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Global order threatened by a retreat from multilateralism

At its Third South Summit held recently in Kampala, Uganda, the Group of 77 and China warned that the rise in unilateral policies and actions in the political, economic and trade domains is a major threat to multilateralism and should be stopped. At the same summit, the Secretary-General of the UN Conference on Trade and Development (UNCTAD) said that the Global South is being left behind by an international order that is still unjust.

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Global order under threat by a retreat from multilateralism – G77/China

The Group of 77 and China, at its Third South Summit held in Kampala, Uganda on 21-22 January 2024, warned that the current global order underpinned by international law and the institutions that uphold it, is under threat by a retreat from multilateralism.

by Kanaga Raja

PENANG: The global order underpinned by international law and the institutions that uphold it, is under threat by a retreat from multilateralism and from a collective approach to problem-solving, according to the Group of 77 and China.

In an Outcome Document issued following the Third South Summit of the G77 and China, held in Kampala, Uganda on 21-22 January 2024, on the 60th anniversary of the establishment of the Group, the G77 and China warned that the rise in unilateral policies and actions in the political, economic and trade domains is a major threat to multilateralism and should be stopped.

In this context, the G77 and China underscored their critical role "in providing the Global South with the means to articulate our shared vision, promote our interests and enhance our joint negotiating capacity within the United Nations system."

"We are proud of the great legacy and achievements of the Group in defending and promoting the interests of the developing countries and in pursuing sustainable development and shared prosperity," they said.

"We will intensify our efforts to work collectively for the well-being and prosperity of the countries and the peoples of the South, for mutually beneficial cooperation and a world order that is just, equitable, stable and peaceful," said the Group.

In their Outcome Document, the Group recalled the adoption of General Assembly resolution 78/203 and Human Rights Council resolution 54/18, on the right to development which included the submission to the General Assembly of the United Nations of the draft International Covenant on the Right to Development for its consideration, negotiation, and subsequent adoption, which will be of paramount importance for the effective realization of the right to development, which "we consider a universal, indivisible and inalienable human right of all our peoples."

"We recognize that the global scenario has changed dramatically since the adoption of the 2030 Agenda for Sustainable Development. We note also that, unfortunately, the overall progress in the achievement of sustainable development has fallen short of expectation. Progress at the halfway point of the 2030 Agenda implementation is slow or fragile. Obstacles to progress include limited support to developing countries, especially with regard to financing for development, transfer of technology and capacity building."

The Group further noted with deep concern that the gap between developed and developing countries has continued to widen and that the major challenges generated by the current unfair international economic order for developing countries have reached their most acute expression in current times due, inter alia, to the persistent negative effects of the COVID-19 pandemic, geopolitical tensions and conflicts, unilateral coercive measures, the fragile global economic outlook, increased pressure on food, fertilizer and energy, continued inflation and volatility of the financial markets, the growing burden of the external debt, increased displacement of people, widening levels of extreme poverty and food insecurity and setbacks in the gains that had been achieved in the eradication of poverty in developing countries, rising inequalities within and among countries, including deepening gender inequality, and the growing challenge and adverse effects of climate change, biodiversity loss, pollution, desertification, sand and dust storms and environmental degradation, as well as the digital divides, with no clear roadmap so far to address these global problems.

Under these circumstances, it urgently called for "joint, and coordinated action-oriented efforts to strengthen multilateralism, better harness and utilize the growing potential of South-South Cooperation, putting development at front and centre of our Group, pursuing sustainable development in its three dimensions in accordance with the 2030 Agenda and its SDGs and for placing the Global South in a more influential and equal footing in the international arena and in mutually beneficial cooperation with all partners."

The Group also emphasized that, while developing countries are committed to undertaking their international obligations, "it is imperative that identical obligations are not forced on unequal participants and we are determined to defend and take appropriate concerted actions to ensure that the international community remains sensitive to their different levels of development and take into account the need for equity, flexibility and national policy space for developing countries while assuming international commitments."

Right to self-determination

The Group reaffirmed full respect for the purposes and principles of the Charter of the United Nations and international law.

"We reaffirm in this regard the need to respect the principles of equality among States, national sovereignty, territorial integrity and political independence of States and non-interference in their internal affairs."

It also reaffirmed the need to respect the right to self-determination of peoples living under colonial or foreign occupation and other forms of alien domination.

The Group reaffirmed that there can be no sustainable development without peace and no peace without sustainable development.

"We stress the importance of building a culture of peace by strengthening multilateralism based on international law, developing friendly relations among nations, promoting peaceful settlement of disputes, and taking other appropriate measures to strengthen universal peace and to ensure the fulfilment, promotion and protection of all human rights, including the right to development."

The Group reaffirmed its principled and longstanding support for the right of the Palestinian people to self-determination and the achievement of justice and their legitimate national aspirations, including for freedom, peace and dignity in their independent State of Palestine, with East Jerusalem as its capital, in line with the relevant United Nations resolutions, the Madrid terms of reference, and the Arab Peace Initiative.

"We therefore stress the urgent need for a credible political horizon to bring an end to the Israeli occupation that began in June 1967 and to address and resolve the root causes of this ongoing injustice, in accordance with international law and the relevant United Nations resolutions."

The Group deplored the systematic, grave breaches of international law, including international humanitarian and human rights law, committed by Israel, the occupying Power, in the Occupied Palestinian Territory, including East Jerusalem, and called for full compliance with international law and for accountability.

It also deplored the dire humanitarian catastrophe, the severe socioeconomic conditions and challenges, including the widespread extreme poverty and the unprecedented scale of death, devastation, and destruction, including of civilian infrastructure essential for human survival, and the health, water, sanitation, energy and telecommunications crises, facing the civilian population, in particular as a result of the ongoing Israeli illegal blockade and siege and the war crimes and crimes against humanity, committed by Israel, the occupying Power, against the Palestinian civilian population in the occupied Gaza Strip.

"In this regard, we call for accountability for these violations and for the Security Council, in line with its Charter duty for the maintenance of international peace and security, to undertake serious efforts to implement its resolutions, imperative for bringing an end to Israel's impunity, realizing justice for the victims, and contributing to a just and peaceful solution of the Palestinian-Israeli conflict without delay."

The Group reiterated its demand for the resumption of a peace process, including negotiations based on international law and the UN resolutions and for the immediate and full withdrawal of Israel, the occupying Power, from the Occupied Palestinian Territory, including East Jerusalem, and the occupied Syrian Golan to the line of 4 June 1967 and from the remaining Lebanese occupied land.

"We also reiterate our demand for the immediate and full lifting of the Israeli blockade imposed on the Gaza Strip, which constitutes massive collective punishment, and in this regard, we call for the full and immediate implementation of the relevant resolutions, including Security Council resolutions 2334 (2016), 2712 (2023) and 2720 (2023) and General Assembly resolutions ES-10/21 and ES-10/22."

The Group reiterated its call for the complete dismantlement and immediate cessation of all illegal Israeli settlement activities in the Occupied Palestinian Territory, including East Jerusalem, and in the occupied Syrian Golan.

"We also reaffirm our conviction that the Israeli occupation remains the main obstacle to the efforts to achieve sustainable development and a sound economic environment in the Occupied Palestinian Territory, including East Jerusalem, and in the occupied Syrian Golan."

The Group called on Israel to end its strikes on Syrian civil infrastructure, including civil airports, which constitutes a violation of the principles of the United Nations Charter and international law, threatens the livelihood of civilians and the safety of civil aviation, and hinders United Nations humanitarian operations.

The Group also expressed its strongest rejection of the implementation of unilateral coercive measures and reiterated its solidarity with Cuba.

