

Pandemic threat to economic recovery

The greatest risk to global economic growth prospects comes from a continuing COVID-19 pandemic that has already driven poverty and inequality to staggering – and deadly – highs.

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After a rebound in 2021, global economic recovery is losing steam

The world economic outlook is subject to several risks, most significantly those posed by the trajectory of the COVID-19 pandemic, says the UN.

by Kanaga Raja

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THIRD WORLD ECONOMICS

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GENEVA: The global economic recovery hinges on a delicate balance amid new waves of COVID-19 infections, persistent labour market challenges, lingering supply-chain constraints as well as rising inflationary pressures, according to the United Nations.

In its *World Economic Situation and Prospects 2022* report released on 13 January, the UN said that after a global contraction of 3.4% in 2020 and following an expansion of 5.5% in 2021 – the highest rate of growth in more than four decades – the world economy is projected to grow by only 4% in 2022 and 3.5% in 2023.

The global recovery in output in 2021 was largely driven by robust consumer spending and some uptake in investment, it said. Trade in goods bounced back, surpassing the pre-pandemic level. But growth momentum slowed considerably by the end of 2021 including in big economies like China, the European Union and the United States, as the effects of fiscal and monetary stimuli dissipated and major supply-chain disruptions emerged.

Growth impetus generally has been weaker in most developing countries and economies in transition, said the UN. While higher commodity prices have helped commodity-exporting countries at large, rising food and energy prices have triggered rapid inflation, particularly in the Commonwealth of Independent States (CIS) and Latin America and the Caribbean. Recovery has been especially slow in tourism-dependent economies, notably in the small island developing states.

"Without a coordinated and sustained global approach to contain COVID-19 that includes universal access to vaccines, the pandemic will continue to pose the greatest risk to an inclusive and sustainable recovery of the world economy," said Liu Zhenmin, Under-

Secretary-General of the UN Department of Economic and Social Affairs.

Growth prospects

According to the UN report, the global economy grew by 5.5% in 2021 – the highest growth rate since 1976 – after contracting by 3.4% in 2020. World gross product in 2021 was 1.9% higher than in 2019 but still 3.3% below the level projected before COVID-19.

The recovery of output in 2021 largely represented the resumption of household spending and investment, which had come to a screeching halt in 2020 amid lockdown measures worldwide. The world economy is projected to grow by 4% in 2022 and 3.5% in 2023, converging towards its long-term trend of around 3% per year between 2010 and 2019.

"But these aggregate figures mask strong divergence in growth prospects as a significant number of developing countries are struggling to recover from the pandemic," said the report.

The growth momentum of the first three quarters of 2021 – especially in the United States, the European Union and China – slowed as the stimulating effects of fiscal and monetary measures began to dissipate and supply-side challenges emerged at the end of the year.

The easing of supply-side constraints and the taming of inflationary pressures will remain critical to keep the global economy on the projected near-term growth trajectory, said the UN.

However, growth prospects face significant risks and uncertainties, including new mutations of COVID-19, such as the Omicron variant that began spreading in late November 2021, it added.

Growth forecasts presented remain susceptible to potential lockdowns and other restrictive measures worldwide.

In addition, as major central banks start to withdraw their extraordinary policy support, global financial conditions may tighten considerably, weighing on global recovery, the UN cautioned.

According to current forecasts, the gross domestic product (GDP) of 16 hard-hit developing countries – including many small island developing states – will be more than 5% smaller in 2022 than in 2019, it said.

Well over a fifth of developing countries, 28 in total, will have to wait until 2022 to see GDP return to pre-crisis levels. Twenty or nearly a fifth of developing countries will still be below their 2019 output levels by the end of 2023.

On the other hand, by 2023, more than half of the world's economies will exceed their 2019 output levels by at least 7%. In East and South Asia, average GDP in 2023 is projected to be 18.4% above its 2019 level, compared with only 3.4% in Latin America and the Caribbean.

“But this does not mean that countries will regain lost output,” the UN said. “In fact, despite the robust recovery, East and South Asia’s GDP in 2023 is projected to be 1.7% below the level forecast prior to the pandemic.” Africa and Latin America and the Caribbean are expected to see losses of 5.5% and 4.2%, respectively, compared with pre-pandemic projections.

“A full economic recovery measured in terms of GDP per capita will remain elusive for developing countries in the near term,” said the UN. In 2022, the per capita output of developing countries and economies in transition is projected to be more than 2% below the level expected prior to the pandemic. The GDP per capita gap between what they will achieve and what they could have achieved without the pandemic will persist well into 2023.

On the other hand, the GDP per capita of the developed economies is projected to almost fully recover by 2023 relative to pre-pandemic projections.

“The uneven pace of recovery between developed and developing countries will widen income inequality across countries and make it all but impossible to reduce global inequality by 2030, as targeted in the global Sustainable Development Goals,” said the UN report.

Pandemic risk

Despite the rollout of vaccines from early 2021, the COVID-19 pandemic

is far from over. From 1 April through 1 December 2021, an average of 9,432 people died every day around the world, significantly higher than the 6,061 deaths per day recorded during the same period in 2020, the report noted. By early December 2021, COVID-19-related deaths since the start of the pandemic had reached 5.2 million. Yet the total number of deaths directly and indirectly attributable to the pandemic is much higher. Excess deaths have been highest in some economies in transition and a number of Eastern European and Latin American countries.

Over 2021, the epicentre of the pandemic shifted multiple times. For much of the year, developing and transition countries saw a growing share of infections and deaths as they lagged in vaccination. But in the fourth quarter of 2021, as colder temperatures in the Northern Hemisphere led to more indoor social activities, Europe and the United States began to experience new outbreaks, with severe cases mostly affecting the unvaccinated. Countries in Europe with relatively lower vaccination rates have experienced stronger increases in cases.

Moreover, the emergence in late November 2021 of the Omicron variant, which is likely to be more transmissible than earlier variants and with a better ability to evade vaccines, sounded new alarm bells across the world. Governments from major developed countries, including in Europe, Japan and the United States, responded by introducing travel restrictions from Southern Africa where Omicron was first detected. A number of developing countries also swiftly imposed entry restrictions on travellers from Southern Africa.

New COVID-19 variants and the reintroduction of quarantine and mobility restrictions could significantly restrain economic activities, the UN cautioned. It said although the actual impact is impossible to assess in advance, new variants could severely impair market confidence and derail economic recoveries. The willingness to work in person could decline again, posing downside risks to an already slow recovery of labour markets and intensifying supply-chain disruptions. The long-awaited recovery of service industries, from hospitality to international travel and conferences, could also be further postponed. Efforts to push ahead with reopening and attract tourists in tourism-dependent countries,

particularly the small island developing states, could be easily reversed.

Access to COVID-19 vaccines remains a challenge in many developing countries and transition economies, driven in many cases by fiscal constraints, said the report. By the end of 2021, the number of doses per 100 people in the least developed countries stood at just 23.9, against 147.4 in the developed countries. In most developing countries, acute vaccine shortages – as opposed to vaccine hesitancy – continue to prevent higher vaccination coverage, leaving these countries highly vulnerable to renewed waves of infection.

Unsurprisingly, said the UN, the concentration of deaths due to COVID-19 shifted from developed to developing countries through much of 2021, yet a few major developed countries, such as the United States, still experienced among the highest numbers of deaths per 100,000 people.

Progress in vaccination was critical to resume economic activities and recover output in 2021. Countries with high vaccination rates managed to ease restrictions, allowing demand to surge and economic growth to come back more quickly. On the other hand, low vaccination rates and recurring waves of infection in many developing countries demanded continued restrictions. If they had achieved levels of vaccination similar to those in high-income countries, low-income countries could have raised output in 2021 by \$38 billion or 8% of their collective GDP, said the UN.

