador, Barbados on behalf of the Africa, Caribbean and Pacific (ACP) Group – also chided the chair of the Doha Round services negotiations, Ambassador Gabriel Duque of Colombia, for issuing a one-sided summary in favour of developed countries on 27 April. The developing countries asked the chair to issue a corrigendum or revision to the summary as the sum-

mary he circulated had failed to reflect their views on the sequencing and the request-and-offer-based framework of the services negotiations.

At a volatile meeting of the services negotiating body on 7 May, the differences over the chair's summary and the demands made by developed countries resulted in an all-out confrontation which has been rarely seen at recent meetings of the WTO, several services negotiators told SUNS.

"Benchmarking"

The chair's five-page, non-attributable summary had suggested "benchmarking" the services market access negotiations instead of creating a platform to discuss the possible elements that would go into the services work programme by end-July, a developing-country services negotiator told SUNS.

During the 7 May meeting, the US said that Washington would settle for market access in services if members are willing to "bind" their current autonomous services liberalization measures, according to participants familiar with the meeting.

The demand of the US was reflected in the chair's summary: "the starting point could be existing GATS [General Agreement on Trade in Services] commitments, taking into account RTAs [regional trade agreements] and autonomous liberalization to assess how much water could be bound."

The chair's summary had also maintained that "one delegation proposed a minimum binding of sectors in existing GATS commitments at the level applied domestically or in its RTAs, followed by a request/offers process for sectors currently outside the schedule with a view

to achieve bindings at the applied level."

Several industrialized and a few developing countries such as Singapore supported the US demand for binding autonomous liberalization of services on the ground that it would lead to binding of a significant portion of "water" in the GATS commitments as "a realistic and doable outcome."

The European Union called for "transparency" and "predictability" in the services commitments on par with the tariff reduction formula for market access in agriculture and industrial goods.

The demands made by the US and the EU provoked a sharp response from Brazil, South Africa and India along with Barbados, the coordinator for the ACP Group.

Brazil posed some sharp questions to industrialized countries on the 2008 revised draft modalities in agriculture as well as on the bound and applied farm subsidies by the US and other industrialized countries. It asked whether the major industrialized countries are ready to accept the 2008 revised draft modalities to reduce their domestic farm subsidies in line with their demands in services. Brazil emphasized that agriculture is the key to determining the level of ambition for the entire Doha Round talks, arguing that without clarity in agriculture it would be difficult to move in the services negotiations.

South Africa said while no meetings are being held in market access for industrial goods which is an area of critical concern, an attempt is being made to determine what members ought to do in services through the binding of autonomous levels of liberalization.

India said while members want removal of "water" between bound and applied commitments in services, they are not prepared to remove "water" in their Aggregate Measurement of Support (AMS) for trade-distorting domestic subsidies in agriculture.

India also asked whether major industrialized countries are ready to provide reciprocal concessions in services by removing the visa restrictions on short-term services providers in Mode 4 in return for binding commitments at the current applied level for services.

Canada demanded that the WTO secretariat circulate a paper indicating the commitments made in different sectors at the 2008 signalling conference.

Around 61 developing countries rejected Canada's demand, saying that those commitments have no relevance in the context of the reduced level of ambition for "cutting water" in farm subsi-

dies.

Hong Kong-China asked the WTO secretariat to convene a workshop on domestic regulation but this was opposed by the US. (SUNS8019) □

Informal mini-ministerial for Paris in June

An informal meeting of some 30 trade ministers to take place in June will likely see a renewed push for the Doha Round "recalibration" promoted by the WTO Director-General and major developed countries.

by D. Ravi Kanth

GENEVA: Trade ministers from around 30 countries are due to have an informal meeting in Paris in June on the sidelines of the annual ministerial meeting of the Organization for Economic Cooperation and Development (OECD) where the developed countries and WTO Director-General Roberto Azevedo are expected to renew and push their "recalibration" approach to conclude the Doha Round negotiations, according to several trade envoys.

Australia has convened this informal meeting as a half-day event at the OECD headquarters in Paris to finalize the post-Bali work programme on a "recalibration approach", the envoys told the *South-North Development Monitor* (SUNS).

The issues sought to be thrashed out at the meeting include:

1. the outcomes ministers want to see in the post-Bali work programme;
2. other outcomes to be achieved by the 10th Ministerial Conference in Nairobi, Kenya, in December (15-18 December); and
3. the work that needs to be done between now and the Ministerial Conference to achieve those outcomes.

Rubber-stamping recalibration?

Canberra has invited around 30 trade ministers from developed, developing and least-developed countries to ensure that the plan of action drawn up in consultations with the DG is rubber-stamped at the meeting so that the DG can come back to the WTO and tell members that it is agreed by trade ministers from all major regions, said an African trade envoy.