"We reaffirm our call upon the Government of the United States to put an end to the economic, commercial and financial blockade imposed on that sisterly nation for more than six decades that constitutes the major impediment for its full development."

At the same time, it regretted the measures implemented by the government of the United States since November 9th, 2017, which strengthen the blockade.

"We express deep concern over the widening of the extraterritorial nature of the embargo against Cuba, including the full implementation of Chapter III of the Helms-Burton Act, and reject the reinforcement of the financial measures adopted by the Government of United States, aimed at tightening the embargo."

2030 Agenda

The Group reaffirmed all the principles of the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, in 1992, in particular, the principle of common but differentiated responsibilities.

"We reiterate that the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, the Paris Agreement adopted under the UNFCCC, the New Urban Agenda and the Sendai Framework for Disaster Risk Reduction, as well as all other major outcome documents in relation to countries in special situations, shall be implemented in their entirety, and the commitments enshrined in them shall be honoured, in line with the principles of multilateralism and international cooperation."

It reaffirmed the universality of the 2030 Agenda and its comprehensive, far-reaching, people-centred and transformative set of Sustainable Development Goals and targets, guided by the principle of leaving no one and no country behind.

"We reaffirm that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development."

The Group reaffirmed its commitment to work tirelessly for the full implementation of this Agenda by 2030 "in a balanced and integrated manner to achieve sustainable development in its three dimensions and building on the achievements and lessons learned from the Millennium Development Goals and seeking to address their unfinished business."

The Group urged "our developed partners to join with us in this universal aspiration, to facilitate the transfer of technology, capacity building and financing for sustainable development, and achieve the SDGs."

The Group stressed the importance of adequate means of implementation of the 2030 Agenda for Sustainable Development and called upon the developed countries to agree and commit to a new phase of international cooperation through a strengthened and scaled-up global partnership for development.

"Achieving the SDGs requires new, additional, quality, adequate, sustainable, and predictable financing, as well as a bold approach to development finance. In this context, we stress that the Addis Ababa Action Agenda is an integral part of the 2030 Agenda. We call for its full and effective implementation which is critical for the realization of the SDGs and their targets and look forward to the IV International Conference for Financing for Development to assess its progress and address the current and emerging financing challenges."

The Group recalled the holding of UNCTAD-15 in Barbados from 3-7 October 2021, reaffirmed the Bridgetown Ministerial Declaration and renewed its commitment to support UNCTAD as the major UN voice for the South in the area of trade and development in order to fulfil its mandate as envisaged by the Group in the Joint Declaration of 15 June 1964.

"We reiterate the role of UNCTAD as the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, and in contributing to supporting the full and effective implementation of the 2030 Agenda, to carry developing countries' voice within the United Nations and beyond."

International financial architecture

In the Outcome Document, the Group noted with great concern that the international financial architecture has not kept pace with a changing global landscape and has failed to deliver the financing or stability needed to achieve the Sustainable Development Goals, and called for urgent reform of the international financial architecture, including the international financial institutions and their governance structure, to be equitable and responsive to the financing needs of developing countries, to enhance their effectiveness, and to broaden and strengthen the voice, participation, and representation of developing countries in international economic decision-making, norm-setting and global economic governance including with the aim to accelerate the achievement of sustainable development.

"In that sense, the comprehensive reform of the IFIs is a long-standing demand that seeks to be faithful to the principles and purposes of the United Nations Charter and international law."

The Group reaffirmed the need to uphold and strengthen the role of the United Nations, in particular the General Assembly and ECOSOC in dealing with the reform of the international financial architecture to ensure that the voice of every nation is heard and taken into account in such important matters pertaining to global governance.

"We reiterate that, in light of the tightening global financial conditions and severe debt crises in many developing countries, reforms of the international financial architecture should better reflect the needs and priorities of developing countries and include a lasting and fair solution to the debt crisis and substantially enhance the capacity of and urge multilateral development banks to meet the financing needs of all developing countries, including low- and middle-income countries, through concessional finance and grants."

The Group reaffirmed the need to ensure that developing countries have the necessary fiscal space for recovery and achieving the SDGs, noted the increasing financing gap and underlined that bridging this gap is essential to move towards recovery.

It said this would require, amongst other measures, fulfilment of ODA commitments, access to concessional finance by all developing countries, in particular low- and middle-income countries, debt treatment, enhanced financing mechanisms including innovative financing, combatting illicit financial flows that drain resources from developing countries, as well as larger FDI to the Global South.

"We reaffirm our call to seek ways in which concessional loans and grants can be scaled up. We reiterate the essential need to channel unutilized quotas of existing and newly allocated SDRs from developed countries with strong external positions to the developing countries most in need of liquidity and regional development banks." The Group also called for new issuances of SDRs, driven by the need to enable the achievement of the Sustainable Development Goals, including eradicating poverty.

It noted with concern that countries with substantial IMF loans are burdened with additional interest in the form of surcharges, and that the existing structure of IMF charges and surcharges is inefficient since it operates procyclically, and inequitable since it leaves the most distressed countries bearing the heaviest financial burden.

In this regard, the Group urged the IMF to suspend the surcharge policy charge with immediate effect.

It recognized that the unsustainable debt burdens in developing countries are stretching social safety nets, causing socioeconomic distress and constraining sustainable development, while the multilateral response has been subdued, considering the severity of the situation.

"We call for an improved global sovereign debt architecture with the meaningful participation of developing countries, allowing for fair, balanced and development-oriented treatment."

The Group reiterated the need for multilateral debt mechanisms to fully address sovereign external debt distress and provide an effective, efficient, equitable, comprehensive and predictable mechanism for managing debt crises in a way that is aligned with the development needs of all developing countries, in particular in low- and middle-income countries.

"We recognize the need to consider a concrete tool to incentivize, encourage, or ensure private creditors' participation in debt treatments alongside the official sector to ensure comparable treatment of creditors."

The Group reaffirmed the urgent need for scaling up debt swaps for SDGs, including debt swaps for climate and nature, to allow developing countries to use debt service payments for investments in sustainable development and taking multilateral measures to standardize the use of these mechanisms, while recognizing debt swaps cannot replace broader debt treatments in unsustainable debt situations.

"We urge for tangible progress in MDBs reform to bring forward actions to mobilize and provide additional development financing within their mandates to support developing countries to achieve the SDGs, including through securing increases to grants and concessional finance and technical assistance better leveraging their capital bases and considering ways to increase their capitalization, expanding local currency lending, participating in the formulation and new financial instruments and mechanisms for developing countries."

The Group stressed that inaccurate credit ratings can impact the cost of borrowing and the stability of the international financial system.

It said given their role in either facilitating or hampering progress on debt treatment and affecting the cost of borrowing, it would be important that credit rating agencies ensure that their ratings are objective, independent and based on accurate information and sound analytical methods. We encourage transparency from credit rating agencies to consider adapting the use of criteria to extraordinary circumstances.

The Group reaffirmed the urgent need to establish the set of measures of progress on sustainable development that complement or go beyond gross domestic product through a UN-led intergovernmental process in consultation with all relevant stakeholders to inform access to concessional finance and technical cooperation for developing countries and to have a more inclusive approach to international cooperation.

"We emphasize that this will also require increased investment in national statistical systems, in data collection, and the provision and mobilization of the necessary resources to support capacity building for national statistical agencies in developing countries."

The Group reaffirmed that Official Development Assistance (ODA) remains the main channel for international cooperation and stressed its paramount importance in supporting the sustainable development needs of developing countries, in particular countries in special situations and those facing specific challenges.