“Vaccination is clearly a necessary condition for reopening economies but not a sufficient condition for accelerating growth and recovery. Many other factors, including public and private investments to improve labour markets and create jobs, will also determine the size and pace of recovery.”

Inflation concerns

The report also said that global inflation largely remained restrained, often below central bank targets, in the past decade, despite massive increases in global liquidity after the 2008-09 global financial crisis. However, global headline inflation surged to an estimated 5.2% in 2021, more than 2 percentage points above its trend rate in the past 10 years. The rise was particularly pronounced in the United States and the euro area, and

in Latin America and the Caribbean.

Medium-term market-implied inflation expectations over a five-year period in the United States and the euro area increased slightly throughout 2021 but remained moderate, below 2.5% and 1.8%, respectively.

“This would suggest that inflation expectations remain well anchored and should allow inflation to return to its pre-pandemic rates if labour shortages and supply-side bottlenecks dissipate and global food and energy prices stabilize in 2022.”

In 2022, some upward pressure on prices is expected to ease as central banks tighten monetary policy. However, the timing and sequencing of central bank responses to inflationary pressures will remain critical, said the UN.

The report said that if monetary policy stances are tightened too quickly, they will inevitably derail recovery. On the other hand, if monetary tightening and normalization are delayed for too long, inflation expectations may become entrenched and self-fulfilling. “Major central banks will need to coordinate and clearly communicate their responses to inflationary pressures to ensure financial market stability and support recovery.”

Under the baseline scenario, the global headline inflation rate is forecast to fall to 3.8% in 2022 and 3.1% in 2023, returning to its pre-pandemic trend, said the UN. These forecasts are contingent on the dissipation of the supply-chain disruptions plaguing the global economy by the second half of 2022, it added. “However, renewed restrictions due to new COVID-19 variants could translate into higher inflationary pressures.”

The report also said global employment has yet to fully recover from the unprecedented shock of the pandemic, despite the gradual lifting of lockdown restrictions, immense efforts to protect employment and support businesses, and the rebound in global output. While aggregate output in 2021 returned to pre-pandemic levels in most major economies, the recovery of employment lagged and even stalled in many parts of the world.

According to the International Labour Organization, by the third quarter of 2021, total working hours remained 4.7% below pre-pandemic levels, equivalent to the loss of 137 million full-time jobs.

The UN said the sluggish speed of job creation cannot compensate for earlier employment losses particularly in sectors

hit hardest by the pandemic. New waves of infection, for example, in Europe and the CIS, are forcing the reintroduction of partial lockdowns and slowing job recovery, especially in the services sector.

The UN said that labour market conditions in developed economies are expected to improve but a full employment recovery is projected only in 2023; for low-income countries, this may be as far out as 2024.

In Africa, Latin America and the Caribbean, and Western Asia in particular, lasting slack in labour markets calls for continued fiscal support and active labour market policies. However, the outlook is marred by uncertainties associated with the pandemic and the effectiveness of policies to revitalize job creation.

Poverty and inequality

The COVID-19 pandemic has significantly increased poverty and inequality globally, causing a substantial reversal in progress towards sustainable development, said the UN report.

According to estimates by the UN Department of Economic and Social Affairs, progress in reducing extreme poverty has been set back by several years in most countries. Botswana, Kenya, Morocco and Samoa are among the countries that have lost up to a decade's worth of poverty eradication efforts.

In contrast, developed countries were mostly able to support household incomes and even reduce the number of people in poverty through strong transfer and social protection programmes.

Even wider gaps in prosperity levels among world regions may be one of the lasting legacies of the crisis, said the UN.

An unprecedented 85 million more people entered extreme poverty in 2020 globally. The number is projected to remain well above pre-pandemic levels for the next several years, likely at record highs for the last decade. Only slight declines are expected in 2022, to about 876 million people.

Fast-developing economies in East and South Asia as well as developed economies will likely see a reduction in poverty in the near term. But it is anticipated to increase further in the world's most vulnerable economies. In Africa, home to almost 70% of the world's extremely poor people, the absolute number of people in poverty is projected to rise through 2023.

The report said the pandemic is increasing inequalities between and within countries, amid disparities in unemployment rates and shares of labour income in developed and developing economies. In the first two quarters of 2021, global labour income fell by 5.3%. About 108 million workers are now extremely and moderately poor, a vast majority of them in developing countries.

Further, the pandemic has taken a harsher toll on those at the bottom of the income distribution. While average incomes of people in the bottom 40% of the global income distribution were estimated to be 6.7% lower in 2021 compared with 2019, those of people in the top 40% were down only 2.8%.

Divergent employment prospects between developed and developing countries will likely prevent major reductions in inequality across countries in the near term, said the UN.

Meanwhile, world trade is expected to continue improving, fuelled by stronger demand as more countries reopen and restart productive activities, the UN noted. The baseline scenario projects that global trade in goods and services will grow by 5.7% in 2022 after an expansion of 11.0% in 2021. However, risks to forecasts are still on the downside, it said. “The pandemic remains the largest risk, particularly if more transmissible and deadly variants take hold and disrupt economic activities. Trade tensions, including unresolved ones between China and the United States, and between the European Union and the United Kingdom, could weigh on trade flows.”

Fiscal policy challenges

The pandemic underscored the critical importance of fiscal policy for fighting a catastrophic crisis and supporting recovery, said the report.

Proactive fiscal policies or the lack thereof are playing decisive roles in how countries are managing the pandemic, mitigating its impacts and supporting recovery. Yet enormous fiscal asymmetries and financing gaps across countries are leading to profound differences in vaccination progress, financial support to firms and households, and economic recovery prospects, the report stated. While developed countries have deployed large fiscal packages, developing countries, especially low-income countries, struggle

with enormous fiscal challenges. Many are at risk of a sovereign debt crisis.

“This fiscal and financing divide is contributing to sharply divergent prospects for recovery and, at the same time, preventing effective containment of the pandemic and endangering economic recovery globally.”

In developed countries, massive fiscal stimulus packages have played a crucial role in containing the crisis and supporting ongoing recovery. Loose monetary policy and expanded central bank balance sheets have allowed governments to borrow at low costs while reducing debt-servicing costs and rollover risks.

The UN said that as the pandemic becomes more contained, priorities are shifting towards strengthening social protection and supporting long-term investments and productive capacities, such as in green energy and digital technologies, and enhanced research and development. Examples include the Next Generation EU recovery plan in the European Union and the Infrastructure Investment and Jobs Act in the United States.

Policymakers need to resist the temptation of a premature fiscal consolidation as previous crises have proven such a step to be self-defeating, said the UN. In developed countries, for example, fiscal consolidation after the global financial crisis had strong adverse effects on growth, resulting in even higher debt-to-GDP ratios.

Fiscal measures should continue to focus on essential pandemic-related expenditures, provide relief to the most vulnerable and support employment growth, with strategies broadly aligned towards supporting sustainable development, the UN said.

“The composition of fiscal outlays should take a strategic approach, such as by boosting public investments in physical and digital infrastructure that can crowd-in private investments, and through targeted fiscal incentives to promote decarbonization, renewable energy and innovation. Investments in human capital, education and public health care should remain priorities.”

Pressures for fiscal consolidation will intensify, especially in developing countries. Faster-than-expected monetary tightening in the United States would have severe implications for fiscal positions, especially as the recent rise in public debt has increased the vulnerability of

fiscal policy to higher debt-servicing and rollover costs, said the UN.

Countries will need to assess their fiscal rules and establish credible debt sustainability frameworks. In the medium term, addressing debt sustainability will require a combination of fiscal restraint when appropriate, robust growth and moderate inflation, according to country-specific circumstances. Countries with unsustainable external debt need fast and coordinated international support for debt relief.