More importantly, the Australian Trade Minister Andrew Robb and his

Kenyan counterpart Amina Mohamed, who will chair the 10th Ministerial Conference, will showcase the decisions reached at the informal ministerial meeting as the "doable" outcomes based on the recalibration approach, the envoy added.

Developing and least-developed countries remain clueless about the need for the "recalibration" approach, particularly for whom it is being cobbled and who are its demandeurs, said another trade envoy.

"Is the recalibration approach meant to kill the Doha Development Agenda on which the Round is premised?" the trade envoy wondered.

"We know that this is the last major round to address the continued inequities in the global trading system and afterwards the WTO will be reduced to servicing the plurilateral agreements for the developed and some developing countries," the envoy added.

Until now, members are clearly divided on the need for recalibration, which is being promoted by the DG and major developed countries such as the United States, the European Union, Japan, Canada, Australia and Switzerland among others.

The differences over the post-Bali work programme based on the recalibrated framework came into the open at several meetings over the last five months.

The developed countries, led by the United States, have made a strong pitch for lowering the level of ambition so that they don't have to pay by reducing trade-distorting domestic subsidies, export subsidies and export credits in agriculture, several developing-country envoys maintained. At the same time, without paying any price, they want to be re-

warded with market access concessions from developing countries in agriculture, industrial products and services.

But the large majority of developing and least-developed countries have been insisting on tackling the central issues of a development round such as reform of trade-distorting domestic subsidies in the US and EU countries along with tariff reduction commitments based on special and differential treatment flexibilities as proposed in the existing Doha Round mandates. They insist these must be respected for concluding the Round.

The DG however is making a Herculean effort to set aside all the previous mandates, especially the 2008 revised draft modalities in agriculture and industrial goods, so as to ensure that the Round is concluded without any gains for the developing and poorest countries, said a South American trade official.

During his recent consultations with trade envoys from the US, the EU, China, India, Brazil, Australia and Japan, Azevedo proposed an average formula framework without any flexibilities for replacing the tiered formula approach in agriculture products and the Swiss formula for industrial goods, the official said.

The US, the EU, Japan and Australia have strongly supported the DG's approach, while China and India raised a host of systemic concerns based on the existing Doha Round mandates.

"It is clear that the recalibrated approach is meant to serve the mercantilist interests of the major developed countries so that they can simply run away without undertaking the commitments that they are otherwise required to implement if the negotiations are concluded on the basis of the current mandates," a trade envoy told SUNS.

Trade ministers from around 30 countries – Argentina, Bangladesh (representing the group of least-developed countries), Barbados (representing the Africa, Caribbean and Pacific Group), Brazil, Canada, Chile, China, Colombia, Costa Rica, Egypt, European Commission, Hong Kong-China, Iceland, India, Indonesia, Israel, Japan, Korea, Lesotho (representing the African Group), Mexico, New Zealand, Nigeria, Norway, Senegal, South Africa, Switzerland, Chinese Taipei, Tanzania, Turkey and the United States – will take part in the half-day meeting. (SUNS8027) □

CSOs urge support for LDC request on pharmaceuticals exemption

Development advocates have backed a request to continue exempting the world's poorest countries from subjecting pharmaceutical products to WTO intellectual property rules.

by Kanaga Raja

GENEVA: A number of civil society organizations (CSOs) have urged support for a request by the least-developed countries (LDCs) for an extension of the transitional period with regard to the intellectual property protection of pharmaceutical products, which is set to expire on 1 January 2016.

This support was voiced on the sidelines of the World Health Organization (WHO)'s World Health Assembly, which took place here from 18-26 May.

It also came ahead of a meeting of the WTO's Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) on 9-10 June that is expected to hold a substantive discussion on the LDC request. Bangladesh had, on behalf of the LDCs, introduced the request under the agenda item of "other business" at a TRIPS Council meeting on 24 February, with only a brief discussion taking place on it then (see *TWE* No. 587).

Apart from being widely welcomed by health experts and activists, the LDC request has also received support from UN agencies such as UNITAID, UNDP and UNAIDS as well as members of the European Parliament and generic-drug suppliers such as the IDA Foundation, a non-profit provider of generic drugs to low- and middle-income countries.

Background

At a media briefing by several CSOs on 21 May on the sidelines of the World Health Assembly, Sangeeta Shashikant of the Third World Network provided some background surrounding the request.

The request called on the TRIPS Council to grant an extension of the transition period – which comes to an end on 1 January 2016 – for as long as the WTO member remains an LDC. The LDCs also requested that the Council recommend that the WTO General Council adopt two waivers. The first is a waiver from the "mailbox" obligation under the TRIPS Agreement, which is a

facility for filing patent applications for pharmaceutical products. The second waiver concerns the grant of exclusive marketing rights, which is linked to the mailbox application, where under certain conditions, exclusive marketing rights have to be granted for a period of five years.