"We note with concern that target for developed countries to provide 0.7% of their GNI in ODA has not been met once since its formal approval more than 50 years ago."

The Group urged developed countries to fulfil their unmet ODA commitments to developing countries, in keeping with their previous undertakings, and to scale up those efforts to play a meaningful role in eradicating poverty in all its forms and dimensions, and to increase their flows of ODA to 0.7 percent of GNI to developing countries and 0.15-0.20 per cent of GNI to LDCs, as called for in target 17.2 of the Sustainable Development Goals.

"We note that a significant portion of ODA is dedicated to in-donor services to refugees, which is not consistent with long-term and sustainable approach to financing for development to achieve 2030 Agenda targets."

The Group stressed that, for ODA flows to be most effective, they should be aligned with national priorities and development strategies of the recipient countries and should not be tied to conditionalities.

"We note with deep concern the increase in the illicit financial flows, particularly from developing countries, and the negative impact it poses with respect to the realization of the Sustainable Development Goals, the rule of law and the security of nations."

It urged all States to scale up the level of cooperation to curb illicit financial flows and recover the proceeds of crime, including embezzled public funds, stolen assets and unaccounted-for assets that are found in safe havens, and to demonstrate strong commitment to ensuring the return of such assets to the countries of origin.

"We also urge the international community to enhance its support for the efforts of Member States to develop and strengthen capacities in various areas, inter alia, their national tax authorities, legal and regulatory institutions, businesses and financial institutions, and for increased public awareness to enhance accountability mechanisms and help to combat illicit financial flows."

In addition, the Group called upon States to consider the possibility of waiving or reducing to the barest minimum the processes and costs of the recovery of assets, in particular by reducing the administrative and legal bottlenecks in the recovery of illicit assets.

It emphasized that promoting inclusive and effective international tax cooperation remains a critical prerequisite to the achievement of the SDGs, since it enables developing countries to effectively mobilize their domestic resources. It is clear that current international tax governance structures need considerable improvements.

"We look forward to the successful completion of the process initiated by the resolution "Promotion of inclusive and effective international tax cooperation at the United Nations" and call upon all countries to continue to participate and negotiate in good faith."

Multilateral trading system

The Group committed to promoting a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory, and equitable multilateral trade system that has development in its centre, as well as meaningful trade liberalization.

"We emphasize the importance of facilitating the accession of developing countries to the WTO, promotion of preferential trade access for developing countries and strengthening and operationalizing the principle of special and differential treatment for developing countries, while continuing WTO negotiations, with a view to achieve positive results within the given mandates at the 13th WTO Ministerial Conference."

The Group called on all WTO Members to work on the necessary reform of the Organization and to restore the Appellate Body, recognising the importance and urgency of addressing current and future challenges in international trade, thus enhancing its relevance and effectiveness in placing development at its centre.

"We stress that the reform must, inter alia, preserve the centrality, core values and fundamental principles of the WTO."

The Group reiterated that the multilateral trading system should contribute to the achievement of the Sustainable Development Goals, providing policy space for national development objectives, poverty eradication and sustainable development, consistent with relevant international rules and countries' commitments, and promote export-led growth in the developing countries through, inter alia, preferential trade access for developing countries, special and differential treatment that responds to the development needs of developing countries, in particular least developed countries, and the elimination of trade barriers that are inconsistent with WTO agreements.

"We look forward to the 13th session of the WTO Ministerial Conference, from 26 to 29 February 2024 in Abu Dhabi, United Arab Emirates as an opportunity to advance on the reform of the WTO."

The Group expressed deep concern with the increase in unilateral and protectionist measures, which run counter to the spirit and rules of the WTO and the purposes and principles of the UN, and not only undermine the multilateral trading system, but also leads to negative impact on access of the developing countries' exports to the global markets.

"We emphasize the importance of promoting an open world economy and generating greater positive effects of globalization."

The Group reaffirmed its firm rejection of the imposition of laws and regulations with extraterritorial impact and all other forms of coercive economic measures, including unilateral sanctions, against developing countries and reiterated the urgent need to eliminate them immediately.

"We emphasize that such actions not only undermine the principles enshrined in the Charter of the UN and international law but also severely threaten the freedom of trade and investment. We therefore call upon the international community to adopt urgent and effective measures to eliminate the use of unilateral coercive economic measures against developing countries."

The Group also expressed deep concern regarding unilateral protectionist measures taken by some trade partners that would constitute a means of arbitrary or unjustifiable discrimination between countries or a disguised restriction on international trade, including, unilateral and discriminatory border adjustment mechanisms and taxes.

It recalled that Article 3.5 of the UNFCCC, which states that "The Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change. Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade," and Article 4.15 of the Paris Agreement, which states that "Parties shall take into consideration in the implementation of this Agreement the concerns of Parties with economies most affected by the impacts of response measures, particularly developing country Parties."

In this regard, the Group welcomed the recognition in the Global Stock Take at COP28 that measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade, and called on parties to reconsider such measures and suspend their implementation.

The Group stressed the critical importance of industrialization for developing countries, as a critical source of economic growth, economic diversification, and value addition.

"We will invest in promoting inclusive and sustainable industrial development to effectively address major challenges. In this regard, we welcome relevant cooperation within the United Nations system, including the United Nations Industrial Development Organization (UNIDO), and we further encourage their role in advancing the linkages between infrastructure development, inclusive and sustainable industrialization and innovation."

The Group called on the international community to urgently support countries affected by the food crisis, including through coordinated actions and enhanced partnership among countries and other relevant stakeholders, in such areas as food production, storage, transport, food loss and waste reduction, and improve food security, nutrition and food self-sufficiency of developing countries.

"We reaffirm the importance of keeping food and agriculture supply chains functioning, and ensuring trade channels and markets open for food, fuel, fertilizer and other agricultural products, by promoting a universal, rules-based, open, non-discriminatory, and equitable multilateral trading system under the WTO."

The Group recognized that gender equality and the full participation of women in all spheres are integral to building a just society for all and must be at the centre of all economic and social development.

"We recommit ourselves to the urgent goal of achieving gender equality, to eliminating discrimination and violence against women and to ensuring their full participation in all areas of life and at all levels."

The Group recognized the importance and different history and particularities of South-South cooperation, and reaffirmed its view of South-South cooperation as a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the Sustainable Development Goals, according to national priorities and plans.

It said that South-South cooperation and its agenda have to be set by countries of the South and should continue to be guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit.

"Developed countries should bear the primary responsibility in financing for development, which is essential to address current development imbalances and the challenges of the 21st century. We reiterate that South-South cooperation is not a substitute for, but rather a complement to, North-South cooperation and reaffirmed that South-South cooperation is a collective endeavour of developing countries."

The Group reiterated that international development cooperation, especially North-South cooperation, remains a fundamental catalyst to sustainable development.

"As North-South cooperation is the main channel of development financing, the international community must uphold the principle of "common but differentiated responsibilities" (CBDR) and reinvigorate North-South cooperation to continue to play its key role."

The Group called upon the international community and relevant bodies of the United Nations system to take urgent action aimed at reducing all digital divides, and inequalities in data generation, infrastructure and accessibility within and among countries and regions, as well as between developed and developing countries, with special attention to the poorest and most vulnerable among them.

"We urge the creation of the necessary conditions to provide developing countries with affordable and reliable connectivity, aimed, inter alia, at promoting digital access and inclusion, including for people in remote and rural communities, as well as to ensure ethical, reliable, and more equitable development, access and use of artificial intelligence."