Many developing countries lack the fiscal space to effectively address the shock of the pandemic, much less invest in sustainable development. Countries in Africa and Latin America entered the crisis with weak fiscal positions, which constrained their ability to pursue stimulus measures, roll out vaccination and expand social protection.

“Amid higher public debt, lower fiscal revenues and tightening global conditions, developing countries now face rising pressures for consolidation even as escalating debt-servicing costs are already diverting resources from public investments and the COVID-19 response.” In addition, most developing countries lack fiscal capacities for dealing with mounting climate risks.

Enlarging fiscal space, in the short term, will require further international support, including increased liquidity, debt relief and concessional financing, said the UN. In the medium term, greater fiscal space depends on strengthening tax revenues through progressive taxation and establishing a multilateral mechanism for debt restructuring.

The fiscal and debt situation is extremely difficult in low-income developing countries. Nearly half are in debt distress or at risk of it. Elevated external debt burdens, additional borrowing during the pandemic and increasing debt-servicing costs have pushed a rising number of these countries to the brink of a debt crisis.

Monetary policy challenges

Global monetary policy responses to the COVID-19 crisis were extraordinary around the world. Central banks cut short-term interest rates, lowered reserve bank requirements, established new lending facilities, used forward guidance and changed their monetary policy frameworks, the report noted. Major

central banks such as the US Federal Reserve, the European Central Bank and the Bank of Japan and some central banks in developing countries engaged in asset purchase programmes. The Federal Reserve also temporarily expanded the number of countries that were offered swap lines from five to 14, including four developing countries. Such measures helped stabilize financial markets, reduce uncertainty and support the recovery.

As economic activity gathers pace and inflationary pressures gain momentum in the United States and many developing countries, however, exceptionally accommodative monetary policy stances are gradually shifting, noted the UN. A few major central banks have announced plans for or started gradual normalization. The Federal Reserve, for example, initiated the tapering of its asset purchase programme by the end of November 2021 while the Bank of Canada scaled back its programme even earlier.

The shift in monetary policy support is a major challenge for the world economy amid a still-raging pandemic, elevated levels of sovereign and private sector debt, and record-high stock market valuations in developed countries.

The challenge that monetary policymakers face is exacerbated by the difficulty in assessing trade-offs between growth, employment and inflation, given the significant and simultaneous impacts of the crisis on labour markets, global supply chains and potential output, said the report.

In addition, the trajectory of inflation is surrounded by major uncertainties associated with the pandemic, the rapid spending of accumulated savings and changes in consumption patterns. Supply-chain problems seem to be intensifying inflationary pressures as supply has not kept up with the release of pent-up demand in many sectors.

In particular, the Federal Reserve faces the challenge of scaling down its asset purchase programme. It must ensure appropriate timing and pacing to maintain global financial stability and prevent premature fiscal consolidation.

The recent rise in inflation has raised serious concerns in the United States that this could become a longer-term phenomenon. If that proves to be the case, faster-than-expected monetary tightening, with the Federal Reserve raising interest rates several times throughout 2022, could derail recovery at

a time when the economy is still operating with 6 million fewer people in the labour market, said the report. "It could also trigger global financial turmoil, including large corrections in asset prices. For many developing countries, a sudden rise in interest rates could trigger capital outflows and worsen their growth outlook and debt situation, especially those with elevated foreign-denominated external debt."

In developing countries, monetary policy normalization needs to proceed with caution. Where economic activity is on a relatively robust trajectory and vaccination rates are elevated, central banks may act to tame rising inflationary pressures, said the report. "Yet overly aggressive tightening could undermine the recovery of employment. Developing countries should also prepare for a faster-than-expected monetary adjustment in

the United States, for example, by limiting maturity mismatches in their balance sheets."

Foreign exchange interventions and temporary capital controls can help strengthen the capacity of monetary policy to respond to country-specific inflation and growth dynamics, said the UN. (SUNS9494)

Pandemic reduces an additional 100 million people to poverty

The COVID-19 crisis has further darkened a global poverty outlook already clouded by unjust international economic structures.

by *Thalif Deen*

NEW YORK: The UN's highly ambitious goal of eradicating extreme poverty by 2030 has been severely undermined by a rash of problems worldwide, including an escalating coronavirus pandemic, continued widespread military conflicts and the devastating impact of climate change.

According to published estimates, more than 700 million people have been living in poverty around the world, surviving on less than \$1.90 a day.

But the fast-spreading pandemic, whose origins go back to December 2019, has been singled out as the primary reason for a rise in global poverty – for the first time in 20 years.

A World Bank report which was updated last October says about 100 million additional people are now living in poverty as a direct result of the pandemic.

For almost 25 years, extreme poverty – the first of the UN's 17 Sustainable Development Goals (SDGs) – was steadily declining. Now, for the first time in a generation, the quest to end poverty has suffered a setback, says the report.

Multi-dimensional poverty

Sir Richard Jolly, from the UK-based Institute of Development Studies, told

Inter Press Service (IPS) that at least the World Bank is emphasizing that world poverty has been rising – after many years where in countries with positive per capita economic growth, it suggested that poverty had fallen or soon would.

Admitting he was "a fan" of the UN Development Programme (UNDP)'s annual Human Development Report (HDR), he said: "So, for me, multi-dimensional poverty is a more realistic and relevant indicator."

"I want to know what's been happening to life expectancy, access to education and incomes of the poorer sections of society, those below a poverty measure or median income" – for instance, the numbers and percentages of the population below \$10,000 in many countries, lower for some, especially in Africa.

Even if by income measures poverty is rising, a multi-dimensional measure is much better, he said.

"What are those in UNDP's HDR office saying about recent poverty trends?" asked Sir Richard, who was a former Trustee of Oxfam and chairman of the UN Association of the UK.

UN Secretary-General Antonio Guterres says that the pandemic has "laid bare" challenges – such as structural inequalities, inadequate healthcare and

the lack of universal social protection – and the heavy price societies are paying as a result.

Ending poverty sits at the heart of the UN's 2030 Agenda for Sustainable Development, and is the first of the SDGs. Despite this, poverty and hunger, Guterres said, are on the rise, following decades of progress.

In his New Year message, he said the world welcomes 2022 "with our hopes for the future being tested": by deepening poverty and worsening inequality, by an unequal distribution of COVID-19 vaccines, by climate commitments that fall short of their goals, and by ongoing conflicts, divisions and misinformation. "These are not just policy tests. These are moral and real-life tests. And they are tests humanity can pass – if we commit to making 2022 a year of recovery for everyone," he declared.

Growing poverty and inequality

In an interview with IPS, Roberto Bissio, Coordinator of Social Watch, an international network of citizen organizations that monitor how governments meet internationally agreed commitments, pointed out that the World Bank once again underestimates poverty by measuring it with the extremely low benchmark of \$1.90 a day.

Further, by assuming that the tide lifts all boats equally, it claims that the COVID-19-induced poverty "tsunami" of 2020 is being turned around by economic growth in 2021.

"This ignores the conclusion of the *World Inequality Report 2022* [launched in December and available at <https://wid.world/news-article/world-inequality-report-2022/>] showing that inequalities have been exacerbated, particularly

in the South, where states don't have deep pockets to fund emergency social protection."

The Bank is right that SDG 1 on reducing poverty won't be achieved by 2030 without major policy changes, but neither will SDG 10 on reducing inequalities, said Bissio, who is a former member of the Civil Society Advisory Committee to the UNDP Administrator and has covered development issues as a journalist since 1973.

"And it shamefully ignores that World-Bank-promoted policies of privatization and deregulation make the inequalities worse," he argued. "Instead, the policies recommended by the infamous and now discontinued 'Doing Business' report of the World Bank are still part of the conditions imposed on countries to receive emergency [funding] from the Bank."

