

“Global approach” needed to counter vaccine nationalism

As limited COVID-19 vaccine supplies become the object of a tug-of-war between countries desperate to stem the spread of the coronavirus, scaling up production of the vaccines has become imperative. And the best way to do this, say proponents, is through the “global approach” reflected in the proposal at the WTO to lift intellectual property barriers to vaccine manufacturing.

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“Global approach” based on TRIPS waiver needed to combat COVID-19

Rifts over the distribution of limited COVID-19 vaccine supplies have only further underlined the need for a collective approach as embodied in the proposed TRIPS waiver to tackle the pandemic, say the waiver’s backers.

by D. Ravi Kanth

GENEVA: Many countries at the World Trade Organization (WTO) have recognized the importance of a TRIPS waiver in combating the COVID-19 pandemic, especially the need to find a “global approach” for ramping up production of pandemic-specific medicines and vaccines on a global scale to avoid ongoing vaccine wars, negotiators told the *South-North Development Monitor (SUNS)*.

However, a few opponents of the waiver – the United States, the European Union, Japan and Switzerland among others – have continued to adopt “diversionary” tactics by saying that the proponents must offer more evidence as to why they cannot avail themselves of the existing flexibilities in the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the negotiators told *SUNS*.

The chair of the WTO’s TRIPS Council, Ambassador Xolelwa Mlumbi-Peter from South Africa, convened a small group meeting of more than 15 countries on 27 January to discuss the way forward based on three questions she had circulated ahead of the meeting.

The members who attended the meeting included the United States, the European Union, Japan, Canada, Switzerland, Australia, India, South Africa, Pakistan, Jamaica, Egypt, Malaysia, Indonesia and Venezuela among others.

The chair informed members that the purpose of the meeting was to “hear the delegations’ views on the TRIPS waiver request, and on how to best advance the consideration of this request going forward.” The three questions posed by the chair for the members to consider during the meeting were:

- “In your delegation’s view, which elements of the waiver are critical to deliver a multilateral solution on the

common objective of ensuring swift, timely, affordable and equitable access to the vaccines and therapeutics to combat the COVID-19 pandemic?”

- “Has the discussion provided clarifications about core elements of the TRIPS Agreement in relation to public health? How can these be captured to establish a common understanding?”
- “What is your delegation’s view on the timing and format of deliberations towards a report to the GC [WTO General Council] as communicated by the TRIPS Council in December 2020?”

Global solution

The proponents of the TRIPS waiver – South Africa, India, Pakistan and several other countries – laid out their case during the small group meeting, saying that the time has come for the WTO members to collectively work towards the adoption of the waiver, said participants who asked not to be quoted.

The TRIPS waiver proposal calls for the temporary suspension of several provisions in the TRIPS Agreement relating to copyrights, industrial designs, patents and protection of undisclosed information in order to ramp up production of medicines and vaccines on an expeditious basis.

Amidst disputes between countries over the supply of vaccines, South Africa and India called for a “global approach” as the current situation of alarming shortages as well as production and distribution problems globally is a “direct result of the inappropriate application of monopolistic IP [intellectual property]”, said a participant who asked not to be quoted.

At the small group meeting, the South African delegate Mustaqeem Da Gama

reportedly said that members “need to define a global solution, as COVID-19 requires a global approach as the current TRIPS Agreement only speaks of addressing specific IP problems being faced by one member or the other,” the participant said.

The existing flexibilities provided for under the TRIPS Agreement are not adequate and cannot address a global health crisis arising from the COVID-19 pandemic, the worst pandemic over the past 100 years, the participant said.

India’s Ambassador to the WTO Brajendra Navnit also emphasized that COVID-19 can only be tackled through a global approach based on the TRIPS waiver, said another participant who asked not to be quoted.

The proponents said that “the very countries that are advocating IP flexibilities and [pointing to] their generous donation of funds for the COVAX facility [for vaccine allocation to countries] must recognize that none of these two options have worked satisfactorily to address the COVID-19 pandemic that started more than a year ago,” the participant said.

The proponents argued that they have provided substantial evidence as to why intellectual property rights remain as barriers and why there is an urgent need for the TRIPS waiver.

In response, some opponents said that they are open to discussions on the waiver, suggesting that they are still evaluating the

evidence provided by the proponents.

The opponents said that they may consider “what goes into the chair’s recommendation to the General Council meeting that will be held next month,” the participant said.

However, the proponents cautioned that it is premature to consider the chair’s recommendation at this juncture when members need to finalize a global approach based on the waiver proposal, said another participant who asked not to be quoted.

The opponents were against the proponents’ demand for text-based negotiations on the waiver following the last three months of discussions and clarifications, saying that they are still studying the evidence, the participant added.

The opponents said that the evidence provided by the proponents about the specific problems arising from the implementation of copyrights, industrial designs, patents and protection of undisclosed information does not provide that IP is a barrier, said another participant.

“You can give them the world and they will continue to say that it is not enough,” the participant said, suggesting that the opponents are “adopting diversionary tactics of raising questions upon questions and when you give them the answers they will say that you did not give the answer.”

Japan, for example, said at the meeting

that the waiver will destroy the IP system, nor will it create productive capacity for manufacturing medicines and vaccines, the participant said.

Canada said it is important to continue the discussions on the waiver proposal, suggesting that more evidence is needed to take a decision on the waiver, the participant said.

In reply, India’s trade envoy apparently told Canada that the opponents choose to remain “blind” to the evidence provided by the proponents, suggesting that the evidence is everywhere, including the tit-for-tat vaccine wars, the participant said.

The US said that it recognizes the problem raised by the proponents, but maintained that intellectual property rights are not the barriers to addressing the COVID-19 pandemic, the participant said.

In short, “while recognizing the salient features of the TRIPS waiver, a few opponents are continuing to undermine efforts for text-based negotiations,” the participant said.

The ongoing vaccine wars have only vindicated the proponents’ arguments that there is an urgent need for the TRIPS waiver to overcome the shortages of vaccines and to ramp up production across countries to provide requisite medicines and vaccines equitably to small and big countries. (SUNS9274)

South countries call for exception on artisanal fishing, oppose NVCs

In the latest round of the WTO negotiations to draw up regulations governing fisheries subsidies, many developing countries sought to exempt the artisanal fishing sector from the disciplines, and to disallow so-called non-violation complaints from being raised in any dispute over such subsidies.

by D. Ravi Kanth

GENEVA: Many developing countries at the World Trade Organization (WTO) have called for an exception or carve-out for artisanal fishing from the proposed disciplines in the Doha fisheries subsidies

agreement, as well as sharply opposed attempts to bring non-violation complaints (NVCs) into the agreement, trade envoys told the *South-North Development Monitor* (SUNS).

At the completion of the first cluster of meetings at the WTO this year on fisheries subsidies on 19-22 January, developing countries – India, South Africa, Mauritius on behalf of the African Group, Jamaica on behalf of the African, Caribbean and Pacific (ACP) Group, and the least-developed countries (LDCs) – drew markers on the second revised draft consolidated text of the agreement issued by the chair of the Doha rules negotiations in December, trade envoys said.

The chair’s draft text fails to include the core concerns raised by the developing countries on the proposed disciplines for tackling illegal, unreported and unregulated (IUU) fishing, overcapacity and overfishing, and depletion of fish stocks, said a trade envoy who asked not to be quoted.

Members also raised serious concerns about their effective participation in the negotiations due to the worsening COVID-19 pandemic, suggesting that it is important to schedule meetings by taking into consideration the difficulties posed by the pandemic to capital-based negotiators, the trade envoy said.

In addition, members urged the chair to come up with a coherent work programme instead of apparently jumping arbitrarily from one issue to another, said a participant who asked not to be quoted.