Shashikant said that the LDCs are home to some of the world's most vulnerable people and they bear a considerable health burden. At the end of 2013, an average of 10.7 million people living with HIV resided in the LDCs and only 3.8 million had access to antiretroviral (ARV) therapy.

An increase in the non-communicable disease burden is also expected in the coming years in the LDCs. The percentage increase in cancer by 2030 compared to 2008 will be much greater in lower- and middle-income countries than in other countries, she said, adding that there is a huge public health crisis in the LDCs.

In 2001, recognizing the special circumstances of the LDCs, WTO members granted a specific exemption for pharmaceutical products in paragraph 7 of the Doha Declaration on the TRIPS Agreement and Public Health, which was later adopted as a TRIPS Council decision in 2002.

This decision very specifically exempts LDCs with respect to pharmaceutical products, where they do not have to implement patents and test data protection, as well as not having to enforce existing patent rights and test data obligations until 1 January 2016.

At the same time, the General Council granted a waiver for exclusive marketing rights until 1 January 2016.

While the TRIPS Council had subsequently in 2013 granted LDCs a general exemption that applied to all aspects of the TRIPS Agreement (except for Articles 3, 4 and 5), Shashikant said, there is great value in the separate exemption on pharmaceutical products because it is very specific to these products and

gives a lot of certainty.

A number of LDCs have relied on this decision to enable the importation of affordable pharmaceutical products, and it has been a very effective mechanism to promote access to medicines in the LDCs.

Noting the concerns expressed that this extension will not be granted or that it will be subjected to certain terms and conditions, Shashikant expressed hope that the TRIPS Council will actually consider and grant the LDCs' request when it meets in June.

Standing behind LDC request

Also at the CSO media briefing, James Love of Knowledge Ecology International (KEI) said it is important going forward that LDCs have a different rule on patents, that they won't have to patent pharmaceutical products, that they can legislate and remove pharmaceuticals from their patent laws, that generic-drug manufacturers can anticipate the market, and that lawmakers can put in efforts to change laws knowing that there will be more sustainable solutions. The right thing to do is to make the LDC extension permanent, he said.

Rohit Malpani of Medecins Sans Frontieres (MSF)'s Access Campaign said that MSF is supportive of the LDC request. It is watching very closely to see whether or not the request will be granted fully as Bangladesh has set forward.

MSF is increasingly an organization that exists in two realities, he said. It works both in LDCs – where it is able to get access to the lowest-cost generic medicines, vaccines and open platforms for diagnostics – as well as in 35 middle-income countries where the introduction of intellectual property rules makes it increasingly difficult to access affordable medical tools.

"So in many ways we see situations in which we can get the lowest-cost tools to patients in the least-developed countries and we cannot do so in middle-income countries and that is why the LDC extension is so important. This is because we want to be able to continue at least being able to reach patients in LDCs with the best possible medical care at the lowest possible cost," he said.

Another reason the extension is important for MSF is that it often faces a hard time encouraging generic-drug

companies in particular to register drugs or market drugs to the LDCs. If the LDC extension is not granted in the way that it has been put forward by Bangladesh, it reduces the certainty for these manufacturers to sell their products in these markets, said Malpani. The certainty that the LDC extension provides would play an important enabling role to ensure that MSF can get low-cost medical tools to these poorest countries.

"MSF is concerned as it does think there is a history especially by the US and the EU to put pressure on the LDCs to not introduce these rules that have a strong public health impact," he added.

Compelling case

Meanwhile, in a press statement issued on 21 May, the United Nations Development Programme (UNDP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) called attention to the urgent and compelling case for the international community to take all measures possible to protect the health of people living in the LDCs.

"Millions of people rely on access to affordable, assured quality generic medicines," said Michel Sidibe, Executive Director of UNAIDS. "WTO Members have before them a critical opportunity to help least-developed countries to reach health and sustainable development goals – failure to support them could put millions of lives at risk."

Access to adequate healthcare, including affordable medicines, remains a key challenge in most LDCs, affecting millions of lives. The flexible intellectual property arrangements currently available to LDCs are a crucial tool for improving health, said the UN agencies.

"While much progress has been made in scaling up access to HIV treatment, much more will be required in the post-2015 era to achieve the vision of a life of dignity for all, leaving no one behind," said UNDP Administrator Helen Clark.

The percentage of people living with HIV who are not receiving antiretroviral therapy has been reduced from 90% in 2006 to 63% in 2013. LDCs and developing countries have effectively used transition periods to scale up access to treatment for HIV and its co-infections by importing or manufacturing lower-cost generic medicines.