The institution that claims to have poverty reduction as its main mandate is part of the problem, not the solution, said Bissio, who is also international representative of the Uruguay-based Third World Institute.

Vicente Paolo Yu, Senior Legal Adviser at the Third World Network, told IPS the setback in 2020 to the fight against global poverty due to the pandemic exacerbates the impact of other crises such as climate change, biodiversity loss and the development gap on the global poor, particularly those in developing countries.

"Global poverty and inequality among and in all countries, climate change, biodiversity loss and unequal pandemic responses are among the present-day results of historical injustices on the Global South committed in the name of Western civilization and globalization," he said.

"The past is part of our present that shapes our future. These crises are linked and cannot be fought effectively through piecemeal efforts or in silos."

Global poverty and inequality exist not because people are not hardworking in their own homes and communities but because the way that the global economic, financial and trade system is set up makes it difficult for poor peoples and countries to get out of poverty, he argued.

Developing countries that have recently managed to succeed in cutting poverty have been those that have implemented diverse development policies, said Yu, who is a former Deputy

Executive Director of the South Centre in Geneva.

Hence, poverty and inequality are not natural phenomena but are borne out of the actions and decisions taken by human societies. They can also be reversed by human decisions, he noted.

"Failing to act together as a common human community on all fronts on poverty and inequality and their various manifestations in the root causes and impacts of climate change, biodiversity loss and pandemic responses leads to the denial of human choices and opportunities, violations of human rights, and increased human insecurity, powerlessness, and exclusion for peoples, their communities, and their countries," declared Yu.

Fighting these must be through a broad and systemic effort across the world founded on a deep sense of urgency and understanding of equity and justice as public goods in undertaking interlinked actions in the economic, social and

environmental fields. It is about choosing to create the conditions for human dignity and a decent life for all rather than hoping for charity from the wealthy, he added.

"The continued existence of deep poverty and inequality for many peoples across the globe, compounded by the climate, biodiversity and pandemic crises, is injustice writ large – particularly when seen against the technological and industrial advances and capital accumulation of a relative few."

"It is against the tenets of all faiths and human goodwill to refuse to act against the injustice of poverty. We should not simply look away and call for charity. We need to act with courage and conviction to correct injustice, redress wrongs, and achieve liberation from poverty and inequality."

The year 2022, he predicted, should be the year when all peoples come together to set each other free from the shackles of global poverty and inequality. (IPS)

World's 10 richest have multiplied their wealth into trillions

The prevailing "obscene" level of global inequality has deadly consequences, says humanitarian group Oxfam International.

by Thalif Deen

NEW YORK: The numbers are unbelievably staggering: the world's 10 richest men more than doubled their fortunes from \$700 billion to \$1.5 trillion – at a rate of \$15,000 per second or \$1.3 billion a day – according to a new study from Oxfam International.

These phenomenal changes in fortunes took place during the first two years of a COVID-19 pandemic that has seen the incomes of 99% of humanity fall and over 160 million more people forced into poverty – 60 million more than the figures released by the World Bank in 2020.

"If these ten men were to lose 99.999% of their wealth tomorrow, they would still be richer than 99% of all the people on

this planet," said Oxfam International's Executive Director Gabriela Bucher. "They now have six times more wealth than the poorest 3.1 billion people."

"It has never been so important to start righting the violent wrongs of this obscene inequality by clawing back elites' power and extreme wealth including through taxation – getting that money back into the real economy and to save lives," she said.

According to *Forbes* magazine, the 10 richest people, as of 30 November 2021, who have seen their fortunes grow, are Elon Musk, Jeff Bezos, Bernard Arnault and family, Bill Gates, Larry Ellison, Larry Page, Sergey Brin, Mark Zuckerberg, Steve Ballmer and Warren Buffett.

The pandemic has hit the poorest people, women and racialized and marginalized groups the hardest. For example, in the US, 3.4 million Black Americans would be alive today if their life expectancy was the same as White people – this is directly linked to historical racism and colonialism, according to the study titled *Inequality Kills* released on 17 January, ahead of the World Economic Forum's online Davos Agenda.

The report finds that a new billionaire is created every 26 hours while inequality is contributing to the death of at least 21,000 people each day, or one person every four seconds.

Other findings include:

- The pandemic has set gender parity back from 99 years to now 135 years. 252 men have more wealth than all 1 billion women and girls in Africa and Latin America and the Caribbean combined.
- During the second wave of the pandemic in England, people of Bangladeshi origin were five times more likely to die of COVID-19 than the White British population. Black people in Brazil are 1.5 times more likely to die from COVID-19 than White people.
- Inequality between countries is expected to rise for the first time in a generation. The proportion of people with COVID-19 who die from the virus in developing countries is roughly double that in rich countries.

Vital truths

Asked for his comments, Ben Phillips, author of *How to Fight Inequality*, told Inter Press Service (IPS) the new report “confirms four vital truths about inequality are now proven beyond doubt.

“Firstly, inequality kills. Inequality is not just inefficient and unfair. As the data shows, it is deadly.

“Secondly, inequality is spiralling. The driving cause is neoliberalism, but it has now been supercharged by the pandemic.

“Thirdly, inequality is a political choice. The rise in inequality is not inevitable. Governments can reduce inequality if they decide to do so.

“Fourthly, policymakers will only shift if we make them do so. A reversal in inequality depends on us, ordinary citizens, organizing to push our leaders to

make them do their job and put in place the policies that will deliver a fairer, safer, world.”

Striking a hopeful note, Phillips said: “Though the crisis has made inequality even worse and even harder to bear, the crisis also, paradoxically, has generated an opportunity for transformational shift to tackle inequality, if we seize this moment.

“We know the policy mix needed – get the vaccine to everyone by sharing the rights and recipes, drop the debt, expand public services like free health and education, raise up ordinary people's wages and workers' rights, tackle discrimination, put money in the hands of ordinary people, and properly tax, and restrain the economic and political power, of big corporations and the super-rich.”

Change depends on ordinary people, Phillips said. “The myths of equal opportunity and rising tides have been busted, but the truth alone will not set us free. Left to itself, the rigged economy will continue to worsen inequality. Left to themselves, politicians will allow it, even enable it, to do so.

“Only pressure from below can secure a reversal of rising inequality. The good news is that around the world, frustration is increasingly being channelled into a resurgence of organizing that has potential to shift the balance of power.

“Unions, community organizations, women's groups, progressive faith organizations and social movements are standing up and standing together. This is the source of hope. This is our chance – if enough people join in. Inequality defines this moment but need not be our fate,” declared Phillips.

According to the Oxfam report, billionaires' wealth has risen more since COVID-19 began than it has in the last 14 years. At \$5 trillion, this is the biggest surge in billionaire wealth since records began.

A one-off 99% tax on the 10 richest men's pandemic windfalls, for example, could pay:

- to make enough vaccines for the world;
 - to provide universal healthcare and social protection, fund climate adaptation and reduce gender-based violence in over 80 countries;
 - All this, while still leaving these men \$8 billion better off than they were before the pandemic.
- “Billionaires have had a terrific

pandemic. Central banks pumped trillions of dollars into financial markets to save the economy, yet much of that has ended up lining the pockets of billionaires riding a stock market boom. Vaccines were meant to end this pandemic, yet rich governments allowed pharma billionaires and monopolies to cut off the supply to billions of people. The result is that every kind of inequality imaginable risks rising. The predictability of it is sickening. The consequences of it kill,” said Bucher.

Extreme inequality is a form of economic violence, where policies and political decisions that perpetuate the wealth and power of a privileged few result in direct harm to the vast majority of ordinary people across the world and the planet itself.