In his introductory statement at the heads-of-delegation (HoD) meeting on 22 January, the chair, Ambassador Santiago Wills from Colombia, said that the meetings on the issues slated for discussion were a “warming-up” exercise, said a participant who asked not to be quoted.

The United States, however, did not make any interventions on the issues slated for discussion during the cluster of meetings due to the recent change of administration in Washington. It made it clear that it would not intervene on issues such as artisanal fishing and NVCs, suggesting that its positions on some of the issues were well known, the participant said.

The chair wanted members to discuss, *inter alia*: (1) dispute settlement in the fisheries subsidies agreement, particularly the issue of NVCs and how they would be treated by the dispute settlement panels; (2) disciplines concerning artisanal fishing involving resource-poor, low-income fishermen who survive for their livelihood on fishing; and (3) special and differential (S&D) treatment.

Non-violation complaints

As regards NVCs, at issue is whether they should be included in the final fisheries subsidies agreement and can be raised by members before the dispute settlement panels.

NVCs deal with situations where any benefits accruing directly or indirectly to a member are being nullified, impaired or impeded as a result of a measure taken by another member, even if that measure does not violate a WTO agreement. These complaints can be brought before a dispute settlement panel if they relate to market access for goods and services, but not if they concern the TRIPS Agreement dealing with intellectual property rights.

While proponents such as Australia

wanted the inclusion of NVCs in the fisheries subsidies agreement, this was opposed by a large majority of developing countries. Chinese Taipei and many other developing countries unambiguously opposed the application of NVCs, as is the case *vis-a-vis* the TRIPS Agreement, according to a negotiator.

In its intervention, Mauritius, on behalf of the African Group, said categorically that the Group will not support the application of NVCs in the context of fisheries subsidies disciplines.

The Mauritian Ambassador to the WTO Usha Chandnee Dwaraka-Canbady said that the African Group “remains flexible on language and options that can effectively translate that position in the draft text. We take note of proposals already submitted by members and groups of members and will work constructively with those delegations on this matter.”

South Africa argued that “NVCs should remain an exceptional remedy that cannot be applied to each and every WTO agreement given its nature.” Many members have indicated “the difficulty to entertain these types of claims,” said South African Ambassador Xolelwa Mlumbi-Peter.

Mlumbi-Peter made it clear during her intervention on 22 January that “necessarily explicit language making non-violation claims inapplicable to any outcome we negotiate is desirable.”

She said “since our negotiations on fisheries subsidies do not deal with market access at all but sustainability, we find it difficult to see how claims of non-violation are relevant.”

India also opposed any attempt to include NVCs in the fisheries subsidies agreement.

Members also remained far apart in other areas of the negotiations, said negotiators, including the language on flag states as an entity to make a determination of IUU fishing; whether a fish stock is being maintained at a “biologically sustainable level”; and the need to be exempted from the prohibition on capacity-building subsidies.

South Africa told the chair that the removal of brackets in the draft text around flag states (which are countries in which a vessel is registered and states having exclusive legislative and enforcement authority over that ship on the high seas) “without the necessary convergence or consensus” was incorrect. (Brackets in a negotiating document indicate lack of

consensus among negotiators over the bracketed text.)

South Africa asked the chair to reinsert the brackets around flag states, expressing concern over the impact their removal may have on “the rights of coastal states, but also to what extent this removal may open the way for removal of brackets around other determining entities listed under Article 3.2.”

In the chair’s second revised draft text, the language proposed in Article 3.2 states that “for purposes of paragraph 3.1, a vessel [or operator] shall be considered to be engaged in IUU fishing if an affirmative determination thereof is made by any of the following:

- i) a coastal Member, for activities in waters under its jurisdiction; or
- ii) a flag State Member, for activities by vessels flying its flag; or
- iii) a relevant Regional Fisheries Management Organization or Arrangement (RFMO/A), in accordance with the rules and procedures of the RFMO/A, in areas and for species under its competence; or
- iv) [a subsidizing Member for activities by vessels it subsidizes; or]
- v) [a port State Member for a vessel that is in one of its ports, provided it acted in cooperation with the flag State and, where appropriate, the coastal State, or acted in a situation where the flag State did not within a reasonable period of time inform the port State of action undertaken in response to alleged IUU fishing by vessels flying its flag when such allegations have been reported to the flag State by the port State concerned.]”

Artisanal fishing

During the discussions on the horizontal carve-out needed for artisanal fishing and fishermen who depend for their survival on fishing, Dwaraka-Canbady of Mauritius said that “this sector, which is more sustainable but vulnerable due to unfair competition by large industrial fishing fuelled by government subsidies, should not be subject to the disciplines.”

The ACP Group said “we would prefer a scope carve-out for artisanal and small-scale fishing”.

South Africa’s Mlumbi-Peter said “my delegation once again wants to emphasize the important role that small-scale artisanal fisheries play in securing livelihoods and food security for coastal

communities.”

She said “it is therefore important to provide the necessary flexibilities to member states by excluding small-scale fishing from the scope of our negotiations.”

She added that “this must be a general exception and not treated as S&D as it would be applicable to all members.”

“The focus of the disciplines should be on large-scale industrial fishing and the devastating impact of fisheries subsidies that enable such fleets to deplete fishing stocks,” said Mlumbi-Peter. “If the problem of overfishing and overcapacity is to be solved, we need look no further than subsidies that enable distant water fleets to deplete our common resources.”

On the disciplines concerning overcapacity and overfishing in Article 5 of the draft text, South Africa said “regarding Article 5.2 and the changes in footnote 13, we are not convinced that 5.2 is needed given the clear list-based prohibition in

Article 5.1.”

Further, “the introduction of the sustainability flexibility complicates negotiations in delivering on the mandate,” Mlumbi-Peter said.

South Africa also expressed concern about the changes proposed on special and differential treatment flexibilities, emphasizing that any attempt to limit S&D to transition periods and capacity building will not assist in facilitating the conclusion of the negotiations. “We reiterate that effective S&D has to be an integral part of this negotiation. S&D must enable developing countries to develop their fisheries sector and to exploit their resources in a sustainable manner.”

Many members called for a clear roadmap and the sequencing of issues based on a clear methodology.

“In order to establish clear priorities, we need a roadmap setting out our work over the course of the next semester in order to have clear outcomes by MC12

[the WTO’s 12th Ministerial Conference, which is slated to be held later this year],” Mlumbi-Peter said.

She said that members know “where the bottlenecks are and which issues should be prioritized,” emphasizing that “a clear and comprehensive work plan would enable delegations to plan their activities, in conjunction with capitals, to ensure that the relevant authorities are present in such meetings.”

She added that while “COVID-19 continues to present substantial problems to all of us”, having a clear roadmap will “substantially alleviate many of the practical and logistical issues that many of us face.”

She said that “the process must be open, transparent and inclusive so as to come up with balanced outcomes. It should also allow sufficient time to consult capitals to get a mandate, as well as coordinate within our various groupings.” (SUNS9271)

South faces serious economic implications from JSI digital trade rules

A recent meeting flagged the dangers to developing economies posed by digital trade rules currently being negotiated among a group of countries.

by D. Ravi Kanth

GENEVA: The plurilateral Joint Statement Initiative (JSI) for framing digital trade rules will have serious economic implications for developing countries and undermine their policy and regulatory space to develop their digital industries, a senior official at the United Nations Conference on Trade and Development (UNCTAD) has said.

The JSI negotiations on digital trade are being propelled by the United States, with Japan, Australia and Singapore acting as the coordinators. Concerns have been raised that the digital trade rules under negotiation will entrench the dominance of global tech giants like Google, Amazon,

Facebook, Apple, Microsoft, Alibaba and Tencent.