(continued on page 16)

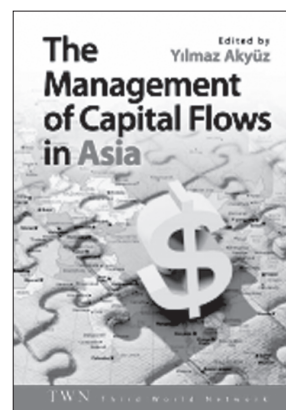
The Management of Capital Flows in Asia

Edited by *Yilmaz Akyüz*

THE 1997 Asian financial crisis brought home to the region's economies the importance of managing capital flows in order to avert financial shocks. This book looks into whether and how this lesson was taken on board by policy makers in Asia, and, accordingly, how capital account regimes in the region evolved in the post-crisis period.

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This book – a compilation of papers written in 2008 for the first phase of a Third World Network research project on financial policies in Asia – examines the above developments in relation to the region in general and to four major Asian developing economies: China, India, Malaysia and Thailand.



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CSOs voice concerns over corporate takeover of WHO

Civil society groups have sounded a warning against undue corporate influence on the work of the World Health Organization.

by Kanaga Raja

GENEVA: The Framework for Engagement with Non-State Actors (FENSA), initiated to safeguard the independence, integrity and credibility of the World Health Organization (WHO), now seems to bear the threat of facilitating and legitimizing corporate capture of the organization, civil society groups have charged.

Ahead of the first meeting of the drafting group that was to consider the latest draft of the framework at the 68th World Health Assembly, some 33 civil society organizations (CSOs) and social movements called on delegates to defend the integrity, independence and democratic accountability of WHO.

The World Health Assembly, WHO's supreme decision-making body, held its 68th session in Geneva on 18-26 May.

In a joint statement, the CSOs called on WHO member states to take such time as is necessary to achieve a robust framework for engagement with non-state actors in order to protect the organization from improper influence.

(The 68th World Health Assembly ended by adopting a resolution to continue the FENSA negotiations following failure to reach consensus on several critical issues. The resolution requested the WHO Director-General to convene an open-ended intergovernmental meeting by 15 October to finalize the draft framework, and to submit the finalized draft text to the 69th World Health Assembly next year through WHO's Executive Board.)

The CSOs also called on member states to support WHO Director-General Margaret Chan's proposals to increase the assessed contributions to the organization. (Assessed contributions are funds provided by governments which can be spent according to WHO's priorities without being tied to specific uses.)

According to the groups, there is strong apprehension that the FENSA negotiations may fundamentally alter the engagement with the private sector and philanthropic foundations and non-governmental organizations (NGOs) sponsored by the private sector in a manner

that would compromise the credibility of WHO.

"Many proposals by rich countries in draft FENSA text [are] promoting corporate capture of WHO in the name of promotion of engagements without discussion on any comprehensive mechanism to avoid conflict of interest. These proposals, if accepted, would institutionalize the undue corporate influence on WHO," said Lida Lhotska of the International Baby Food Action Network (IBFAN) in a press release.

The signatories to the joint CSO statement included Alianca de Combate de Tabagismo/Brasil (ACT/Br), All India Drug Action Network, Corporate Accountability International, Diverse Women for Diversity, Health Action International (HAI), IBFAN, Medico International, NGO Forum for Health, People's Health Movement (PHM), Public Services International, Society for International Development (SID), Third World Network (TWN), Wemos, and World Social Forum on Health and Social Security.

The signatories also expressed concern that rich member-state donors have been deliberately undermining WHO and weakening its capacity to promote global health by under-funding, tight earmarking of donor funding and opening spaces for corporate influence.

Corporate intrusion

"We learnt that many member states are opposing any curb in the existing practices, which facilitate the corporate intrusion in WHO. The opposition of certain member states to ban the secondment from private sectors and other non-state actors as well as using the financial resources from private sector to pay the salary of WHO staff reinforces the status quo and threatens the credibility of WHO," said K.M. Gopakumar of the Third World Network.

"The refusal of [an] increase in the assessed contribution is the technique deployed to force WHO to [be] open for corporate influence," said David Legge

of the People's Health Movement. "The compromised flexibility in financial resources forces the vulnerability of WHO to look for resources from donors with profit motives and endangers the constitutional mandate of WHO."

At a media briefing here on 19 May, Gopakumar of the Third World Network explained that on the following day at the World Health Assembly, the WHO member states would be restarting the negotiations on the Framework for Engagement with Non-State Actors. Non-state actors include NGOs, the private sector, philanthropic foundations and academic institutions.

The idea to have a set of policies to regulate the engagement with non-state actors came about as part of WHO's governance reform programme that was launched in 2011.