Oxfam recommends that governments urgently:

- Claw back the gains made by billionaires by taxing this huge new wealth made since the start of the pandemic through permanent wealth and capital taxes.
- Invest the trillions that could be raised by these taxes towards progressive spending on universal healthcare and social protection, climate change adaptation, and gender-based violence prevention and programming.
- Tackle sexist and racist laws that discriminate against women and racialized people and create new gender-equal laws to uproot violence and discrimination. All sectors of society must urgently define policies that will ensure women, racialized and other oppressed groups are represented in all decision-making spaces.
- End laws that undermine the rights of workers to unionize and strike, and set up stronger legal standards to protect them.
- And rich governments must immediately waive intellectual property rules over COVID-19 vaccine technologies to allow more countries to produce safe and effective vaccines to usher in the end of the pandemic.

Women burdened

Antonia Kirkland, global lead for Legal Equality & Access to Justice at Equality Now, told IPS the socioeconomic fallout of COVID-19 has

disproportionately impacted women, compounding preexisting inequalities in the home and workplace.

Women have been more likely to shoulder an even greater burden of responsibility for unpaid childcare and household chores in comparison to men.

“Women have lost paid work and had to take on more unpaid work, and of particular concern is how mothers have been pushed out of the workforce because of a lack of affordable childcare options.

“The expectations put on mothers in particular to take on the lion’s share of childcare and manage their children’s remote schooling forced many women

to reduce their working hours, be furloughed, or drop out of the labour force altogether. Unequal pay because of gender discrimination means women in heterosexual family households have been more likely to leave employment if their spouse or partner brings in more income.”

She said the unprecedented disruption caused by the COVID-19 pandemic should be seized upon as a catalyst for positive change, and business recovery planning needs to prioritize attracting and retaining women within the workplace. This includes fostering flexible, inclusive working policies and

practices, and supportive hiring and promotion processes that benefit women and families.

“As this startling report [*Inequality Kills*] shows, income inequality and gender inequality are intimately linked. And to stop COVID-related inequality from killing women and other vulnerable people and instead put both gender and income equality first, States must get rid of all discriminatory laws.

“Sexist laws and gender stereotypes during the pandemic have perpetuated economic violence against women and exacerbated physical domestic violence,” Kirkland declared. (*IPS*)

Putting the Third World First

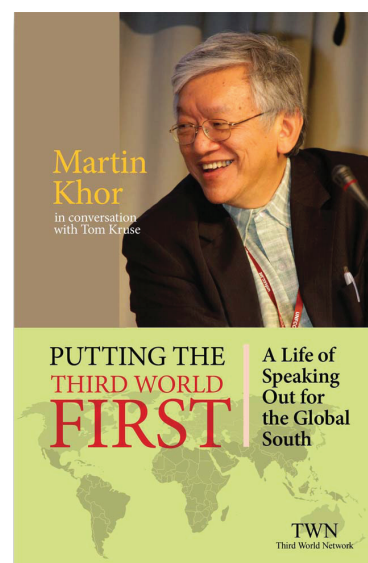
A Life of Speaking Out for the Global South

Martin Khor in conversation with Tom Kruse

Martin Khor was one of the foremost advocates of a more equitable international order, ardently championing the cause of the developing world through activism and analysis. In this expansive, wide-ranging conversation with Tom Kruse – his final interview before his passing in 2020 – he looks back on a lifetime of commitment to advancing the interests of the world’s poorer nations and peoples.

Khor recalls his early days working with the Consumers Association of Penang – a consumer rights organization with a difference – and reflects on how he then helped build up the Third World Network to become a leading international NGO and voice of the Global South. Along the way, he shares his thoughts on a gamut of subjects from colonialism to the world trade system, and recounts his involvement in some of the major international civil society campaigns over the years.

From fighting industrial pollution in a remote Malaysian fishing village to addressing government leaders at United Nations conferences, this is Khor’s account – told in his inimitably witty and down-to-earth style – of a life well lived.



To buy the book, visit <https://twn.my/title2/books/Putting%20the%20TW%20first.htm> or email twn@twnetwork.org

Martin Khor (1951-2020) was the Chairman (2019-20) and Director (1990-2009) of the Third World Network.

North blocks India's request for virtual ministerial on TRIPS waiver

An Indian proposal to hold a virtual WTO ministerial meeting to consider suspending COVID-19-related intellectual property rights has been knocked back by developed-country members.

by D. Ravi Kanth

GENEVA: In the face of the exploding COVID-19 case numbers due to the Omicron variant and a groundswell of international support for a TRIPS waiver, the European Union and the United States along with other developed countries have blocked India's request for convening an urgent virtual ministerial conference at the WTO on the issue of the waiver, said people familiar with the development.

The waiver proposal calls for the suspension of certain provisions in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) relating to copyrights, industrial designs, patents and protection of undisclosed information in order to ramp up the production of COVID-19 vaccines, therapeutics and diagnostics.

The chair of the WTO's General Council (GC), Ambassador Dacio Castillo from Honduras, convened a special GC meeting on 10 January to elicit members' views on the Indian request for a virtual ministerial meeting to consider only the issue of the TRIPS waiver.

In a letter to the GC chair dated 23 December 2021, India had said that it was of "paramount importance to organize a virtual ministerial conference on the urgent issue of the TRIPS waiver."

India said that "the world is looking at the WTO for a collective action" that would help save lives and livelihoods and alleviate the suffering caused by the pandemic as well as create a path to global economic recovery.

India called for "cooperation" from other WTO members for convening "a virtual ministerial conference on the issue of the WTO's response to the pandemic, including the TRIPS waiver", and said it "would appreciate an early positive response."

It called for the GC chair's support "to enable us [members] to address this critical issue", and assured the chair that "India would [work] constructively

in finding an outcome on this issue of utmost global importance."

The GC chair shared India's letter with members before the special GC meeting. The meeting was held in hybrid format of in-person presence as well as in the virtual mode.

Strong support

At the meeting, several developing countries, including South Africa, Sri Lanka, Pakistan, Indonesia and Venezuela, strongly supported the Indian initiative for convening the virtual ministerial meeting because of the heightened urgency in combating the COVID-19 pandemic.

China also appears to have strongly supported the need to hold a virtual ministerial meeting to resolve the issue, said people who asked not to be quoted.

Argentina, Nigeria and other co-sponsors of the TRIPS waiver proposal supported India's request but with varying caveats, said people who asked not to be quoted.

Mauritius, which coordinates the African Group of countries, apparently supported the need for a virtual meeting of trade ministers, but simultaneously raised other issues as well.

Even Singapore and South Korea appear to have supported India's request.

Initially, in early December, India had written to WTO Director-General Ngozi Okonjo-Iweala on convening the virtual ministerial meeting. However, the DG, apparently citing bureaucratic reasons, asked India to approach the GC chair with the issue, said people familiar with the development.

At the GC meeting on 10 January, the DG did not even refer to the Indian letter even though the meeting was specifically convened to consider India's request, said people familiar with the development.

According to a statement put out on the WTO's website on 10 January, the DG

said that while the pandemic response remained the most urgent endeavour, not least given the spectre of even newer coronavirus variants, many members had reached out to her to emphasize the importance of other items on the WTO agenda, including fisheries subsidies, agriculture and WTO reform.

By suggesting these issues, the DG seems to have "let the cat out of the bag" about the linkage sought between the TRIPS waiver and other issues, said people who asked not to be quoted.

Ever since India proposed convening the virtual ministerial meeting, a concerted campaign has been carried out by the EU and Brazil against a meeting solely to decide on the TRIPS waiver. Privately, the EU along with several other countries demanded that all other issues as suggested by the DG must also be simultaneously discussed.

In short, the DG appears to have sided with the EU and other industrialized countries, which have blocked the Indian proposal, said several people who asked not to be quoted.