[For any agreement on digital trade rules (or any other plurilateral agreement) to find its way into the WTO rulebook, it has to be incorporated either as a new plurilateral agreement to be included in Annex 4 of the WTO treaty, or through an amendment to any of the existing agreements in Annex 1. Any additions or changes to the agreements in Annex 1 would need to go through the amendment processes set out under the WTO treaty. And any new Annex 4 plurilateral agreement must be on a subject that is not part of any existing agreements, and must

be agreed to exclusively by consensus at a WTO Ministerial Conference. – SUNS]

Against this backdrop, senior UNCTAD official Rashmi Banga highlighted her preliminary findings on the proposed plurilateral digital trade rules and their negative implications for developing countries, at a meeting of the informal group of developing countries (IGDC) at the WTO on 29 January.

Along with Banga, Hamid Mamdouh, former director of the services division of the WTO secretariat, also took part in the meeting. Mamdouh apparently spoke positively about the proposed JSI agreement and its promised outcomes in all areas of digital trade, said a person present at the meeting.

The three coordinators of the JSI negotiations – Japan, Australia and Singapore – had presented a bracketed text in December. The text contains brackets (denoting lack of consensus) on all the issues, particularly on scope and definitions, data flows, restrictions on sharing source code, localization of data and market access.

Protecting data

At the IGDC meeting, Banga

presented her findings on issues such as: (1) cross-border data flows; (2) location of computing facilities; (3) market access in trade in services; and (4) market access in trade in goods.

Banga said the proposed rules in the JSI text around cross-border data flows, which require that “no member shall prohibit/restrict/prevent the cross-border transfer of information”, will have several consequences for developing countries.

She said “free flow of cross-border data will give ‘first-mover advantage’ to those who have the capacity to store and process data and build the ‘software’ ... used in the digital technologies.” She cited “3D printing for customized mass production” as one area which offered first-mover advantage.

Banga argued that “protecting non-personal data is as important as protecting personal data because the latest research shows that by using reverse engineering and machine learning, non-identifiable data can re-identify individuals, i.e., non-personal data can be converted into personal data.” She said the nature of communications in 2019 revealed that “99.98% of Americans were correctly re-identified in available ‘anonymized’ dataset.”

Commenting on “data localization rules”, Banga said “data centres and clouds hosted within the data centres are key digital infrastructure which needs to be built for digital industrialization.” She said that without data localization rules, it would be difficult for developing countries to industrialize digitally.

She said “new technological developments such as ‘edge data centres’ have greatly reduced the costs of setting up data centres.” She also cited studies by the African Export-Import Bank that showed that “African countries like Nigeria, Kenya and South Africa have huge potential of hosting data centres.”

While data localization policies are still being used extensively by the developed countries, the developing countries could lose the policy space if the JSI rules intend to lift requirements on data localization, said Banga. She referred to a recent study which found that 22 data localization measures are still being used by the EU member countries, under which the countries impose restrictions on the transfer of data to another country. She also gave specific examples of extensive “data centre incentives” in the United States.

The UNCTAD official said “data localization allows countries to have ‘full’ access to their own data,” while “storing data in other countries may imply partial access to your own national data as the laws and regulations of the country where the data resides may apply and will need to be fulfilled before accessing your own data.”

Market access

Looking at the implications for market access in services, Banga said that under the proposed JSI rules, JSI members are to impose no limitations in their GATS (General Agreement on Trade in Services) schedules on market access and national treatment in five identified broad services sectors for Modes 1, 2 and 3 (cross-border services, consumption abroad, and commercial presence, respectively).

Significantly, however, Mode 4 relating to the movement of short-term services providers, which is an area of vital interest to developing countries, is kept “unbound” in the JSI text, implying that JSI members may provide or not provide market access in this area.

The five identified broad services sectors, according to Banga, are business services, communications services, distribution services, financial services and transport services.

“The global exports of these five identified services amount to \$6.8 trillion in 2017, of which around \$5 trillion is exported by the developed countries,” she said, adding that the EU and the US have a 53% share in the global exports. “Most of the developed countries are net exporters of these services, while most of the developing countries that have joined are net importers of these five services.”

Banga cautioned that “given the competitive advantage of developed countries in these services, any further efforts to increase the market access will benefit only the big-tech exporters and digital platforms of these developed countries.”

Further, developing countries will lose their GATS flexibilities and “will also lose their regulatory space with respect to imported services,” she said.

It is imperative that developing countries would need restrictions on market access and national treatment to provide a level playing field to their domestic small and medium enterprises (SMEs), she said.

On the proposed JSI agreement’s impact on trade in goods, Banga said that JSI participants such as Canada, the EU and the US have proposed that all members must join the expanded Information Technology Agreement (ITA). She said that the expanded ITA would cover digital products and electronic transmissions, suggesting that there would be serious adverse impact on domestic production of ITA products as well as inputs that go into the production of these products.

In conclusion, Banga underscored the need to safeguard “policy and regulatory space” that would otherwise be restricted by the proposed JSI digital trade agreement.

She further noted that “out of 43 developing countries which are members of the JSI, not a single proposal on any of the negotiating issues has been received from 33 countries”.

She urged the developing countries to discuss the implications of digital trade rules in the WTO-mandated work programme on e-commerce.

During the question-and-answer session at the IGDC meeting, in reply to a query by Sri Lanka about the implications for market access in areas of interest to developing countries, Banga said the proposed JSI agreement will pose serious problems for services exported under Mode 4.

When asked by South Africa whether the caveat of “allowed for a legitimate public policy objective” is sufficient to protect the national interests of developing countries, Banga said the JSI rules provide flexibility to members for applying measures that are deemed as needed for achieving a legitimate policy purpose. However, the condition which accompanies this flexibility is that “any such measure should not be applied in a manner which is arbitrary or leads to unjustifiable discrimination or is a disguised restriction on trade”. The measure should also not impose restrictions on transfer of information greater than what is necessary or required to achieve the public purpose.

In addition, “while regulations for providing a level playing field to domestic firms may be seen as a legitimate public policy objective by the governments of developing countries, these regulations may be seen as an ‘unnecessary restriction’ by the foreign firms,” cautioned Banga. (SUNS9278)

COVID-19 causes unprecedented global working-hour losses, says ILO

The coronavirus pandemic has led to sharp losses in working hours and work income worldwide, according to the International Labour Organization.

by Kanaga Raja

GENEVA: The COVID-19 pandemic has caused massive disruptions in the world of work in 2020, with 8.8% of global working hours being lost (relative to the fourth quarter of 2019), equivalent to 255 million full-time jobs, the International Labour Organization (ILO) has said.

In the latest edition (25 January 2021) of *ILO Monitor: COVID-19 and the world of work*, the ILO said that working-hour losses in 2020 were particularly large in Latin America and the Caribbean, Southern Europe and Southern Asia. In contrast, Eastern Asia and Central, Western and Eastern Africa experienced relatively smaller working-hour losses, reflecting less stringent lockdown measures in these sub-regions.

According to the ILO, the labour market disruption in 2020 far exceeded the impact of the global financial crisis of 2009. Over the 15 years before the onset of the COVID-19 pandemic, the average hours worked per person of working age (aged 15 to 64) fluctuated between 27 and 28 hours per week, it said. This then dropped sharply by 2.5 hours from 27.2 hours per week in 2019 to 24.7 hours per week in 2020. In contrast, when the global financial crisis hit the labour market, average working hours declined by just 0.6 hours between 2008 and 2009. The effect of the COVID-19 shock on global working hours has therefore been approximately four times greater than that of the global financial crisis, said the ILO.

The ILO report said that the number of workers living in countries with COVID-19-related workplace restrictions remained high at the start of 2021, with 93% of the world's workers residing in countries with some form of workplace closures in place.