It recognized that currently, there is no multilaterally agreed approach on data governance and that dealing with data and associated opportunities and challenges, will require a global response, with the equal participation of all countries, and stressed the need to strengthen international cooperation, and pursue greater harmonization in this regard.

"We reject technological monopolies and other unfair practices that hinder the technological development of developing countries. States which have monopoly and dominance in the Information and Communication Technologies environment, including Internet, should not use Information and Communication Technologies advances as tools for containment and suppression of the legitimate economic and technological development of other States."

The Group called upon the international community to foster an open, fair, inclusive and non-discriminatory environment for scientific and technological development.

It further called on the international community to strengthen its support to developing countries, especially given the inequalities and additional strains that overlapping crises have placed on public finances, and to increase the resources available to them to build their capacities to meaningfully participate in and benefit from e-commerce and the digital economy.

The Group emphasized that the international community must address the challenges and needs faced by developing countries, especially countries in special situations, in particular, African countries, least developed countries, landlocked developing countries and small island developing States as well as specific challenges faced by many middle-income countries, conflict and post-conflict countries and countries and peoples living under foreign occupation.

Climate change

The Group reaffirmed that "climate change is one of the greatest challenges of our time and its widespread, unprecedented impacts disproportionately burden all developing countries and in particular the poorest and most vulnerable among them. Extreme weather events and slow on-set events affected the environment, the economy and society and reversed hard-earned developmental gains, increasing the adverse impact on people and local communities."

They reiterated the objective of the UNFCCC, and its principles, including the principle of equity and common but differentiated responsibilities and respective capabilities, in the light of different national circumstances, while recognizing the need for an effective and progressive response to the urgent threat of climate change on the basis of the best available scientific knowledge and in the context of sustainable development and efforts to eradicate poverty, while recognizing historic responsibilities, in that regard.

The Group stressed the urgency of the provision of means of implementation from developed countries to developing countries to ensure the effective implementation of UNFCCC and the Paris Agreement adopted under the Convention.

"We stress on the importance of the provision of new, additional, adequate, predictable and sustainable financial resources by developed countries, distinct from ODA to address the special needs of developing countries in the context of addressing the adverse impacts of climate change." *(SUNS 9934)*

[The full text of the Outcome Document can be found at: https://www.g77.org/doc/3southsummit_outcome.htm]

South being left behind by an unjust international order – UNCTAD SG

In an address at the recent Third South Summit of the Group of 77 and China in Kampala, Uganda, the Secretary-General of the UN Conference on Trade and Development (UNCTAD) said that in the metrics that matter the most, the South is being left behind by an international order that is still unjust.

by Kanaga Raja

PENANG: While the Global South is now a much stronger force than it was 60 years ago, it is being left behind by an international order that is still unjust, Ms Rebeca Grynspan, the Secretary-General of the UN Conference on Trade and Development (UNCTAD), has said.

In a statement at the Third South Summit of the Group of 77 and China that took place in Kampala, Uganda on 21 to 22 January 2024, Ms Grynspan said "on the one hand we have the indisputable truth that the Global South is now a much stronger force than it was 60 years ago."

The global South now represents around 58% of all world economic output (in purchasing power parity) and South-South trade represents about a third of all trade, she said.

"For many years poverty and the Human Development Index improved, achieving important milestones."

On the other hand, she said the Sustainable Development Agenda is about leaving no one behind; and yet, in the metrics that matter most, the South is being left behind.

Ms Grynspan said the South is being left behind by an international order that is still unjust:

- an order where those who did the least to cause climate change are the ones who pay the most for it;
- an order where vaccines are not shared during a pandemic;
- an order where divides widen with each technological advancement;
- an order where access to affordable finance, crucial for development, is denied only to those who lack reserve currencies and when shocks hit are forced into ever greater piles of debt aggravated by rising interest rates imposed by the central banks of the reserve currencies countries.

As a result, only 15% of all Sustainable Development Goals are on track, and 3.3 billion people now live in countries that spend more on debt servicing than on either health or education, said the Secretary-General.

"Cascading crisis not of our doing have set us back in some cases decades in our achievements," she added.

"Our current system is nearing its limit. While in the last six decades the global economy has decentralized, the governance systems that underpin it have not," said Ms Grynspan.

> "Cascading crisis not of our doing have set us back in some cases decades in our achievements."

"We still operate within an institutional framework created at a time where most African countries had not yet become independent," she added, citing Uganda as an example.

Illustrating this point, Ms Grynspan said that in 1945, the five permanent members of the UN Security Council constituted 10% of the organization's members; today, they are only 2.5%.

At their foundation, the boards of the IMF and the World Bank had 12 seats for a total of 44 countries.

Today, each board has 25 seats representing 190 countries; to maintain the same proportion of representation the Boards of these institutions will have to double, she added.

At the IMF, developing countries hold 41% of the votes while generating 58% of all GDP (in PPP) and having 86.4% of the world population.

In comparison, the advanced economies have just 13.6% of the world's population, and yet have 59.1% of the votes, said the UNCTAD chief.

She said China accounts for about 18% of the global economy, yet it enjoys just 6% of the IMF's voting share, Ms Grynspan added.

She said that this massive representation issue highlights a truth that the UN Secretary-General underscored in Kampala: "Let's face it: those that benefit most from the present global governance system are unlikely to lead its reform. Momentum for change must come from you, the South".

This Third South Summit provides a unique opportunity to do just that, Ms Grynspan added.

Global growth is slowing down, as a result of weak rates of growth of trade and investment specially affecting developing countries, she said.

"The summit of the future will put these challenges in the multilateral discussion."

She pointed to going beyond GDP to measure development, to push for the necessary reforms in the international financial architecture, to look for a governance system for AI that will enhance its potential without putting all humanity at risk.

She said these discussions are not just theoretical or abstract. "They are about the lives of billions of people, the overwhelming majority of which live in our countries."

"In closing, let us carry forward a sense of hope and a call to action. We have the knowledge, the resources, and the collective will to create a better world and reinvigorate the multilateral system."

"Whatever the contradictions, we are in a much better place to make a difference today than 60 years ago. But time is running out," she said.

She expressed hope that the Third South Summit will be a milestone for stronger partnership, for a better and stronger multilateral system and for deeper cooperation between UNCTAD and the G77 and China. *(SUNS 9934)*

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Global FDI flows remained weak in 2023, says UNCTAD

Global foreign direct investment (FDI) flows increased marginally to reach an estimated $1.37 trillion in 2023, with a modest increase in FDI flows also projected for 2024, according to the UN Conference on Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global foreign direct investment (FDI) flows reached an estimated $1.37 trillion in 2023, recording a marginal increase (+3%) over 2022, according to the United Nations Conference on Trade and Development (UNCTAD).

In its latest Investment Trends Monitor (Issue No. 46), UNCTAD said the marginal increase in FDI flows in 2023 defied expectations as recession fears early in the year receded and financial markets performed well.

However, it said that economic uncertainty and higher interest rates did affect global investment.

The headline increase was due largely to higher values in a few European conduit economies. Excluding these conduits, global FDI flows were 18% lower, it added.

According to the UNCTAD report, released on 17 January, in developed countries, FDI in the European Union jumped from negative $150 billion in 2022 to positive $141 billion because of large swings in Luxembourg and the Netherlands.

It said excluding those two countries, inflows to the rest of the EU were 23% down, with declines in several large recipients.

Inflows in other developed countries also stagnated, with zero growth in North America and declines elsewhere, said the report.

FDI flows to developing countries fell by 9%, to $841 billion, with declining or stagnating flows in most regions.