In her statement, the DG touted her initiative, together with her deputy Anabel Gonzalez, "to support an informal group of members to converge around a meaningful acceptable outcome that can be built upon by the wider membership to bring a successful conclusion to the IP [intellectual property] issue."

Without mentioning the meetings between the US, the EU, India and South Africa that she and her deputy have convened over the last one month, the DG acknowledged that progress was steady but slow, expressing her hopes that "this approach can help us together to find the direction we need".

Misgivings about meeting

At the GC meeting, several industrialized countries opposed the Indian request on one ground or another.

Apparently, the US adopted a somewhat ambivalent stance, saying that it would agree to finding a solution but that there were several procedural concerns that would warrant convening the virtual meeting at this juncture, said people who asked not to be quoted. The US sought a distinction between a ministerial meeting and a ministerial conference.

Russia raised concerns about the

Indian request, suggesting that it was not proper to raise the issue at the General Council and that India should have first taken it up at the TRIPS Council.

The EU apparently said that it was not appropriate to convene the meeting, while Brazil suggested that a virtual ministerial meeting must include all other issues such as fisheries subsidies and agriculture.

The EU and its allies including the United Kingdom said the TRIPS Agreement was sacrosanct for them.

The EU and a few other countries also touted the EU's own proposal relating to the use of the compulsory licensing provisions in Article 31 of the TRIPS Agreement.

Australia supported the idea of a ministerial meeting with all other issues being included.

Several countries said a virtual ministerial meeting will not be able to take a decision on the TRIPS waiver, suggesting that in-person meetings may be needed to decide on the issue. They also indicated their support for the Ottawa Group's proposal on trade and health that seeks further trade liberalization and elimination of tariffs on health-related items.

The GC chair said that the 10 January meeting had been "useful", adding that he would continue with his consultations on the Indian proposal.

He underscored the "urgency and importance of reaching a meaningful outcome", arguing that a common WTO response to COVID-19 "remains an urgent priority for the membership."

In response to the procedural concerns raised by Russia and other countries, India said that it would consult with members who had concerns to try to convince them of the need to convene the virtual ministerial meeting.

It remains to be seen whether a handful of developed countries can continue to block the TRIPS waiver in the face of an escalating global health crisis. (SUNS9490)

South faces "Herculean" task on WTO reforms

At stake in discussions on the thorny issue of WTO reform are the multilateral character of the organization and developing countries' capacity to realize their development objectives.

by D. Ravi Kanth

GENEVA: In what appears to be a North-South divide on proposed WTO reforms, countries from the Global South have a "Herculean" task ahead in ensuring that the intergovernmental body remains "multilateral" so that decisions are taken on a consensus-based framework and that special and differential treatment (SDT) for developing countries is not impaired.

The developing countries have to step up their battle for development-friendly reforms instead that would provide policy space for them to pursue their industrial policies.

Reforms to the WTO's negotiating function are being sought even as its enforcement function – i.e., its dispute settlement system – continues to be stymied by the United States. The developing countries must thus ensure that they do not pay for resurrecting the dispute settlement Appellate Body by agreeing to reforms proposed by the European Union, the US and other industrialized countries, said people

familiar with the development.

For the 49th time, the US has blocked the selection process for filling seven vacancies in the Appellate Body, making dysfunctional the enforcement function of the WTO. The unilateral position adopted by the US was made clear at the WTO's Dispute Settlement Body (DSB) meeting on 20 December, when the US said that WTO members must undertake fundamental reform if the dispute settlement system is to remain viable and credible.

Washington also said at the DSB meeting that the dispute settlement system can and should better support the WTO's negotiating and monitoring functions, according to people familiar with the proceedings.

At a time when the US is calling for major reforms at the WTO, its continued opposition to resurrecting the Appellate Body appears akin to an eyesore, said people who asked not to be quoted. Effectively, the WTO's

enforcement mechanism has been made dysfunctional, raising concerns whether there is any merit in negotiating new trade agreements, including on fisheries subsidies, said people who preferred anonymity.

Without addressing the issue of the immediate restoration of the two-tier dispute settlement system, the Northern countries have instead proposed WTO reforms that include the elimination of the principle of consensus-based decision making, differentiation among developing countries in availing of SDT, and flexibility in pursuing plurilateral agreements.

Proposed ministerial decision

It is in this context that India's proposed ministerial decision on WTO reforms assumes greater importance. The decision was proposed for adoption by the WTO's 12th Ministerial Conference (MC12), which had been due to take place on 30 November-3 December 2021 but has since been postponed indefinitely due to the emergence of the Omicron coronavirus variant.

The proposed decision underlined the "need to advance the fulfilment of the founding WTO objective of developing an integrated, more viable and durable multilateral trading system." It called for "a review, under the auspices of the General Council, of ways to improve the functioning of the WTO with a view towards:

- “1. Enhancing the capacity of the WTO to perform its function as the forum for negotiations among all its Members concerning their multilateral trade relations as collectively decided by the Ministerial Conference, in accordance with Articles II.1 and III.2 of the Marrakesh Agreement Establishing the World Trade Organization;
- “2. Facilitating the effective participation of developing and least-developed Members in the multilateral trading system and its decision-making process, including through precise, effective and operational special and differential treatment in current and future rules;
- “3. Enhancing inclusiveness and transparency across the entire functioning of the WTO, taking due regard of limited resources and institutional capacities available to developing countries and least-developed countries;
- “4. Addressing the challenges facing the WTO dispute settlement system;
- “5. Safeguarding the multilateral trading system from fragmentation and upholding the founding principles under the Marrakesh Agreement Establishing the World Trade Organization.”

Further, “any steps or outcomes under this review shall be consistent with the following principles:

- “i) not alter, or in any manner affect, Members’ rights and obligations under WTO Agreements and agreed mandates;
- “ii) preserve the principles and objectives of the multilateral trading system as set out in the Marrakesh Agreement Establishing the World Trade Organization and its multilateral trade agreements;
- “iii) the consultations must be organized credibly so as to enable the full, effective and equal participation of developing and least-developed countries in recognition of the limited resources and institutional capacities available to them;
- “iv) takes into account the development and policy space needs of developing and least-developed countries.”

The proposed decision called on the General Council to present a report to the 13th Ministerial Conference on the status of the review.

Impasse

During consultations convened by the General Council chair, Ambassador Dacio Castillo from Honduras, on the “outcome document” for MC12 before the conference was postponed, differences on WTO reforms led to an impasse between the Northern countries on the one side and countries from the Global South on the other.

The consultations failed to make progress on the proposed WTO reforms, including with regard to the negotiating function of the WTO and the informal plurilateral Joint Statement Initiatives (JSIs), among others.

Despite question marks over the legal status of the JSIs on account of their alleged violation of Article IX of the Marrakesh Agreement, the WTO Director-General Ngozi Okonjo-Iweala has openly welcomed the JSIs on

domestic regulation in services and on digital trade.

The DG’s embrace of these non-mandated JSIs may fall foul of paragraph four of Article VI of the Marrakesh Agreement, which states that the DG and the WTO secretariat “shall refrain from any action which might adversely reflect on their position as international officials.”

The manner in which the WTO secretariat has provided resources to the JSI meetings is a serious cause for concern, said people who asked not to be quoted.

In short, the developing countries face two formidable forces in negotiating on the proposed WTO reforms. They include the powerful Northern countries as well as the WTO DG, who is allegedly siding with the powerful countries, said people who asked not to be quoted. (SUNS9486)

Paradigm shift in WTO secretariat towards non-mandated issues

Under Ngozi Okonjo-Iweala, the WTO secretariat appears to be promoting contentious talks that lack multilateral endorsement, while consigning the trade body’s longstanding Doha work programme to the sidelines.

by D. Ravi Kanth

GENEVA: It appears that a paradigm shift has taken place in the functioning of the WTO secretariat under the leadership of Director-General Ngozi Okonjo-Iweala, especially the way in which it has allegedly provided resources for advancing non-mandated issues.