Within countries, more geographically targeted and sector-specific measures

have gradually become the norm over the course of the pandemic, it noted. Thus, fewer than 3% of the world's workers are currently living in countries with economy-wide required closures for all but essential workplaces, down from a peak of 41% in April 2020. A further 11% of workers reside in countries with nationwide closures for some sectors or categories of workers, down from more than 30% in late September.

With a second wave of the pandemic sweeping across Europe in the second half of 2020, the Europe and Central Asia region has seen a marked increase in restrictions, said the ILO. "At the start of 2021, 20% of workers in the region were living in countries with economy-wide closures for all but essential workers – the highest share among the five major regions of the world." This was driven by a sharp increase in restrictions in Northern, Southern and Western Europe beginning in December. Nearly 40% of workers in that sub-region are currently living in countries with required closures for all but essential workplaces.

Labour trends in 2020

According to the ILO, quarterly estimates reflect the volatility in working hours during the pandemic. Half of the total loss of working hours in 2020 occurred during the second quarter of the year, it said.

During the first quarter of 2020, an estimated 5.2% of global working hours (down from 5.6% as estimated previously) were lost relative to the fourth quarter of 2019, equivalent to 150 million full-time jobs (assuming a 48-hour working week).

The implementation of strict containment measures worldwide caused working-hour losses to peak in the second

quarter of 2020, the estimated decline being 18.2% (up from the previous estimate of 17.3%), equivalent to 525 million full-time jobs.

Estimates for the third quarter have been revised substantially downwards to 7.2%, almost 5 percentage points less than the previous estimate of 12.1%. This revision is due to new data suggesting a strong rebound effect across all country income groups, but with particular intensity in lower-middle-income countries, where containment measures became less stringent and economic activities resumed quickly. Global working-hour losses during the third quarter were equivalent to 205 million full-time jobs, pointing to the persistence of severe labour market disruption.

Working-hour losses for the fourth quarter of 2020 are estimated at 4.6%, equivalent to 130 million full-time jobs, relative to the pre-crisis baseline (fourth quarter of 2019).

According to the ILO, its latest estimates indicate that developing countries, which suffered sharp contractions in working hours, have tended to experience strong rebounds.

At the same time, in countries going through a "second wave" of restrictions – mainly high-income countries – working-hour losses are estimated to be considerably smaller than during the "first wave".

During 2020, lower-middle-income countries experienced the greatest losses in working hours, which stood at 11.3%, well above the global average of 8.8%. "This was overwhelmingly driven by the stronger impact of the crisis on this country group during the second quarter (working-hour losses of 29.0%, compared with a global average of 18.2%)," said the ILO.

Upper-middle-income and high-income countries present similar working-hour losses (7.3% and 8.3%, respectively) during 2020, albeit with considerable differences in quarterly trends, it added.

Finally, low-income countries experienced the lowest working-hour losses in 2020 of all income groups, at 6.7%.

Globally, around half of working-hour losses are due to employment loss, while the other half can be attributed to reduced working hours (including workers who remain employed but are not working), said the ILO.

It said employment losses, both as a

share of the working-age population and in relation to working-hour losses, were highest in the Americas, and lowest in Europe and Central Asia, where reduced working hours have been extensively supported by job retention schemes, especially in Europe.

“Despite the adjustment through reduced working hours, employment losses in 2020 were nonetheless massive, amounting to a loss of 114 million jobs relative to the pre-crisis employment level in 2019.”

Workers who suffer a loss of employment find themselves either “unemployed” (actively searching for new jobs) or “inactive” (withdrawing from the labour market because they are not available to work and/or do not search for a job). In contrast to previous crises, by far most of the global employment loss in 2020 translated into rising inactivity rather than unemployment, leading to an additional 81 million people shifting to inactivity alongside 33 million unemployed, said the ILO report.

“Consequently, the global labour force participation rate has dropped by 2.2 percentage points owing to the COVID-19 crisis, compared with just 0.2 percentage points between 2008 and 2009 as a result of the global financial crisis.”

Only in high-income countries did unemployment rise more than inactivity – a phenomenon that was driven to a significant extent by trends in the United States, said the ILO.

Despite representing a smaller proportion of the overall work deficit, compared with 2019, global unemployment nevertheless increased by 33 million to 220 million in 2020, with the unemployment rate increasing by 1.1 percentage points to 6.5%. This increase is much larger than that observed during the global financial crisis of 2009 (0.6 percentage points), the ILO emphasized.

In contrast to the global financial crisis, the COVID-19 crisis has affected labour markets worldwide, resulting in greater job losses and unemployment hikes everywhere – including low- and middle-income countries, which were not hit as hard during the global financial crisis.

Globally and across all regions and country income groups, women have been affected by employment loss to a greater extent than men, said the ILO. At the global level, the employment loss for women stands at 5.0% in 2020, versus 3.9% for men. In absolute numbers, the

loss is larger for men (80 million) than for women (64 million) because of the longstanding gender gap in labour force participation rates.

“Across all regions, women have been more likely than men to become economically inactive, that is to drop out of the labour force, during this crisis,” the ILO added.

The ILO also said that given the massive losses in working hours, workers have suffered large reductions in their income from work. Global labour income is estimated to have declined by 8.3% in 2020 relative to 2019.

The estimates indicate that the greatest labour income loss, amounting to 12.3%, was experienced by lower-middle-income countries. Estimated labour income losses were similar in low-, upper-middle- and high-income countries.

Workers in the Americas are estimated to have lost 10.3% of labour income, compared with 6.6% for workers in Asia and the Pacific.

In monetary terms, global labour income fell by an estimated \$3.7 trillion (using 2019 market exchange rates) in 2020 relative to 2019, corresponding to 4.4% of global GDP in 2019, said the ILO. It added that those sizeable labour income losses could push households into poverty and cause them to reduce their consumption once savings have been used up, further diminishing aggregate demand.

Prospects for 2021

Looking ahead, the ILO said that there are expectations that a robust recovery will occur in the second half of 2021, particularly in view of the latest developments regarding vaccine approvals. “However, there is also much uncertainty together with risks that could dampen or derail the recovery,” it added.

“The actual speed and quality of the recovery will depend on a wide range of political, economic and health factors, including the extent of vaccination, how countries continue to control the pandemic, and whether policy measures can be maintained to promote economic and labour market recovery.”

The projections for 2021 are therefore subject to a very high degree of uncertainty concerning the evolution of the pandemic and the nature of policy responses, said the ILO.

The ILO highlighted three scenarios that it said could lead to significantly

different labour market outcomes.

Under the baseline scenario, global working-hour losses will amount to 3.0% in 2021 (relative to the fourth quarter of 2019), which is equivalent to 90 million full-time jobs assuming a 48-hour working week.

According to the ILO, the baseline scenario assumes that the time required for workers to return to or find jobs remains low thanks to strong policy support. As regards the pandemic, it is assumed that strict lockdown measures are no longer a major constraining factor in 2021.

Working-hour losses are projected to be smallest in low-income countries, at 1.8%, and largest in high-income countries, at 4.7%.

The largest recovery, with respect to losses in 2020, is projected to occur in lower-middle-income countries (2.6%).

Working hours in low- and lower-middle-income countries are expected to rebound strongly, as the lack of alternative income sources and widespread poverty force people to take up any economic activity in order to survive, said the ILO.

High-income and, to some extent, upper-middle-income countries are expected to face a difficult first quarter, but are also likely to experience a relatively strong recovery in the second half of the year as vaccination reaches a critical mass of people, it added.

The Americas and Europe and Central Asia are expected to suffer working-hour losses more than twice as large as those in other regions, owing to the stringent health measures that were in place at the start of the year.