Gopakumar noted that many states have raised concerns about the way in which WHO is engaging with non-state actors. There were serious concerns about conflict of interest, as well as on the credibility, integrity and independence of WHO, based on the existing practices.

During the reform process, there was a push to have more engagement with non-state actors, and many member states raised concerns that this may compromise WHO's credibility. The process, he said, is now at the stage where it may legitimize or reinforce the status quo.

According to Gopakumar, it could also bring about a further deterioration of the credibility, integrity and independence of WHO by facilitating greater intrusion by non-state actors, in particular the private sector and philanthropic foundations controlled by the private sector.

Lhotska of IBFAN, referring to the WHO reform process, said that "we are suddenly faced with the challenge that threatens to undermine all those years of our work, and we are also very concerned that WHO, if things go wrong, may come out of the reform, captured by the corporate actors ..."

According to Lhotska, the current draft framework further reasserts old channels of undue influence and contains new policies that open up official relations not only to NGOs but to all the other so-called non-state actors. This means that it would open up official relations to philanthropic foundations, the private sector, in particular business associations, academia and NGOs, without distinguishing the NGOs which may

lean far more to the business side than to the public side.

"If the framework is accepted as proposed, we fear that it will lead to the loss of credibility of WHO," she said.

Legge of the People's Health Movement underlined that the failures in WHO's response to the 2014 Ebola outbreak were in large part a consequence of a funding freeze which has been operating with increasing stranglement over the last 20-30 years.

Over the last 20 years, the proportion of WHO's budget which is met through mandatory assessed contributions has fallen from 75% to 20%. This is a consequence of continuing new functions being added to the organization and a continuing freeze on assessed contributions, he said.

He pointed out that the remaining 80% is met by voluntary donations from the rich countries, the World Bank and the Bill & Melinda Gates Foundation.

Noting that the WHO Director-General has been asking for a 5% increase in assessed contributions, Legge said that at WHO's Programme, Budget and Administration Committee in mid-May, Belgium and the United Kingdom both spoke firmly against the 5% increase.

He said that the UK contributes \$24 million in assessed contributions per year to WHO, while its voluntary contributions amount to \$65 million a year. And it is refusing to pay an extra \$1.25 million, which is the 5% increase that the Director-General is asking for. Belgium contributes \$4.65 million in assessed contributions per year, and a 5% increase would amount to \$230,000, he added.

Budgetary crisis

In their joint statement, the CSOs and social movements noted that donor funds account for 80% of WHO's budget and 93% of donor funds are tightly earmarked to programmes that the donors support.

"This prevents WHO from implementing programmes that rich countries do not support, even when they are decided by the World Health Assembly. Threats of further funding cuts are held out if attempts are made to implement such programmes."

According to the joint statement, WHO's compromised ability to intervene effectively during the 2014 Ebola crisis is a tragic illustration of the impact of the budgetary crisis on WHO's capacity to fulfil its mandate.

Over the last four years, WHO has been through a far-reaching reform

programme driven in part by arguments that the freeze on assessed (mandatory) contributions should remain in place until the organization addresses its inefficiencies. "Such arguments fly in the face of clear evidence that these inefficiencies are largely a function of WHO's financial crisis brought on by the freeze on assessed contributions," said the groups.

Referring to the Director-General's proposal for a 5% increase in assessed contributions, the statement said that while 5% is a relatively small increase, much less than what the big donors contribute as voluntary contributions, it is of huge symbolic value and a crucial step towards breaking the logjam of a freeze on assessed contributions.

"Predictably, certain large donor countries are gearing up to oppose the increase and refuse to adopt the budget."

According to the groups, threats to health and barriers to affordable healthcare arise due to the commercial interests of big corporations. The increasing incidence of obesity, diabetes, heart disease and stroke due to intensively marketed cheap, ultra-processed foods is a stark example.

"Pharmaceutical corporations clearly value shareholders' demand for profits over affordable access to essential medicines and vaccines. For WHO to fulfil its mandate, it must be able to name such threats and barriers and develop and implement policies and

programmes to manage them."

However, said the joint statement, rich member states, the US and the UK in particular, have repeatedly opposed WHO taking any action which might run counter to the interests of transnational corporations.

Furthermore, certain rich member states are seeking to force WHO to open up its policy-making and decision-making spaces to the transnational corporations.

The civil society groups argued that proposals for "multi-stakeholder partnerships" would designate junk food manufacturers as partners in the task of addressing obesity, heart disease and stroke.

They noted that over the last two years, WHO and its member states have been locked in a contentious debate around the rules governing corporate influence over decision-making in WHO. "Rich countries are seeking to use these rules to clear the way for transnational corporations to buy influence and insert corporate staff into strategic positions within the WHO Secretariat."