FDI decreased by 12% in developing Asia and by 1% in Africa. It was stable in Latin America and the Caribbean as Central America bucked the trend, said UNCTAD.

International investment project announcements, including greenfield (mainly industry), project finance (mainly infrastructure) and cross-border mergers and acquisitions (M&As), were mostly in negative territory, it added.

"International project finance and M&As suffered the most from higher financing costs in 2023, with 21% and 16% fewer deals, respectively."

The report also said that greenfield project announcements were 6% lower in number.

However, they were 6% up in value and showed higher numbers in manufacturing in an initial sign of recovery following a long-term declining trend.

Highlighting some noteworthy trends among the top recipient economies, UNCTAD said in developed regions, international investment project announcements were down across the board.

It said M&A values were $280 billion lower than in 2022, directly depressing FDI flows, while project finance deals were $157 billion lower.

Lower values of greenfield project announcements will affect 2024 FDI flows, the report cautioned.

It said in the United States, the largest FDI recipient, FDI inflows in 2023 were down by 3%, greenfield project numbers by 2% and project finance deals by 5%.

China reported a rare decline in FDI inflows (-6%), but showed growth in new greenfield project announcements (+8%).

The report said that the Association of Southeast Asian Nations (ASEAN), normally an engine of FDI growth, reported a 16% decline in FDI.

However, UNCTAD said that the attractiveness of the region for manufacturing investment was underlined by a 37% jump in greenfield project announcements, with strong growth in Viet Nam, Thailand, Indonesia, Malaysia, the Philippines, and Cambodia.

India reported a drop in FDI inflows (-47%), but stable numbers of new project announcements, keeping it in the top 5 of global greenfield project destinations, it added.

UNCTAD said that in West Asia, FDI remained stable (+2%) due to continued buoyant investment in the United Arab Emirates, which saw greenfield announcements rise by 28% to the second highest number after the United States. Greenfield numbers also jumped in Saudi Arabia, by 63%, it added.

The report said that FDI flows to Africa were almost flat at an estimated $48 billion (-1%). Greenfield project announcements increased, mostly due to strong growth in Morocco, Kenya, and Nigeria.

"However, project finance deals fell by one third, more than the global average decline, weakening prospects for infrastructure finance flows."

The report said in Latin America, Brazil reported 22% lower FDI inflows. While greenfield project numbers held steady, international project finance plummeted, with 40% fewer deals than in 2022, it added.

"Mexico reported an increase in FDI, as well as a further increase in new greenfield project announcements, solidifying its position among the top global recipients."

Meanwhile, the report said trends by industry in 2023 show project numbers rose in global value chain (GVC)-intensive sectors (+16%), especially in automotive, textiles, machinery, and electronics.

However, the number of newly announced greenfield projects in semiconductors fell by 10% (39% in value) after the strong growth in 2022.

The report said the number of greenfield project announcements and international project finance deals in infrastructure industries (including transport, power, water, telecommunications) fell by 4 per cent overall, largely driven by lower project finance in renewable energy.

"New international project finance deals in the renewable energy sector fell by 17% in number and 10% in value, only marginally less than the overall project finance decline."

The decline in the number of new

projects was the first since the Paris Agreement in 2015, the report noted.

It also said the number of international investment projects announced in developing countries in sectors relevant to the Sustainable Development Goals (SDGs) – including infrastructure, renewables, water and sanitation, food security, health and education –remained flat.

The number of SDG-relevant international project finance deals declined by 27% (-40% in value). However, the number of SDG-relevant greenfield projects rose by 12% (6% in value).

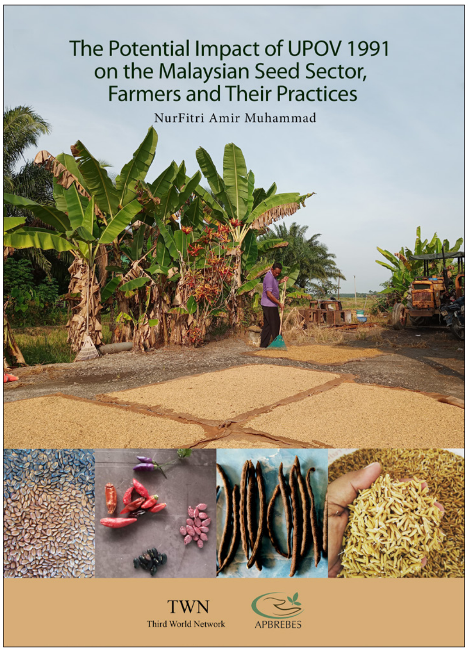
Project numbers in food and agriculture rose marginally from low levels in 2022; most other sectors registered a decline, said UNCTAD.

Looking ahead, it said that a modest increase in FDI flows in 2024 appears possible, as projections for inflation and borrowing costs in major markets indicate a stabilization of financing conditions for international investment deals.

However, significant risks persist, including geopolitical risks, high debt levels accumulated in many countries, and concerns about further global economic fracturing, the report added. *(SUNS9929)*

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

NurFitri Amir Muhammad



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

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

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

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

WTO's MC13 Outcome Document far from closure

With less than one month left for the World Trade Organization's 13th ministerial conference (MC13) that begins in Abu Dhabi on 26 February, divergent views still remain on a range of issues in MC13's crucial "Outcome Document".

by D. Ravi Kanth

GENEVA: With less than one month left for the World Trade Organization's 13th ministerial conference (MC13) in Abu Dhabi, the crucial "Outcome Document" that includes all the major decisions, declarations, and work programs in different areas, seems to be mired in divergent views on a range of issues and is far from closure, said people familiar with the discussions.

The chair of the WTO's General Council, Ambassador Athaliah Lesiba Molokomme of Botswana, issued the latest draft text on 25 January that is replete with square brackets on many issues starting from how the WTO should conduct its business as it marks its 30th anniversary.

The 38-page draft text, seen by the SUNS, remains a work in progress at this juncture.

So far, there is no clarity yet on the most controversial issues concerning the Joint Statement Initiatives (JSIs) on investment facilitation, digital trade, and domestic regulation in services, said people familiar with the draft text.

More importantly, paragraph 16 of the text is left for "specific decisions/declarations/decide or guide on WTO Regular work."

The proposed decisions in paragraph 16 include: (1) E-Commerce Work Programme and Moratorium; (2) TRIPS Non-Violation and Situation Complaints; (3) Work Program on Small Economies; (4) SPS (sanitary and phytosanitary measures); (5) LDC Graduation - Annex 2; (6) LDC issues (preferential rules of origin for LDCs, LDC Services Waiver and DFQF Market Access); (7) Trade and Environment; (8) TRIPS Waiver Extension; (9) Emergency Response to Food Insecurity; and (10) Work based on Paragraphs 23 and 24 of the MC12 Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics.

The Outcome Document is to be divided into two parts, with Part I focusing on the state of the multilateral trading system with the WTO at its core.

The second part would include the decisions and declarations to be adopted by trade ministers at MC13.

To begin with, in paragraph 2, the draft text states: "Our thirteenth session takes place as we mark the 30th anniversary since the establishment of the WTO. On this occasion, we reaffirm the principles and objectives enshrined in Marrakesh Agreement and underline the critical importance of the rules-based, non-discriminatory, open, fair, inclusive, equitable and transparent multilateral trading system with the WTO at its core."

Yet, divergences persist in the following paragraph in square brackets: "[We reaffirm the value of [our consistent practice of] taking decisions through a transparent, inclusive, [flexible,] [constructive,] [responsible] consensus-based, Member-driven process]."