The Asia and the Pacific region, in contrast, is projected to experience the smallest working-hour losses in 2021, reflecting the recovery that was already under way at the end of 2020.

In the pessimistic scenario, the ILO said labour market recovery in 2021 will be much slower and working-hour losses will remain at the high level of 4.6% (relative to the last pre-crisis quarter), equivalent to 130 million full-time jobs.

This scenario assumes slow progress on vaccination in particular, a prolonged serious impact of the pandemic in general, and lower consumer and business confidence. Combined with potential shortfalls in fiscal stimulus, job creation is limited.

In this scenario, working-hour losses will not be recuperated in all countries, except high-income countries.

The ILO said that the optimistic scenario sees a strong rebound in working hours in 2021 thanks to an upsurge in consumer and business confidence, with the pandemic being under control.

Nevertheless, even in this scenario, a gap of 1.3% of global working hours will remain in 2021, which corresponds to 36 million full-time jobs assuming a 48-hour working week.

In the Americas and in Europe and Central Asia, working-hour losses are expected to remain in excess of 2% in 2021 under this scenario.

Employment is expected to recover in 2021 along with working hours. At the same time, working-hour losses in 2021 are expected to translate more into employment losses than into reduced working hours, said the ILO.

According to the ILO report, a comparison with the “no pandemic” trend yields a projected employment loss of 68 million in 2021 (assuming the baseline scenario for the projections).

“The world enters 2021 still facing an

unprecedented crisis in jobs and incomes and heightened levels of uncertainty,” said the ILO.

“Over the year, policy responses will need to combine the roll-out of vaccination, public health measures, and supporting measures for the economy and the labour market,” it added.

In this context, the ILO said that policymakers will need to consider:

- (a) maintaining an accommodative macroeconomic policy for income support and investment;
- (b) assisting low- and middle-income countries with vaccination and policy measures;
- (c) ensuring that hard-hit groups (notably young people, women, the low-paid and low-skilled workers) are supported in finding decent work opportunities and that they do not suffer any long-term “scarring effects”;
- (d) balancing the needs of the diverging sectors, with effective policy measures to support workers’ labour market transitions as well as enterprises

(particularly smaller firms); and
(e) implementing recovery strategies, based on social dialogue, that promote a transition to a more inclusive, resilient and sustainable world of work.

“The signs of recovery we see are encouraging, but they are fragile and highly uncertain, and we must remember that no country or group can recover alone,” said ILO Director-General Guy Ryder.

“We are at a fork in the road. One path leads to an uneven, unsustainable, recovery with growing inequality and instability, and the prospect of more crises. The other focuses on a human-centred recovery for building back better, prioritizing employment, income and social protection, workers’ rights and social dialogue,” he added.

“If we want a lasting, sustainable and inclusive recovery, this is the path policy-makers must commit to,” Ryder emphasized. (SUNS9275)

Global FDI flows fell by 42% in 2020, says UNCTAD

Global flows of foreign direct investment plunged over 40% last year to 1990s levels and are expected to remain weak in 2021, according to a UN economic body.

by Kanaga Raja

GENEVA: Global foreign direct investment (FDI) fell by 42% to an estimated \$859 billion in 2020, from \$1.5 trillion in 2019, the UN Conference on Trade and Development (UNCTAD) has said.

In its latest *Investment Trends Monitor* (No. 38, January 2021), UNCTAD said that FDI finished 2020 more than 30% below the trough after the global financial crisis in 2009 and is back at a level last seen in the 1990s.

The decline was concentrated in developed countries, where FDI flows

fell by 69% to an estimated \$229 billion, the lowest level over the past 25 years, said UNCTAD. Flows to Europe dried up completely to -\$4 billion (including large negative flows in several countries), while a sharp decrease was also recorded in the United States (-49%) to \$134 billion.

On the other hand, the decline in developing economies was relatively measured at -12% to an estimated \$616 billion.

The share of developing economies in global FDI reached 72% – the highest

share on record – with China topping the ranking of the largest FDI recipients, said UNCTAD.

At a virtual media briefing, James Zhan, Director of the UNCTAD Division on Investment and Enterprise, said that risks related to the latest wave of the COVID-19 pandemic, the pace of the roll-out of vaccination programmes and economic support packages, fragile macroeconomic situations in major emerging markets, and uncertainty about the global policy environment for investment will all continue to affect FDI in 2021.

Overall, global FDI is likely to follow a U-shaped recovery starting in 2022, unlike global trade and GDP which have been predicted to register a V-shaped recovery starting already in 2021, he said.

Trends in FDI flows

According to UNCTAD, global FDI inflows, excluding Caribbean offshore financial centres, fell by 42% in 2020, reaching an estimated \$859 billion.

The COVID-19 pandemic affected all types of investment: greenfield investment

project announcements (-35%), cross-border mergers and acquisitions (M&As) (-10%) and new international project finance deals (-2%).

By region, falling flows to Europe (by more than 100%) and North America (-46%) contributed most to the global decline, while FDI flows fell by only 4% in developing Asia. As a result of these regional differences, the share of developing economies increased to 72% of the world total, said UNCTAD. China became the largest recipient, attracting an estimated \$163 billion in inflows, followed by the United States with \$134 billion.

In relative terms, flows declined most strongly in the United Kingdom, Italy, the Russian Federation, Germany, Brazil and the United States, while India and China bucked the trend, said UNCTAD.

According to UNCTAD, FDI flows to developed countries fell drastically by 69% to values last seen almost 25 years ago. Of the global decline of \$630 billion, almost 80% was accounted for by developed economies. At an estimated \$229 billion, inflows in developed economies were only one-third of the low point after the global financial crisis in 2009 (at \$714 billion), said UNCTAD.

Multinational enterprises (MNEs) significantly reduced new equity investments. In combination with lower M&A activity, this resulted in a marked decline in the equity component of FDI (to near-zero).

Intra-company loans turned negative (-\$134 billion) as parent firms withdrew or were paid back loans from their affiliates, strengthening their balance sheets at home.

Contrary to earlier expectations and despite significantly lower profit levels, reinvested earnings in foreign affiliates remained relatively stable, declining by only 6%.

Inflows to Europe dropped into negative territory (-\$4 billion) mainly due to sharply negative FDI in countries with significant conduit flows, such as the Netherlands and Switzerland, said UNCTAD.

FDI flows to the Netherlands fell to an estimated -\$150 billion in 2020 due to large equity divestments and negative intra-company loans (-\$125 billion and -\$102 billion, respectively). The value of cross-border M&As in the country reached almost \$100 billion due to a corporate reconfiguration registered as a merger of

Unilever (United Kingdom) with Unilever (Netherlands) for \$81 billion.

FDI to Switzerland remained negative at -\$88 billion, due in part to large equity divestments (to an estimated -\$155 billion).

FDI to the EU-27 fell by 71% to an estimated \$110 billion, from \$373 billion in 2019. Among EU members, 17 saw their FDI decline. Germany posted a large decrease (from a revised \$58 billion in 2019 to \$23 billion) despite a jump in cross-border M&As, while FDI flows fell strongly to Italy and Austria due to large divestments. France also saw its FDI decline by 39% to \$21 billion due in part to lower M&A sales which fell from \$18 billion to \$5.1 billion, said UNCTAD.

FDI flows to the United Kingdom were -\$1.3 billion (from \$45 billion in 2019) mainly due to large negative intra-company loans and some equity divestments. Reinvested earnings turned positive to an estimated \$27 billion from -\$5 billion in 2019.

According to UNCTAD, there were a few European countries that saw their FDI increase despite the crisis. FDI to Sweden doubled from \$12 billion to \$29 billion, as US MNEs injected loans in their affiliates in the country, while FDI to Spain rose 52% due to several acquisitions.