According to the joint statement, the present draft of the Framework for Engagement with Non-State Actors is contested and problematic. "It is more important to get a good outcome than rush to adopt a document that might further legitimize corporate influence on decision-making in WHO," said the groups. (SUNS8025) □

UNCTAD releases Roadmap and Guide for debt workouts

In light of the crippling effects of sovereign debt crises, UN development agency UNCTAD has come up with recommendations on how countries can better navigate the debt restructuring process.

by Bodo Ellmers

The prevention of debt crises and the way these crises are managed have a tendency to fail due to the lack of adequate institutions. While Europe is still struggling to solve the old debt crises, a new round of debt crises is emerging in developing countries, triggered by falling commodity prices and rising borrowing costs. Against this backdrop, an expert group convened by the United Nations Conference on Trade and Development (UNCTAD) has developed a detailed new "Roadmap and Guide" that aims to make future debt workouts fairer, more efficient and more sustainable. Applica-

tion of the Roadmap, which was released in April, would revolutionize the way debt crises are managed in future.

The timing could not be better. Greece, strangled by austerity measures and the economic and humanitarian crises they have caused, is once again on the verge of bankruptcy, proving that the Troika bailout strategy failed and debt restructuring is the only solution. In fact, it had been the better solution from the very beginning of the crisis. The major UN Financing for Development (FfD) Conference (in Addis Ababa in July) and the summit to adopt the post-2015 Sus-

tainable Development Goals (SDGs) (in New York in September) are both coming up, and sovereign debt workouts are a fundamental pillar of both FfD and the SDGs. Falling prices at the end of the commodities super-cycle might drive many developing countries back to bankruptcy, especially when interest rates begin to rise.

Gaping governance holes

The UNCTAD expert group has examined the shortcomings of the current multilateral debt (crisis) management regime and found that it cannot work effectively because it is highly fragmented across different creditor-dominated forums such as the International Monetary Fund (IMF) and the Paris Club, none of which can guarantee a debt restructuring deal that covers the whole debt stock in a single comprehensive process. Debtors need to negotiate separately with different groups. The piecemeal debt restructurings that this system involves take a long time and lead to unfair outcomes, because all the creditor groups pursue their vested interests and push for better deals for themselves. Some hedge funds – the vulture funds – have even made a lucrative business model out of sabotaging debt crisis management by fully refusing to negotiate and suing for full payment. The current regime has no effective way of stopping the vultures and enforcing participation and fair burden-sharing among creditors.

Many of these problems could be overcome by creating a Sovereign Debt Workout Institution (DWI) as part of the multilateral system. This DWI would be impartial and transparent. It would be a forum to which debtor states can turn when seeking a debt workout. Its role would be to facilitate an inclusive dialogue with the entirety of a country's creditors and other stakeholders, to mediate and to provide the technical and logistical support for sovereign debt workouts.

The UNCTAD Roadmap also suggests developing new early warning indicators and indicator benchmarks for sovereign debt. Such indicators would need to take the new sustainable development agenda and its financial implications for UN member states into account. Last but not least, the Roadmap suggests that all UN member states

should adopt "specific legislation to protect the outcome of consensual negotiation processes", i.e., to avoid vulture-fund lawsuits. The suggestion for creating public lists of uncooperative creditors and their parent companies also has the goal of stopping vulture-fund attacks.

A key asset of the Guide is its suggestions to sovereign debtors. Similar to recent IMF proposals, UNCTAD suggests improving bond contracts by adding (single-tier aggregated) collective action clauses. The Guide goes beyond the IMF proposals, however, when it also suggests clauses allowing for mediation and arbitration in a sovereign debt restructuring, a standstill of payments and a stay on litigation and enforcement. It also suggests setting up debt management offices and producing independent debt stability reports.

A 17-step workout

The centrepiece of the new tool, however, is the debt workout Roadmap, which outlines a process involving 17 steps, from the trigger to the closure of a debt restructuring process. A key innovation of the UNCTAD proposal is that the process is largely driven by the debtor side, with the support of the independent DWI. This is designed to overcome the current problem of debt restructurings being "too little too late" because they depend on creditors, who tend to delay the process in the hope that better times will come or that someone will let the bailout monies flow.

Based on thorough debt sustainability analyses that identify whether there is a solvency or just a liquidity problem, the debtor would invoke a debt standstill and, if needed,

capital controls. It would invite creditors to an initial roundtable which will decide on modalities for negotiations. These could either be direct negotiations between debtor and creditors, or be facilitated by a mediator or an arbitration panel. In any case, agreements will be binding on all parties, will include a verification of claims and the opportunity to question their validity, and will be based on an independent debt sustainability analysis. This analysis would also determine the size of haircuts and the economic and social recovery programme.