In her appointment address on 15 February 2021, the DG had said “the WTO rulebook is outdated, and its rules lag behind those of several regional and bilateral trade agreements which are incorporating a lot of innovations.” She added that “the rulebook must be updated to take account of 21st century realities such as e-commerce and the digital economy.”

In mentioning e-commerce, Okonjo-Iweala was not referring to the WTO’s multilateral work programme on reviewing the 1998 decision that put in place a moratorium on levying customs duties on electronic transmissions. Instead, she was referring to the non-mandated plurilateral Joint Statement Initiative (JSI) on e-commerce, saying that “e-commerce offers important opportunities for inclusivity of MSMEs [micro, small and medium enterprises] and women in international trade, especially in developing countries.”

“To make it possible for some developing and least developed countries to participate in the e-commerce

negotiations, we must partner with governments and other organizations to bridge the digital divide,” said the DG.

She went on to suggest that “success in the e-commerce negotiations could provide an impetus for reviving more broadly the negotiations on Trade in Services, a sector of increasing importance in the economy of most Members.”

Okonjo-Iweala touted the “plurilateral initiatives”, claiming “they have brought new energy in the multilateral trading system.”

“Negotiating work on other Joint Statement Initiatives – domestic regulation [in services] and investment facilitation – has continued fairly intensively despite the pandemic,” she said.

The DG added that the JSI “participants need to pursue their efforts to build support and attract interest from a significant part of the WTO membership, including from developing countries with a view to concluding at least the domestic regulation [JSI] by MC12.”

Although MC12 – the WTO’s 12th Ministerial Conference (MC12) – has since been postponed due to the emergence of the Omicron variant of the SARS-CoV-2 virus, the DG celebrated the conclusion of the JSI negotiations on services domestic regulation as well as the progress made in the JSI on e-commerce.

Even though she was reminded at a meeting of the WTO’s Trade Negotiations Committee (TNC) in May that she cannot discuss non-mandated issues at the TNC, she appeared to turn a deaf ear and went on to promote them by providing the resources of the WTO secretariat for the JSI negotiations, said several people who asked not to be quoted.

The secretariat seems to have increasingly become a vehicle to advance these JSIs, a development that started under her predecessor Roberto Azevedo in the run-up to MC11 in 2017. The only difference between her and her predecessor appears to be her open avowed support for these initiatives as well as providing the secretariat’s resources, which may be inconsistent with the WTO’s rule-based framework as set out in the Marrakesh Agreement that established the WTO in 1995.

In short, the DG appears to have brought about a paradigm shift involving the secretariat’s role in accelerating the discussions on the non-mandated issues, said an analyst who asked not to be quoted.

“The secretariat this year, under the new leadership, has blatantly supported and pushed the non-mandated issues, completely sidelining the Doha Development Agenda (DDA) which had development at its heart,” said the analyst.

“In the pursuit of showing relevance, the secretariat has been pushing the agenda of the developed countries and openly supporting their proposals which are outside the realms of the WTO mandate for negotiations, like the Joint Statement Initiatives, whose legality has been challenged by the developing countries,” the analyst said.

Further, “the DG has also been seen to claim the credit for the successful launch of these non-mandated issues, which has never happened before even when the DG came from the developed countries’ camp,” it is argued.

The areas that focus on development in the DDA, including improvements in special and differential treatment proposed by the G90 countries and flexibilities in provision of subsidies by the developing countries, are now being challenged by a few developed countries while their areas of interest like TRIPS are still well protected, the analyst said.

The developing countries are also losing their flexibilities available under the General Agreement on Trade in Services (GATS) as they are being pushed to take on commitments in services sectors as well.

All in all, the WTO is being turned into a developed countries’ camp with full support provided by the DG, said people who asked not to be quoted. Therefore, “the developing countries need to reconsider their engagement with the WTO as no agreement is always better than a bad agreement.”

DG’s initiatives

Okonjo-Iweala took office as DG on 1 March 2021 after a gruelling contest. Initially, her appointment was blocked by the US, then under the Trump administration, but this was later reversed by the Biden administration that took office in January 2021.

She was supported largely by the developing countries on the promise that she would address their developmental concerns as stated explicitly in the DDA.

However, she does not seem to have uttered a word about the Doha work

programme so far, despite several issues such as fisheries subsidies, agriculture, and improvements in special and differential treatment remaining part of the DDA.

Instead, working as the chair of the TNC under the Doha mandate, her statements and actions seem to have centred around promoting the non-mandated JSIs that are antithetical to the mandated Doha work programme, said people who asked not to be quoted.

Okonjo-Iweala has also spoken eloquently about addressing the COVID-19 pandemic, emphasizing that “the WTO Members have a further responsibility to reject vaccine nationalism and protectionism.”

However, despite active discussions in the WTO’s TRIPS Council on a TRIPS waiver as proposed by India and South Africa along with many other developing and least-developed countries, she said “they should rather intensify cooperation promising new vaccines, therapeutics and diagnostics.”

The DG touted her “Third Way” approach to broaden access through facilitating technology transfer within the framework of multilateral rules, so as to encourage research and innovation while at the same time allowing licensing agreements that help scale up manufacturing of medical products.

She said that “some pharmaceutical companies are already ahead of the game because they are doing this. AstraZeneca has licensed production in several countries, and has recently declared that it is willing to look at more such arrangements.”

“Facilitating such arrangements will enable the WTO to support the WHO ACT-Accelerator [Access to COVID-19 Tools Accelerator], especially the COVAX [COVID-19 Vaccines Global Access] facility to get affordable vaccines quickly to poor countries,” she said.

The DG underscored the need for the WTO to be “proactive in strengthening cooperation with other multilateral and bilateral partners, the private sector, and civil society to set a framework for dealing with problems of the global commons such as this pandemic.”

The DG has convened brainstorming sessions with Big Pharma, WTO members and health pressure groups to intensify work on the “Third Way” approach. However, it seems that the initiatives based on this approach have been exposed.

In her outreach meetings with different coalitions after she took office, the DG remained silent on the TRIPS waiver and suggested that the waiver cannot be implemented due to the complexity of the new mRNA vaccines. However, she seems to have gradually changed her positions on the “TRIPS dimension”, suggesting a change of her stance on the waiver.

She facilitated two rounds of virtual discussions among the trade chiefs of the United States, the European Union, India and South Africa as well as meetings

between experts from these four members in Geneva.

Interestingly though, she is yet to convene a virtual ministerial meeting on the TRIPS component, as demanded by two members.

Yet, the DG claimed in an interview with Reuters news agency on 16 December that “they [the four members] had all agreed on a framework that could lead to a solution satisfactory to both sides.”

It is not clear what she meant by “both sides” – whether it is the US and

the EU on one side and India and South Africa on the other.

She said “no one side will get 100%, but it’s a satisfactory solution that I think both sides could sign onto. We are very much moving in that direction.”

Effectively, the WTO seems to have failed in addressing its response to the pandemic because of the somewhat conflicting signals that Okonjo-Iweala has issued since her appointment as the DG. (SUNS9487)

Descent into “abyss of lawlessness” at the WTO?

In publishing a wishlist by one of its senior officials on issues for negotiation, the WTO secretariat may have overstepped its remit, writes *D. Ravi Kanth*.

GENEVA: The World Trade Organization has put out on its official website “five best wishes for WTO members in 2022”, in a blog written by one of its Deputy Directors-General (DDGs), in what appears to be a dangerous attempt to “cross the Rubicon” in a member-driven, rules-based, intergovernmental organization.