In Paragraph 3, the draft text states, "We acknowledge that during these 30 years, WTO Members have sought to fulfil the objectives reflected in the Preamble to the Marrakesh Agreement consistent with Members' respective needs and concerns at different levels of economic development. Important progress has been made. We resolve to further strengthen the multilateral trading system to provide meaningful impetus to address global challenges [from the trade perspective (China)/ insofar as they relate to the WTO relevant mandate[s]]."

On the MC12 decision on reform of the WTO to improve all its functions in paragraph 5, the draft text states:

"We reaffirm our commitment made at our Twelfth Session to work towards necessary reform of the WTO to improve all its functions [while reaffirming the foundational principles of the WTO] (India) and acknowledge the progress made in this regard.

We note and value the work done to date to improve the daily functioning of WTO Councils, Committees and Negotiating Groups with a view to enhancing the WTO's efficiency, effectiveness, and facilitation of Members' participation in WTO work. We instruct the General Council and its subsidiary bodies to continue to conduct this work and report progress as appropriate to the next Ministerial Conference.

[We encourage all WTO Bodies to continue the Member-driven process and routinely review their practices and ways of working] (United Kingdom) with a view to enhancing their efficiency, transparency (Pakistan) and effectiveness [to better deliver/ to continue to deliver (Singapore) on their respective mandates] (India), and facilitation of Members' participation in WTO work. [For proposals on reform by doing (Switzerland) that require adoption, the relevant WTO Bodies shall/are encouraged, where appropriate to (Canada) consider implementation on a trial basis, as appropriate, for reform proposals to ensure reform continues (Canada).] (Bangladesh) We instruct the General Council and its subsidiary bodies to continue to conduct this work [through a member-driven, open, transparent, inclusive process] (Indonesia) that ensures reform continues (Canada) and report progress [in relevant committees and bodies' annual reports] (United States) as appropriate to the next Ministerial Conference."

Strengthening the MTS

On the issue of strengthening the multilateral trading system (MTS), with the WTO at its core, there is no consensus yet in paragraph seven of the draft text.

Thus, the whole paragraph and the alternative remain in square brackets implying lack of consensus on the critical phrases.

It states: [We resolve to preserve and strengthen the ability of the multilateral trading system, with the WTO at its core, to respond to [contemporary] trade challenges, take advantage of available opportunities, and ensure the WTO's proper functioning.] [We acknowledge that Members have engaged in [informal discussions] on some of these issues.] [We recognize the need for all Members to deepen dialogue in a more focused manner to improve understanding of the [implications of each of these issues*/inter-relationship between each of these issues* and the WTO (Egypt)/ implications of such issues* (Russian Federation)] [for trade, development and the WTO while continuing efforts to seek conclusion of ongoing negotiations.] [We instruct the General Council to continue the dialogue on these issues [through informal meetings and other appropriate discussions] and report progress at the next Ministerial Conference.] (United Kingdom)

Alternative to Paragraph 7:

[We resolve to preserve and strengthen the multilateral trading system, with the WTO at its core, and in accordance with its existing principles, rules and mandates, while acknowledging present trade challenges. We recognize the need to deepen dialogue in a more focused and consensus-based manner to improve understanding on the inter-relationship between trade and other issues of common interest that may arise among Members.] (African Group – Egypt)

[We agree to establish a temporary Working Party to organize regular dedicated deliberations /conversations (Brazil) on trade and industrial policy/ subsidies (China)/on measures to support industrial development (United States). The Working Party will provide a forum for Members to share and discuss factual analysis [and could examine], inter alia, (a) the challenges faced by developing Members (in particular LDCs)/Members (Chinese Taipei)/Members (in particular developing and LDC Members) (Thailand) to industrialize and diversify their economies; (b) the different types of policy tools or measures being used by Members and their impact on global trade [and] investment, environment and development (China); (c) how to ensure effective/enhance transparency; and (d) whether WTO rules need to be further [strengthened or] developed. [The Working Party shall be conducted in an objective and neutral manner.] (China). The Working Party will provide a factual report on these discussions no later than the next Ministerial Conference and may also, as appropriate, propose [initiatives, concrete actions, or] recommendations for future work.] (Canada)

[We recognise the importance of an inclusive and equitable multilateral trading system that supports development, including for least developed countries, and ensures/ contributes to ensuring (Canada) the gains of trade benefit all Members (India). We recognise work already underway and welcome further work by Members to hold thematic discussions on different aspects of the inclusiveness agenda. The General Council should provide a report, including any recommendations, to Ministers at the Fourteenth Ministerial Conference.] (Australia)

[We underscore the importance of open, inclusive, resilient, sustainable, diversified and reliable global supply chains. We welcome efforts building on existing work in WTO bodies to enhance cooperation in this regard.] (China)

[We agree to organize regular dedicated conversations on global food security through sustainable agriculture. These conversations will provide an opportunity for sharing and discussing science- and evidence-based analysis and experiences, inter alia, (i) policies and measures to enhance sustainable intensification and productivity growth, food security, agricultural resilience, and encourage climate-friendly agricultural practices; (ii) policies that result in over-production, overuse or misallocation of resources, market distortions, or other negative impacts, environmental or otherwise; (iii) policies that facilitate trade of agricultural products, including those produced with more sustainable methods and from small and family farmers. In connection with these discussions and as appropriate, Members may propose initiatives, concrete actions, or recommendations, including whether WTO rules need to be further strengthened or developed for future work.] (Brazil)

Development dimension

On the issue of according the highest priority to the development dimension, Indonesia, South Africa on behalf of the African Group, Pakistan, Egypt, and Switzerland proposed language in square brackets in paragraph 8.

The proposed language in paragraph 8 is as follows:

"We reiterate the centrality of the development dimension in the work[s] (Indonesia) of the WTO. We recognize that the full integration of developing country Members and LDC Members in the multilateral trading system [and ensuring that the gains of trade benefit them] (African Group - South Africa) is important for their economic development [and for global trade expansion] and [therefore] (African Group – South Africa) [recall the Preamble to the Marrakesh Agreement/ recommit] (African Group - South Africa) to make positive efforts towards this end [in accordance with the Preamble of the Marrakesh Agreement. In this regard, we resolve to address the constraints inherent in certain WTO agreements that limit the policy space to drive industrialization, economic diversification and structural transformation programmes in developing countries and LDCs, and their ability to respond to interconnected domestic and global crises, including but not limited to, climatic and natural disasters, financial and economic crises, debt burden, health emergencies and food-security related crises. The General Council shall meet in special session and work based on submissions by developing countries and LDCs to assess the existing difficulties, identify ways needed to resolve them taking into account the development experiences of some developing country Members (Chinese Taipei) and take decisions for appropriate action and shall provide a report, including any recommendation, to the Ministers in the 14th Ministerial Conference]. (African Group – South Africa)

We reaffirm the [provisions/ principles] (Switzerland) of special and differential treatment for developing country Members and LDCs as an integral part of [the] WTO [and its] agreements.[3]*

[We note the progress in negotiations on existing special and differential treatment provisions and underline the urgency of continuing work in the CTD SS and other relevant bodies of the WTO to improve the application of special and differential treatment as agreed under existing mandates, and to report on the progress to the General Council and subsequently to MC14.] (African Group - South Africa)

[We recognize the need for better coordination of development work through the Committee on Trade and Development (CTD), the focal point for consideration and coordination of work on development in the WTO.] (African Group – South Africa)