FDI flows to North America fell by 46% to \$166 billion, with cross-border M&As dropping by 43%. Announced greenfield investment projects also fell by 29% and project finance deals by 2%.

FDI to the United States halved (-49%) to an estimated \$134 billion. Investments in the United States by MNEs from the United Kingdom, Germany and Japan declined significantly, said UNCTAD. The decline took place in wholesale trade, financial services and manufacturing. Cross-border M&A sales of US assets to foreign investors fell by 41% mostly in the primary sector.

FDI in Canada decreased by 34% to \$32 billion, as MNEs from the United States halved new investment in the country.

Among other developed economies, flows to Australia fell (-46% to \$22 billion), while those to Israel increased (from \$18 billion to \$26 billion), as did those to Japan (from \$15 billion to \$17 billion). In Israel, M&A sales in computer-related industries rose by 31% to \$7.3 billion.

FDI flows to developing economies decreased by 12% to an estimated \$616 billion, said UNCTAD. The decline was

reflected across all types of investment: the value of announced greenfield projects (-46%), the number of cross-border project finance deals (-7%) and the value of cross-border M&A sales (-4%).

FDI in developing Asia fell by 4% to an estimated \$476 billion in 2020, the mildest FDI contraction among all regions, said UNCTAD.

FDI in East Asia actually grew 12% to \$283 billion, due in part to a rebound of financial flows to Hong Kong, China (+40%) after unrest resulted in exceptionally low values in 2019. FDI flows to China rose by 4% to \$163 billion, making the country the largest FDI recipient in 2020. A return to positive GDP growth (+2.3%) and the government's targeted investment facilitation programme helped stabilize investment after the early lockdown. FDI in high-tech industries was up by 11% in 2020, while cross-border M&As rose by 54% mostly in ICT and pharmaceutical industries. In the Republic of Korea, FDI fell by 42% to \$6 billion, with a significant decline in cross-border M&As.

FDI in South-East Asia contracted by 31% to \$107 billion due to a decline in investment to the largest recipients in the sub-region: inflows in Singapore fell by 37% to \$58 billion, Indonesia by 24% to \$18 billion, Vietnam by 10% to \$14 billion, and Malaysia by 68% to \$2.5 billion.

In Singapore, through which investments in the sub-region are often funnelled, cross-border M&As contracted by 86%, reflecting a significant slowdown of foreign acquisitions in the sub-region, said UNCTAD.

In Thailand, FDI contracted 50% to \$1.5 billion, mainly due to a large divestment (Tesco (United Kingdom) sold its stores to a Thai investor group for \$9.9 billion).

The strength of South-East Asia as an FDI engine remained evident, however; announced greenfield investment contracted more moderately (-14%) than in other developing regions. UNCTAD said that South-East Asia registered more than \$70 billion in new greenfield investment projects, the largest volume among developing regions.

FDI in South Asia rose by 10% to \$65 billion. India saw FDI rising by 13% to \$57 billion as investment in the digital economy continued, particularly through acquisitions. Cross-border M&A sales grew 83% to \$27 billion.

FDI flows to West Asia dropped by 24%

to \$21 billion. In most oil exporters, the impact of the pandemic was exacerbated by low energy prices. Inflows to Turkey decreased by 19% to \$6.8 billion. FDI to Saudi Arabia remained stable, with inflows increasing by 4% to an estimated \$4.7 billion.

FDI in Latin America and the Caribbean decreased by 37% to an estimated \$101 billion, amidst one of the deepest recessions across the developing world. According to UNCTAD, investments in oil-related industries and market-seeking flows recorded steep declines. Among the larger economies, only Mexico experienced a decline of less than 10%, thanks to resilient reinvested earnings.

In South America, flows fell by 46% to an estimated \$60 billion as all the major recipients registered steep contractions, said UNCTAD. In Brazil, FDI decreased to \$33 billion as the privatization programme and infrastructure concessions paused during the pandemic crisis. UNCTAD said that the worst-affected industries were transportation and financial services, with falls in inflows of more than 85% and 70%, respectively, and the oil and gas extraction and automotive industries, which both registered a (preliminary) 65% decline in inflows.

Meanwhile, flows to Peru, Colombia and Argentina slumped by 76%, 49% and 47%, respectively. In Peru, all sectors registered severe declines of flows, with virtually no new investments in the services, manufacturing and utilities industries. The mining sector registered a milder decline, sustained by reinvested earnings. In Argentina, the health crisis compounded an already dire economic situation with a sovereign debt default in May.

In Chile, flows fell by 21% to \$8.9 billion; an increase in new investments in the first quarter in the transport, manufacturing and trade industries was undone in the second part of the year, said UNCTAD.

Flows to Central America contracted by 14% to an estimated \$38 billion. FDI to Mexico decreased by 8% to \$31 billion. The automotive industry was particularly hard hit by the pandemic, registering a 44% drop in flows.

UNCTAD said in the Caribbean, flows fell by 18% to \$3.2 billion, significantly hit by reduced investment in the tourism industry.

In the Dominican Republic, although overall inflows fell by 9%, manufacturing investments increased, supported by new projects in medical devices.

FDI flows to Africa declined by 18% to an estimated \$38 billion, from \$46 billion in 2019, said UNCTAD. Greenfield project announcements, an indication of future FDI trends, fell 63% to \$28 billion, from \$77 billion in 2019. "The pandemic's negative impact on FDI was amplified by low prices of and low demand for commodities," UNCTAD added.

Egypt remained the top recipient of FDI in Africa, despite a significant decline in inflows (-39%) to an estimated \$5.5 billion.

Overall, in North Africa, FDI inflows fell by 32% to \$9.4 billion from \$14 billion in 2019, said UNCTAD. Only flows to Morocco were robust and stayed almost unchanged at \$1.6 billion as the country's FDI profile is relatively diversified with the established presence of several major MNEs in manufacturing industries including automotive, aerospace and textiles.

FDI inflows to Sub-Saharan Africa decreased by 11% to an estimated \$28 billion, said UNCTAD.

Inflows to Nigeria declined to \$2.6 billion from \$3.3 billion in 2019. Lower crude oil prices, coupled with the closure of oil development sites at the start of the pandemic due to movement restrictions, weighed heavily on FDI to the country, said UNCTAD.

Senegal was among the few economies with higher inflows in 2020, registering a 39% increase to \$1.5 billion, supported by rising investments in energy.

FDI to South Africa almost halved to \$2.5 billion from \$4.6 billion in 2019. However, several large projects were announced, including an investment by Google (United States) of approximately \$140 million in a fibre optics submarine cable and an additional investment of \$360 million by Pepsico (United States) to expand the capacity of Pioneer Foods.

FDI flows to the transition economies fell sharply by 77%, to an estimated \$13 billion. This was the lowest level of inflows recorded in the region since 2002, said UNCTAD.

Inflows plummeted in the Russian Federation, the largest economy of the region – from \$32 billion in 2019 to \$1.1 billion due to the COVID-19 crisis. "In addition, weak international demand for

crude oil, and a price conflict with other large producers in April 2020 drove prices to historical low levels, putting downward pressure on investment in the oil sector," UNCTAD said.

FDI also decreased in less-natural-resource-dependent South-East Europe (-28%). Manufacturing activities that are connected to global supply chains suffered in several economies, explaining most of the decline in FDI.

All forms of FDI affected

UNCTAD said that new greenfield investment project announcements were 35% lower in 2020, cross-border M&As fell by 10% and newly announced cross-border project finance deals, an important source of investment in infrastructure, declined by 2%.

Cross-border M&A sales reached \$456 billion in 2020 – a decrease of 10% compared with 2019. In developed countries, they fell sharply in North America (-43%) while in Europe, the increase of 26% was due in part to the abovementioned Unilever corporate reconfiguration adding \$81 billion. In developing economies, M&A sales in Asia rose by 31%, while those in Latin America and the Caribbean (-67%) and Africa (-45%) fell.