The full implementation or application of the new UNCTAD Roadmap and Guide would revolutionize how debt crises are handled. It would speed up their management, lead to fairer outcomes and, most importantly, reduce and mitigate the development damage they cause. In many areas, the Roadmap and Guide presents options rather than clear guidance. This might make sense, however, as the specific nature of debt crises varies from country to country, and a one-size-fits-all approach is not always the best way to go, as the poor outcomes of Paris Club restructurings have demonstrated.

The modular structure also allows for incremental introduction of the many specific suggestions by policy-makers. The year 2015 is certainly not short of opportunities to do so, with the UN General Assembly process towards setting up a multilateral framework for sovereign debt restructurings ongoing, and with the Addis and New York summits on the horizon. □

Bodo Ellmers is Policy and Advocacy Manager at the European Network on Debt and Development (Eurodad), from whose website (eurodad.org) this article is reproduced.

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Finance, like a cancer, grows

Roberto Savio trains the spotlight on the dangerous “new ethic” of the financial sector.

It is astonishing that every week we see action being taken in various parts of the world against the financial sector, without any noticeable reaction of public opinion.

It is astonishing because at the same time we are experiencing a very serious crisis, with high unemployment, precarious jobs and an unprecedented growth of inequality, which can all be attributed largely to speculative finance.

This all began in 2008 with the mortgage crisis and the bursting of the derivatives bubble in the United States, followed by the bursting of the sovereign bonds bubble in Europe. It is calculated that we will need to wait until at least 2020 to be able to go back to the levels of 2008 – so we are talking of a lost decade.

To bail out the banks, the world has collectively spent around \$4 trillion of taxpayers' money. Just to hit home the point, Spain has dedicated more than its annual budget on education and health to bailing out the banking sector ... and the saga continues.

Financial skulduggery

In the week of 18 May, five major banks agreed to pay \$5.6 billion to the US authorities because of their manipulations in the currency market. The banks are household names: JPMorgan Chase and Citigroup from the US, Barclays and the Royal Bank of Scotland from the UK, and the Swiss UBS.

In the case of UBS, the US Department of Justice took the unusual step of tearing up a non-prosecution agreement it had reached earlier, saying that it had taken that step because of the bank's repeated offences. “UBS has a ‘rap sheet’ that cannot be ignored,” said Assistant US Attorney-General Leslie Caldwell.

This is a significant departure from the Justice Department's guidelines issued in 2008, according to which collateral consequences have to be taken into account when indicting financial institutions.

“The collateral consequences consideration is designed to address the risk that a particular criminal charge might inflict disproportionate harm to shareholders, pension holders and employees who are not even alleged to be culpable

or to have profited potentially from wrongdoing,” said Mark Filip, the Justice Department official who wrote the 2008 memo.

Referring to the case of accounting giant Arthur Andersen, which certified as valid the accounts of the Enron energy company that went into bankruptcy for faking its budget, Filip said that “Arthur Andersen was ultimately never convicted of anything, but the mere act of indicting it destroyed one of the cornerstones of the Midwest's economy.”

This was in fact a declaration of impunity, which did not escape the managers of the financial system, under the telling title of “Too Big to Fail”.

In the week of 11 May, a judge from the Federal District Court of Manhattan, Denise L. Cote, condemned two major banks – the Japanese Nomura Holdings and the British Royal Bank of Scotland – for misleading two public mortgage institutions, Fannie Mae [Federal National Mortgage Association] and Freddie Mac [Federal Home Loan Mortgage Corporation], by selling them mortgage bonds that contained countless errors and misrepresentations. “The magnitude of falsity, conservatively measured, is enormous,” she wrote in her scathing decision.

Nomura Holdings and the Royal Bank of Scotland were just two of 18 banks that had been accused of manipulating the housing market. The other 16 settled out of court to pay nearly \$18 billion in penalties and avoid having their misdeeds aired in public. Nomura Holdings and the Royal Bank of Scotland refused any settlement and instead went to court against the US government, arguing that it was the housing crash which caused their mortgage bonds to collapse. Judge Cote, however, wrote that it was precisely the banks' criminal behaviour which had exacerbated the collapse in the mortgage market.

It is worth noting that, until now, the cumulative fines inflicted by the US government on just five major banks since 2008 amount to a quarter of a trillion dollars. No one has yet gone to jail – fines have been paid and the matter closed.

Now the question: is all this due to the misconduct of a few greedy managers or is it due to the new “ethics” of the

financial sector?

By the way, let us not forget that it was revealed recently that 25 hedge fund managers took close to \$14 billion only last year and that the highest-paid manager took for himself the unthinkable amount of \$1.3 billion, equal to the combined average salaries of 200,000 US professionals.