[We reiterate the centrality of the development dimension in the works of the WTO. We reaffirm our commitment to fully integrate developing country Members and LDC Members in the multilateral trading system for ensuring that the gains of trade benefit them to achieve the objectives outlined in the Marrakesh Agreement. We take note of the discussion and negotiations across the WTO Bodies on S&DT provisions, technology transfer, providing policy space for industrialisation, crisis response, intellectual property, digital trade, cost of remittances, trade facilitation, pandemic response among others to meet the development needs of developing countries including LDCs. We commit ourselves to comprehensive discussions and negotiations in the relevant WTO bodies aimed at reviewing the relevant provisions of the WTO agreements for achieving sustainable development as per the specific needs of developing countries and LDCs. We recognize the needs of developing and least-developed countries for enhanced support, cooperation, technical assistance and capacity building in this area, and agree that special and differential treatment for developing countries shall be an integral part of all elements of this work. We underscore the urgency for continuing work in all the relevant bodies of the WTO, particularly CTD SS, to enhance the impact of S&DT under the existing mandates. We instruct the relevant WTO Bodies to regularly report on the progress to the General Council and subsequently to MC14.] (Pakistan)

[We recognize the work already undertaken in the discussions and negotiations across the WTO agreements, and in the relevant WTO bodies, on technology transfer, including the large number of negotiating proposals submitted by members in the context of industrial development, intellectual property, trade facilitation, agricultural resilience, pandemic response, climate change, trade and environment, electronic commerce, and digital trade amongst others. Building on the work carried out to date, we commit ourselves to comprehensive discussions and negotiations in the relevant WTO bodies aimed at reviewing the relevant provisions on technology transfer across the WTO agreements, and where necessary, clarify, with a view to achieving the relevant United Nations Sustainable Development Goals and Doha Programme of Action targets as they relate to technology transfer, including access to environmentally sound technologies. We recognize the needs of developing and least-developed countries for enhanced support, cooperation and access to technology including technical assistance and capacity building in this area, and agree that special and differential treatment for developing countries shall be an integral part of all elements of this work. To this end, we shall work in cooperation with other relevant intergovernmental organisations, including, to provide data on technology access and flows.] (Egypt)"

While paragraph 9 focused on the special needs of the Least Developed Countries (LDCs), paragraph 10 deals with assisting the LDCs graduating from the LDC category.

Paragraph 11 deals with Aid for Trade, while in paragraphs 12 and 13, the draft text highlights the Sustainable Development Goals.

The draft text deals with the accession of Comoros and Timor-Leste in paragraph 15.

Other issues

The draft text suggests that there is little convergence on other issues that remain in square brackets, including language on:

- Trade and Gender (language proposed by Chile);
- Role of MSMEs for advancing economic growth and sustainable development, proposed by Barbados;
- Role and importance of trade in services proposed by CARICOM Group;
- The special situation of Article XII countries that acceded to the WTO;
- Commitment to the Work Program on Small and Vulnerable Economies based on Ecuador's proposed language;
- Sharing of experiences from the implementation of the Trade Facilitation Agreement based on language proposed by the LLDC Group – presented by Kazakhstan;
- Work done in WTO councils and committees on WTO's response to COVID-19 pandemic;
- India proposed language on "cross-border remittance towards development and financial inclusion";
- India circulated a paragraph for examining "the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD)."

In short, the ongoing discussions on the MC13 Outcome Document have many hurdles to cross due to sharp divergences on the key issues. While it may not be difficult to overcome the differences on many of the above issues, the litmus test is going to be on the most controversial non-mandated issues like the JSIs, said people familiar with the discussions. *(SUNS 9936)*

Outcome on WTO dispute settlement reform unlikely at MC13

The World Trade Organization (WTO) is unlikely to reach an outcome in the ongoing informal discussions on reform of the WTO's dispute settlement system at its upcoming 13th ministerial conference (MC13).

by D. Ravi Kanth

GENEVA: The World Trade Organization is likely to fail to accomplish an outcome in the ongoing informal discussions on reform of the WTO's dispute settlement system (DSS) at its 13th ministerial conference (MC13) beginning in Abu Dhabi on 26 February, said people familiar with the development.

According to paragraph four of the Outcome Document of MC12 held in Geneva in June 2022, trade ministers acknowledged "the challenges and concerns with respect to the dispute settlement system including those related to the Appellate Body, recognize the importance and urgency of addressing those challenges and concerns, and commit to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024."

That mandate on DSS reform hangs in limbo following the US position to continue the discussions, said people familiar with the development.

At the regular Dispute Settlement Body (DSB) meeting on 26 January, the US said that "as we approach MC13, we are in favor of neither speeding too quickly to an outcome that overlooks the needs of certain members, nor artificially slowing down the discussions by imposing constraints that limit rather than encourage constructive dialogue."

The US, which triggered the discussions on reform of the dispute settlement system after making the Appellate Body dysfunctional in December 2019, said that "difficult issues remain to be addressed."

The "difficult issues", according to the US, "include the needs of developing country members and LDCs, but also on critical substantive areas where "judicial" overreach has damaged the functioning of the WTO and altered the Members' rights and obligations."

While several developing countries have resorted to dispute settlement more frequently for safeguarding their rights, many other members of the Global South are not known to have used the dispute settlement system that often, said people familiar with the discussions.

In contrast to the continued US opposition to restoring the Appellate Body by filling the vacancies at the body that Washington had blocked since December 2019, a large majority of developing countries and several industrialized countries want the Appellate Body to become functional expeditiously, said people involved in the discussions.

For the 73rd occasion, at the DSB meeting on 26 January, the US blocked a proposal from 130 members for starting the selection process to fill the vacancies at the Appellate Body, citing its oft-repeated arguments all over again, said people familiar with the discussions.

Policy space

Seemingly targeting the developing countries that are demanding policy space for pursuing their development-oriented policies, the US asked somewhat rhetorically, "if you are concerned about policy space, you should be for a reformed dispute settlement system."

"A reformed system should address erroneous interpretations on such issues as essential security, regulatory space, remedies for unfair trade, and other fundamental systemic issues," the US said.

The US arguments seemed somewhat disingenuous as it appears to liken its concerns with an independent and impartial Appellate Body as if they are the concerns of all members, said a negotiator who asked not to be quoted.

In contrast to the US statement at the DSB meeting, China said rather categorically that "the restoration of a fully and well-functioning dispute settlement mechanism accessible to all members by 2024 is the top priority of China, most members and this organization."

China said, "there are still a number of fundamental issues ahead of us, particularly the issue of appeal/review mechanism, the most difficult but extremely important one in our process."

China seemed rather optimistic that an outcome on DSS reform could be wrapped up at MC13.

"Within less than one month, we have no choice but to maintain the current positive momentum and further accelerate our work both on the consolidated text and the appeal/review mechanism, to make our best efforts to wrap up everything and deliver the outcome at MC13," it said.

Several other industrialized countries also pressed for intensifying the discussions on the fundamental issue of the appeal/review mechanism that would determine whether the enforcement function of the WTO remains robust or not, said people, who asked not to be quoted.

The DSB meeting witnessed divergent views on what ought to be an outcome at MC13.

Several industrialized and some developing countries considered that the text produced by the "volunteer facilitator" (a term coined by the US) from the informal process could be the basis, while several developing countries opposed the idea, said people familiar with the discussions.

The revised fifth version of the draft text circulated by the facilitator, Mr Marco Molina, the deputy trade envoy of Guatemala, could be the basis for further negotiations, said several industrialized countries.

Several countries such as the United Kingdom, Australia, Peru, the European Union, New Zealand, Japan, Switzerland, Mexico, Singapore, Korea, and Colombia appeared rather sceptical in formalizing the discussions, as it could undermine the positive momentum, said people who asked not to be quoted.