The “five best wishes” listed in the blog by Anabel Gonzalez consist of “20 percent aspirational and 80 percent pragmatic and achievable [goals].”

The goals, she writes, include that “2022 should be the year where WTO members deliver a trade and health response to the pandemic, including on intellectual property issues” as well as “trade in medical products” and “a strong framework that would facilitate trade in vaccines and critical medical gear and the inputs”.

She says that “this agreement is not only feasible, it’s within reach early in the year.”

Interestingly, Gonzalez, who is from Costa Rica, is heading the expert-level talks between the United States, the European Union, India and South Africa on the WTO’s response to the pandemic, including a proposed TRIPS waiver.

It appears that the first goal on “trade and health” raises serious questions of conflict of interests, said a former trade envoy who asked not to be quoted.

Secondly, the DDG said, “with the adoption of several ministerial statements in December 2021, governments put the WTO on route to strengthen the role of trade rules in effectively combating climate change and supporting environmental objectives, including by exploring work in areas like trade in environmental goods and services, sustainable plastics trade, and fossil fuel subsidies, among others”. Her wish is that “work in 2022 could set the stage for launching plurilateral negotiations in some of these areas”.

Thirdly, she notes that “the more than two thirds of the WTO membership participating in the negotiations on investment facilitation for development have set the target of concluding a deal in 2022 with the goal of helping countries improve their business climate and make it easier for investors to invest, manage their business and expand operations.”

Fourthly, she said that “concerns about growing levels of government support distorting international markets, coupled with limited transparency and perceptions

of unfairness, erodes public backing for open trade and stifles innovation, competition and productivity.” She said that “it is increasingly acknowledged that revising and updating WTO rules dealing with subsidies and state intervention in the economy would help reduce some of the trade frictions that are fueling uncertainty and geopolitical tensions.”

Her fifth and last wish relates to the restoration of the dispute settlement system to ensure a fully functional and “binding mechanism for sorting out conflicts among WTO members.” However, she failed to mention the two-stage dispute settlement system, with the second stage involving the Appellate Body that has currently been rendered dysfunctional by the United States.

Role of secretariat

There are several definitions of what constitutes a blog on the web. According to one definition, a blog is a “frequent, chronological publication of personal thoughts” or “a regularly updated website or web page, typically one run by an individual or small group”.

Therefore, a personal blog carried on the masthead of the WTO, a 164-member-driven organization, has dangerous implications, including possible violation of the rules concerning the functioning of the WTO secretariat.

For example, Article VI.4 of the Marrakesh Agreement Establishing the WTO states: “The responsibilities of the Director-General and of the staff of the Secretariat shall be exclusively international in character. In the discharge of their duties, the Director-

General and the staff of the Secretariat shall not seek or accept instructions from any government or any other authority external to the WTO. They shall refrain from any action which might adversely reflect on their position as international officials. The Members of the WTO shall respect the international character of the responsibilities of the Director-General and of the staff of the Secretariat and shall not seek to influence them in the discharge of their duties.”

“They [the WTO DG and the secretariat] are blurring the difference between the WTO’s multilateral negotiations and other discussions taking place on the sidelines of the WTO,” said a former trade envoy who asked not to be quoted.

“The secretariat has gone overboard by taking away the impartial role and views of the secretariat,” the envoy said. “They [the secretariat] are not sensitive to members’ concerns.”

The envoy cited the example of how the DG Ngozi Okonjo-Iweala seemingly went overboard in giving her blessings to the controversial Joint Statement Initiatives (JSIs) among a group of countries on domestic regulation in services and on digital trade.

The envoy said that publishing the wishes expressed by a DDG on the WTO’s website is like going a step further in violating the WTO’s rules.

Gonzalez had worked as director of the Agriculture Division of the secretariat from 2006 to 2009. She resigned from that post in 2009 following alleged tensions between her and the then chair of the Doha agriculture negotiations, Ambassador Crawford Falconer from New Zealand, said people familiar with the development. Apparently, Falconer had refused to share information with Gonzalez, said people who preferred not to be quoted.

Last year, she was tasked by the DG with delivering on a set of non-mandated issues including “industrial subsidies” and “level playing field issues” that include state-owned enterprises and market-oriented issues.

That these issues were proposed by the United States, the European Union and Japan and seen as targeting China and other developing countries is a serious cause for concern, a former trade envoy said.

For the DG to side with these issues

is a clear demonstration of her “one-sided and imbalanced” approach to the controversial non-mandated issues that could further undermine prospects for any agreement, the envoy said.

Although the DG can put forward issues that are proposed by one or two members for discussion as part of the WTO mandate, she cannot put forward non-mandated negotiating issues as “deliverables”, the envoy said.

Dangerous implications of DDG’s “five wishes”

DDG Gonzalez, in her first wish, fails to mention the proposed TRIPS waiver which is an urgent issue being pushed by more than 100 developing countries.

In her second wish, she openly supports the developed countries’ proposals on trade and environment, including an agreement on environmental goods and services which has been opposed by the developing countries as there has been no consensus on what goods should enter this list.

According to the United Nations Conference on Trade and Development (UNCTAD)’s latest Trade and Development Report, tariff liberalization in the combined list of environmental goods as identified by the Organization for Economic Cooperation and Development (OECD) comprises 248 products.

In 2019, the top 10 exporters of these goods were the European Union followed by China, the United States, Japan, the Republic of Korea, the United Kingdom, China Hong Kong SAR, Singapore, Canada and Switzerland, with a combined share of 88% of global exports, while most developing countries were net importers of these products.

The tariff revenue collected on these goods by developing countries amounts to \$15 billion per annum (using applied duties). Liberalization of trade in these products will therefore entail a huge loss of tariff revenue for developing countries. This may have substantial adverse effects especially now when domestic sources of finance are urgently needed to fight the COVID-19 pandemic and address climate change.

The third wish of the DDG is equally supportive of the JSIs of the developed countries. She says that the success of the JSI on investment facilitation will “help leverage the power of foreign investment

for a strong and sustainable recovery”.

As part of her third wish, she also supports the JSI on e-commerce, claiming that it will help small and medium-sized enterprises (SMEs). She appears to totally ignore the fact that the major gainers from e-commerce are the giant digital platforms whose profits have risen exponentially during the pandemic even as many SMEs all around the world have been forced to shut down. The rules being negotiated in the JSI on e-commerce, especially around data and data centres, can further reduce the export competitiveness of SMEs in the developing countries and raise their costs of compliance.

Gonzalez’s fourth wish again openly supports the proposals of the developed countries, including the US, the EU and Japan, on industrial subsidies and state-owned enterprises. While UNCTAD has called for a temporary WTO “peace clause” for the developing countries to use industrial subsidies in order to revive their industrial growth and exports during the crisis, the developed-country proposals seek to restrict the policy space of the developing countries by banning the governments from helping their SMEs and exporters.

Gonzalez goes further to suggest that revising the WTO rules dealing with subsidies and state intervention can help reduce geopolitical tensions, appearing to completely ignore the ground realities where millions of people are losing their jobs and are being pushed into extreme poverty, as well as the important role which the state needs to play in this crisis in developing countries.

In the concluding paragraph of her blog post, the DDG seems to have fallen out of step again by challenging the core WTO principle of consensus-based decision making. She writes, “Not all 164 WTO members may need to take part in crafting all of these responses, but they all must commit to make the WTO work and let it work.”

The questions she needs to answer are: Make the WTO work for whom? And let it work for whose benefit?

In short, the DDG seems to have “crossed the Rubicon” by putting forward “five wishes” that may go against the core provisions of the WTO’s foundational Marrakesh Agreement. In a way, her “wishes” appear to constitute a descent into an “abyss of lawlessness” at the WTO. (SUNS9491)