Well, in mid-May, the respected University of Notre Dame was reported as having published a startling report, based on a survey of more than 1,200 hedge fund professionals, investment bankers, traders and portfolio managers from the US and the UK, in which about one-third of those earning more than \$500,000 a year said they “have witnessed or have first-hand knowledge of wrongdoing in their workplace.”

The report went on to say that “nearly one in five respondents feel financial services professionals must sometimes engage in unethical or illegal activity to be successful in the current financial environment”, and in any case, nearly half of the high-income professionals consider authorities to be “ineffective in detecting, investigating and prosecuting securities violations.”

A quarter of respondents stated that if they saw that there was no chance of being arrested for insider trading to earn a guaranteed \$10 million, they would do so. And nearly one-third “believe compensation structures or bonus plans in place at their companies could incentivize employees to compromise ethics or violate the law.”

It should also be noted that the majority were worried their employer “would likely retaliate if they reported wrongdoing in the workplace.”

So, the bonus that goes to those in the financial sector every year practically amounts to a bribe for silence on misconduct. At the same time, we have learnt that in Guatemala, the governor of the central bank has been arrested for embezzling \$10 million.

Of course, everything is a question of scale ... but in sociology there is a mechanism called the “demonstration effect”. The example of Wall Street and the City will increasingly seep down once a new “ethic” is in place. It will propagate if it is not stopped, but this is not happening.

A final note. In the same week (how many things have happened in such a short space of time!), the US Federal Trade Commission accused four respected cancer charities of misusing do-

nations worth millions of dollars.

One of them, the Cancer Fund of America, had declared that it spent 100% of its proceeds on hospice care, transporting patients to chemotherapy sessions and buying medication for children. The Federal Trade Commission found that in fact less than 3% of donations were spent on cancer patients.

The "new ethic" is itself a cancer, and it is metastasizing rapidly. (IPS Columnist Service) □

Roberto Savio is founder and president emeritus of the Inter Press Service (IPS) news agency and publisher of Other News. The views expressed in this article are those of the author and do not necessarily represent the views of, and should not be attributed to, IPS.

(continued from page 11)

According to the press statement, access to medicines such as sofosbuvir used to treat chronic hepatitis C remains a grave challenge in LDCs because of high prices. Sofosbuvir can cost as much as \$84,000 for a 12-week course in developed-country markets. Lower prices via generic licences are being offered by the patent holder in some developing countries, but that would still place a considerable burden on health budgets.

A company in Bangladesh, making use of its LDC status, has launched its own version for \$900 for the 12-week course. "While this price is also out of reach of many patients in LDCs, with the possibility of other manufacturers emerging in LDCs there is potential for greater competition and further price reductions," said the UN agencies.

UNDP and UNAIDS noted that there is another transition period in place which they have previously backed (i.e., the general exemption granted in 2013), which exempts LDCs from implementing their WTO intellectual property obligations for all fields of technology, but this period expires in 2021.

"The proposed transition period on pharmaceutical products, for as long as an LDC remains an LDC, is necessary on top of that general transition period, for the longer-term security it would provide for patients, manufacturers, donors and LDC governments alike."

UNDP and UNAIDS urged all WTO members to support the LDC request for a transition period on pharmaceutical-related patents and clinical data for as long as a country remains an LDC. (SUNS8027) □

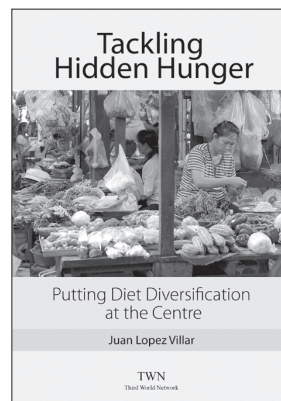
TACKLING HIDDEN HUNGER

Putting Diet Diversification at the Centre

By Juan Lopez Villar

The scourge of "hidden hunger" or micronutrient deficiency affects around two billion people worldwide who lack adequate intake of vitamins and minerals in their diet. While several international and regional initiatives are underway to combat malnutrition, and specifically micronutrient deficiency, these have largely focused on the approaches of nutrient supplementation and food fortification at the expense of dietary diversification, considered the most durable solution to hidden hunger. The development of nutritionally enhanced genetically engineered crops, such as "Golden Rice", has further attracted controversy and raises serious biosafety concerns.

For a global strategy on nutrition to be successful, this book argues, it must place central emphasis on diversifying diets.



ISBN: 978-967-0747-04-0 88pp

Towards this end, sustainable farming practices based on agricultural biodiversity, such as agroecology, are key to providing the rich variety of foods that will keep hidden hunger at bay.

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