The value of cross-border M&A sales dropped by 52% in the primary sector (mainly in mining, quarrying and petroleum) and by 8% and 6% in manufacturing and services. Sales of assets in food and digital industries more than tripled in 2020. Information and communications remained the sector with the largest number of cross-border sales. After a jump in 2019, the value of M&A sales in pharmaceuticals declined by 43% but the number of M&As kept rising, reaching 206 – the highest number ever recorded.

Announced greenfield projects reached an estimated \$547 billion in 2020 – a decline of 35% compared with 2019. The largest decline took place in the developing economies (46%), mainly in Africa and Latin America and the Caribbean, said UNCTAD.

International project finance deals were as weak as greenfield investment up to the third quarter of 2020. Subsequently, a flurry of new project announcements in the final months of 2020 dampened the overall decline to -2% only. However,

the vast majority of these projects were in developed economies, many in renewable energy projects, said UNCTAD.

Prospects for FDI in 2021

According to UNCTAD, global FDI flows will remain weak in 2021.

“Although the global economy is expected to initiate a hesitant and uneven recovery in 2021 and GDP growth, gross fixed capital formation and trade are projected to resume growth, investors are likely to remain cautious in committing capital to new overseas productive assets,” it said.

International investment projects tend to have a long gestation period and react to crises with a delay, both on the downward slope and in the recovery, it added.

The uncharacteristic immediacy of the FDI reaction to the crisis caused by the COVID-19 pandemic was due to physical lockdowns and other mitigation measures

making the implementation of ongoing projects more difficult, but the effects of the recession will linger and an FDI recovery is not expected to start before 2022.

UNCTAD said investor uncertainty related to further waves of the pandemic and to developments in the global policy environment for investment will also continue to affect FDI.

Data on an announcement basis – on M&As, greenfield investments and project finance – provide a mixed picture on forward trends, confirming the weak outlook. Greenfield project announcements in 2020, 35% lower than in 2019, do not bode well for new investment in industrial sectors in 2021.

The decline in announced international project finance deals, important for investment in infrastructure, was more contained (-2%), but the uptick in the last part of the year that dampened the decline was largely concentrated in developed

countries. UNCTAD said that the far more limited capacity of developing countries to roll out economic support packages to stimulate investment in infrastructure will result in an asymmetric recovery of project-finance-driven FDI.

According to UNCTAD, any increase in global FDI flows is more likely to come from cross-border M&As rather than from new investment in productive assets.

Announced cross-border M&A deals rebounded in the second half of 2020, mostly driven by technology and healthcare deals. These two industries are not affected by the pandemic in the same way as other industrial sectors. Although their investment activity slowed down initially in 2020, they are now set to take advantage of low interest rates and increasing market values to acquire assets in overseas markets for expansion, as well as rivals and smaller innovative companies affected by the crisis, said UNCTAD. (SUNS9271)

Economic recovery remains precarious in post-COVID-19 years

Setting the world economy on a path to sustained recovery from the COVID-19 crisis will require investments in building resilience to future shocks, says the UN.

NEW YORK: The United Nations has warned that the devastating socioeconomic impact of the COVID-19 pandemic will be felt for years to come unless smart investments in economic, societal and climate resilience ensure a robust and sustainable recovery of the global economy.

In 2020, the world economy shrank by 4.3%, over two-and-a-half times more than during the global financial crisis of 2009.

The modest recovery of 4.7% expected in 2021 would barely offset the losses of 2020, says the UN's latest *World Economic Situation and Prospects* report.

The report underscores that sustained recovery from the pandemic will depend not only on the size of the stimulus measures and the quick rollout of vaccines, but also on the quality and efficacy of these measures to build resilience against future shocks.

“We are facing the worst health and economic crisis in 90 years. As we mourn the growing death toll, we must remember that the choices we make now will determine our collective future,” said UN Secretary-General Antonio Guterres, who remotely addressed the Davos Agenda event on 25 January.

“Let's invest in an inclusive and sustainable future driven by smart policies, impactful investments, and a strong and effective multilateral system that places people at the heart of all socioeconomic efforts.”

Developed economies, projected to see a 4% output growth in 2021, shrank the most in 2020, by 5.6%, due to economic shutdowns and subsequent waves of the pandemic, increasing the risk of premature austerity measures that would only derail recovery efforts globally.

Developing countries saw a less severe contraction at 2.5%, with an expected

rebound of 5.7% in 2021, according to the estimates presented in the report.

Key areas of impact

The UN Department of Economic and Social Affairs (UN DESA) says that 131 million more people were pushed into poverty in 2020, many of them women, children and people from marginalized communities.

The pandemic has adversely affected women and girls disproportionately, exposing them to increased risk of economic devastation, poverty, violence and illiteracy.

Women make up more than 50% of the workforce in high-risk labour and service-intensive sectors, such as retail, hospitality and tourism – areas hardest hit by the lockdown. Many of them have limited or no access to social protection.

Massive and timely stimulus measures, amounting to \$12.7 trillion, prevented a total collapse of the world economy and averted a Great Depression. However, stark disparity in the size of the stimulus packages rolled out by developed and developing countries will put them on different trajectories of recovery, highlights the report. The stimulus spending per capita by the developed countries has

been nearly 580 times higher than that of the least developed countries (LDCs) although the average per capita income of the developed countries has been only 30 times higher than that of the LDCs. The drastic disparity underscores the need for greater international solidarity and support, including debt relief, for the most vulnerable group of countries.

Moreover, financing these stimulus packages entailed the largest peacetime borrowing, increasing public debt globally by 15%. This massive rise in debt will unduly burden future generations unless a significant part is channelled into productive and sustainable investment, and to stimulate growth.

According to the report, global trade shrank by an estimated 7.6% in 2020 against the backdrop of massive disruptions in global supply chains and tourism flows. Lingering trade tensions between major economies and stalemates in multilateral trade negotiations were already constraining global trade before the pandemic.

“The current crisis reiterates the importance to revitalize the rule-based multilateral trading system to put the world economy on the trajectory of a robust and resilient recovery,” said the Under-Secretary-General of UN DESA,

Liu Zhenmin. “We must make global trade resilient to shocks to ensure trade remains the engine of growth for the developing countries.”

The report highlights opportunities for developing countries if they can prioritize investments that advance human development, embrace innovation and technology, and strengthen infrastructure, including creating resilient supply chains.

Stressing the importance of stimulating investments, the report shows that while the majority of the stimulus spending went into protecting jobs and supporting current consumption, it also fuelled asset price bubbles worldwide, with stock market indices reaching new highs during the past several months.

“The depth and severity of the unprecedented crisis foreshadows a slow and painful recovery,” said UN Chief Economist and Assistant Secretary-General for Economic Development, Elliott Harris.

“As we step into a long recovery phase with the rollout of the vaccines against COVID-19, we need to start boosting longer-term investments that chart the path toward a more resilient recovery – accompanied by a fiscal stance that avoids premature austerity and a redefined debt sustainability framework, universal social

protection schemes, and an accelerated transition to the green economy.”

An unprecedented crisis – one that has killed more than 2 million people, uprooted many more lives, forced families into poverty, exacerbated income and wealth inequality between communities, disrupted international trade and paralyzed the global economy – needs an extraordinary response.

Ultimately, the report underscores the importance of achieving the Sustainable Development Goals (SDGs) – the blueprint for a fair, peaceful and resilient world.

“Promoting inclusive and equitable growth, reducing inequality and enhancing environmental sustainability is the best plan we have to recover from this crisis and safeguard the world against future crises. Building resilience must guide every aspect of the recovery and we will find women playing critical roles as champions of resilience,” said Maria-Francesca Spatolisano, UN DESA’s Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs. (IPS)

Source: UN Department of Economic and Social Affairs (DESA)

The Third World in the Third Millennium CE

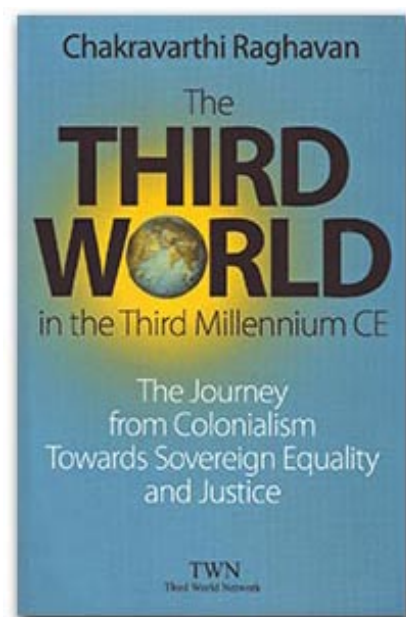
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Caught in tangled web of vaccine nationalism

With countries jostling over scarce supplies of COVID-19 vaccines, the way forward lies in suspending certain intellectual property rights in order to boost production, writes *Jomo Kwame Sundaram*.

“Oh what a tangled web we weave, when first we practise to deceive.”

Walter Scott’s lines, already over two centuries old, nicely sum up how pursuit of national advantage and private gain has undermined the public interest and the common good.

As known COVID-19 infections exceed 100 million internationally, with more than two million lives lost, rich countries are now quarrelling publicly over access to limited vaccine supplies. With “vaccine nationalism” widespread, multilateral arrangements have not been able to address current challenges well.

Vaccine nationalism has meant that the rich and powerful come first, not only in societies, but also in the world, making a mockery of the “No one left behind” slogan embraced by the international community. Many developing countries and most of their people will have to wait for access to vaccines while the powerful and better-off secure prior access regardless of need or urgency.

Vaccine nationalism and the prospect of more profits by not scaling up output to induce scarcity may thus cause more losses of both lives and livelihoods, causing economies to slow further.

IPR obstacle

The 1994 World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) greatly strengthened and extended intellectual property rights (IPRs) transnationally. It is easy to forget that strict cross-border enforcement of IPRs claims is relatively recent.

While many assume that IPRs are needed to promote research and development for technological progress, this is seriously challenged by most serious histories and historians of technology. Perhaps more importantly, there is considerable evidence that IPRs may well have inadvertently slowed progress. More generally, IPRs have discouraged

the research cooperation and knowledge sharing so essential to progress. By enabling and thus encouraging “patent trolling” and hoarding, IPRs have effectively denied access to patented products and processes except to the highest bidders.

Following the pushback to the original TRIPS, boosted by Nelson Mandela after he became South African president in 1994, developing countries have secured legal access to “essential medicines”. A 2001 WTO Declaration on the TRIPS Agreement and Public Health affirmed the right of countries to protect public health, enable access to medicines and issue a compulsory licence, even without a health emergency.

In return for developing countries extending IP protection, developed countries promised to establish manufacturing capabilities for patented processes in developing countries, and incentivize their transnational corporations (TNCs) to enable technology transfer to developing countries, especially the least developed countries (LDCs).

In 2017, the TRIPS Agreement was amended to confirm that developing countries unable to domestically produce certain pharmaceuticals could issue compulsory licences to import patented drugs produced abroad under compulsory licensing.

But although the agreement now allows such use of compulsory licensing, developing countries are still constrained by its complex rules, procedures and conditions as well as constant TNC threats and inducements, supported by their governments.

Hence, use of compulsory licensing by developing countries has been largely limited to several more independent middle-income countries, such as India, Thailand, Indonesia and Malaysia, and to HIV/AIDS medicines.

The TRIPS waiver – recently proposed by South Africa, India and others to the WTO – seeks temporary suspension of several provisions in the TRIPS

Agreement on patents, industrial designs, copyrights and protection of undisclosed information. The proposed waiver seeks to greatly scale up production of and access to COVID-19 vaccines, medicines and equipment, especially in developing countries, to contain the contagion.

But the Trump administration, the European Union (EU) and their allies have stubbornly blocked the waiver.

The EU claims that “an [intellectual property] system is ... also to ensure the publication and dissemination of research results, when otherwise they will remain secret.” It omits to acknowledge that no vaccine developer has shared research results needed to scale up vaccine output by others, including generic producers.

Vaccine nationalism rules

Although the waiver implies treating vaccine production and distribution as public goods, and the European Commission (EC) President Ursula von der Leyen has spoken about “working together” and “solidarity” for the “public good”, the EU continues to block it.

But after AstraZeneca and Pfizer failed to meet their contractual obligations to deliver vaccines to EU countries, the now embattled EC chief has criticized the companies for not meeting their contractual obligations. She did not hesitate to emphasize that EU taxpayers and governments had paid much to accelerate vaccine development and production.

Ironically, the most feasible way forward now involves approving the TRIPS waiver at the WTO.

The US and EU governments can make the badly needed breakthrough and thus do much to restore international confidence in their intentions.

With Biden announcing the US rejoining the World Health Organization (WHO), the new administration can not only lift the embargo on exports of vaccines, vital medicines and equipment, but also advocate for the TRIPS waiver, quickly winning appreciation for his commitment to multilateral leadership.

US taxpayers have already spent many billions for Trump’s Operation Warp Speed to accelerate private vaccine development and distribution. Now, both the US and the EU are well placed to greatly accelerate vaccine production and distribution for the world at relatively little additional cost. They can do so by ensuring that relevant

information is quickly shared to rapidly scale up vaccine production.

For example, mass vaccine production capacity remains limited internationally, but it is the Serum Institute of India, not

a developed-country facility, which is acknowledged as the world leader by far. (IPS)

Jomo Kwame Sundaram, a former

economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.

A Clash of Climate Change Paradigms

Negotiations and Outcomes at the UN Climate Convention

By *Martin Khor and Meenakshi Raman*

Climate change is the biggest problem facing humanity and the Earth. To address it requires fundamental changes to economies, social structures, lifestyles globally and in each country.

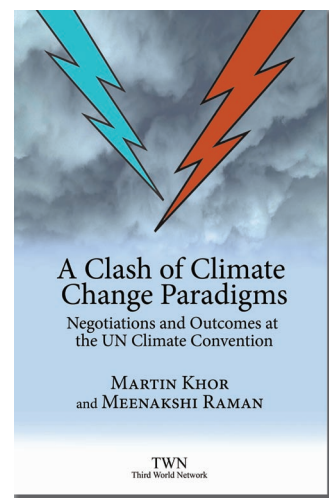
International cooperation is crucial. But to achieve this is difficult and complex, because there are many contentious issues involved, not least the respective roles and responsibilities of developed and developing countries.

This book is an account of the outcomes and negotiations at the UN Framework Convention on Climate Change (UNFCCC). It covers the

Convention's annual Conference of Parties (COP) from Bali (2007) to Paris (2015), where the Paris Agreement was adopted, to 2018 where the rules on implementing Paris were approved, and to Madrid (2019).

The two main authors took part in all the COPs analysed except the 2019 COP. The book thus provides a unique ringside view of the crucial negotiations and their results at the UNFCCC as the different countries and their groups grappled with the details on how to save the world, and who should take what actions.

This brief account will be useful, even indispensable, for policy-makers, researchers, civil society activists and all those interested in the climate change issue.



Email twon@twonetwork.org for further information, or visit

<https://www.twn.my/title2/books/Clash%20of%20climate%20change%20paradigms.htm>

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