In contrast, several developing countries – South Africa, India, Indonesia, Pakistan, Thailand, Turkiye, and Malaysia – opposed any "early harvest" or mini-package on DSS reform at MC13, said participants, preferring not to be quoted.

These countries along with China called for formalizing the DSS reform discussions on a priority basis.

DSB Chair's report

In his report, the chair of the DSB, Ambassador Petter Olberg of Norway, said that he held consultations with members on how and when to "formalize" the informal process of the discussions.

Members appear to have stated that they consider dispute settlement reform a priority issue for MC13 and beyond, the chair said.

Commenting on the issue of formalization of the informal process, Ambassador Olberg said that while members underscored the need to formalize this process, it seemed clear that formalization means different things to different delegations, in terms of process, timing, purpose, and leadership.

Without naming the groups or countries that he had met during his consultations, the chair suggested that some members reiterated their position that the informal discussions on dispute settlement reform be formalized under the DSB and General Council as quickly as possible.

It appears that some members suggested that the formalization of the informal discussions must be done at MC13.

It appears for several other members that the formalization of the informal discussions must be done at the first DSB meeting after MC13.

Several industrialized countries, however, indicated that the formalization of the informal discussions should be done sometime in the future when the text is complete.

Against this backdrop, the chair seems to have concluded that there is no consensus on this issue at this juncture.

The facilitator, Mr Molina, presented a report on the status of the informal discussions.

He suggested that the dispute settlement reform discussions are being held on two separate tracks: one on the revision of the draft consolidated text and the other on the discussion on the appeal/review mechanism.

As reported in SUNS last week, the chair's revised fifth version of the text has not included any language on the appeal/review mechanism. *(SUNS 9936)*

Chair issues draft agriculture text replete with asymmetries

The chair of the Doha agriculture negotiations at the World Trade Organization (WTO) has issued a draft text in the run-up to the WTO's 13th ministerial conference (MC13) that allegedly lacks the "appropriate balance" and remains somewhat "asymmetrical".

by D. Ravi Kanth

GENEVA: The chair of the Doha agriculture negotiations on 27 January issued a draft text under his own responsibility to set the stage for finalizing an outcome at the World Trade Organization's 13th ministerial conference (MC13), which begins in Abu Dhabi on 26 February, but "prime facie" the draft text seems to lack "appropriate balance" and remains somewhat "asymmetrical" in placing the non-mandated issues on a higher pedestal as compared to the mandated issues, said people familiar with the development.

The five-page draft text on agriculture, seen by the SUNS, seems to accord high priority to the demands of the Cairns Group of farm-exporting countries on domestic support and the issue of market access raised by the United States.

The draft text, issued as a room document implying that it is not an official WTO document, took on board the concerns expressed by the Cairns Group against the permanent solution for public stockholding (PSH) programs for food security, which was raised by India, China, Indonesia on behalf of the G33 group, the African Group and the ACP (African, Caribbean, and Pacific) group, said people familiar with the text.

The chair's ordering of the issues in the draft text seemed to indicate that the non-mandated issues concerning domestic support and market access take precedence over mandated issues like PSH, raising questions of "integrity" and "credibility" of the WTO ministerial decisions, said people familiar with the development.

Further, the concerns expressed by several members against domestic support and market access are seemingly ignored in the draft text, said people familiar with the text.

The draft text, after the chapeau and the proposed decisions that ministers must decide at MC13, starts with domestic support raised by the Cairns Group, market access, which the US raised at the small-group meetings last week, and the special safeguard mechanism (SSM), which the Cairns Group and the US linked with market access for farm products and so on.

Significantly, these issues are kept open, giving a false impression that there is consensus on the proposed language on domestic support and market access among others.

The important mandated issue of PSH is pushed to the penultimate paragraph 29 of the draft text.

The chair provided two options on the permanent solution for PSH in square brackets in a binary framework implying that either ministers conclude the permanent solution for PSH programs at MC13 or defer it to MC14, said a Cairns Group source, preferring not to be quoted.

The proposed language in square brackets on PSH is as follows:

29. [Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members adopt a permanent solution as set out in Annex ... to this Decision].

OR

29. [Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members undertake to pursue and intensify negotiations on PSH in dedicated sessions of the CoA-SS and make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes by MC14. The permanent solution shall be available to

all developing country Members.]

The chair's "all-or-nothing" approach on PSH could create a dangerous precedent at MC13 in which either trade ministers agree on PSH or the whole agriculture package falls flat, the source close to the Cairns Group said.

Though the text seems positive on issues of domestic support and market access, it lacks "appropriate balance" and is somewhat "asymmetrical", the source maintained.

Urgent email

In his urgent email sent separately from the draft text on 27 January, the chair, Ambassador Alparslan Acarsoy of Turkiye, said "The draft text I am circulating to you today is intended to serve as a vehicle for negotiating among yourselves in the coming days."

He said, "it is just a starting point; it attempts to reflect as accurately as possible the state of play in the negotiations, taking into account the convergences and the divergences in Members' positions, including in areas where a lot of work is still required to narrow the gaps."

The chair informed members that he would "introduce the text on Tuesday (30 January) and will then provide Members with a first opportunity to comment on it both generally and section by section."

However, trade envoys who attended the chair's small-group meetings held last week seemingly avoided the cautions issued by key members on the confidential text that he had shared with more than a dozen countries, said people familiar with the meetings.

It appears that Japan opposed any language on market access, while China had insisted that domestic support must not include green box and blue box commitments, said people, who attended the meeting.

Besides, the chair seems to have done something different from what was agreed at the small-group meeting on 25 January, by issuing a draft text that lacks "appropriate balance", the source said.

"He seemed reluctant to move forward but now issued an asymmetrical all-or-nothing draft text," the source complained.

Draft text

Following the Chapeau, which recognizes "the lack of substantive progress on most agriculture negotiating issues to date" during the last two ministerial meetings, the draft text asks ministers to decide on the following aspects:

1. Members reaffirm their commitment to continue the agriculture negotiations in accordance with Article 20 of the Agreement on Agriculture (AoA) and relevant Ministerial and other Decisions adopted by Members. Members shall accordingly make all concerted efforts towards achieving tangible progress and balanced outcomes across topics in the negotiations by the Fourteenth Session (MC14) [, including an agreement on a permanent solution to the issue of public stockholding for food security].

2. Members take note of the report prepared by the Chair of the Special Session of the Committee on Agriculture (CoA-SS) under his own responsibility, which summarizes the state of play in the negotiations and points out the areas of convergence and areas where there are wide divergences in Members' positions. Members also acknowledge the submissions on the various negotiating topics, including those contained in the non-exhaustive list annexed to the report.

3. Members welcome the progress made thus far by the CoA-SS and its dedicated sessions on public stockholding for food security purposes (PSH) and the special safeguard mechanism for developing countries (SSM) as reflected in the Chair's Report and commit to revitalize and intensify the negotiations after MC13. The negotiations shall build on the work undertaken thus far and be based on discussions among Members and existing and future submissions by them, as well as their relevant notifications.

4. Members reiterate that trade, along with domestic production, plays a vital role in improving global food security in all its dimensions and enhancing nutrition, and emphasize that progress on the topics under negotiation listed below should contribute to enhancing global food security.

5. Members also acknowledge the need to make efforts to facilitate agricultural trade, including by working towards reducing the time and procedural costs related to the importation and exportation of food and agricultural inputs and for non-commercial international food aid transactions [including within the framework of the WTO Agreement on Trade Facilitation].

6. Recognizing the acute challenges faced by the most vulnerable Members while reaffirming exporting Members' right to apply such measures pursuant to existing WTO disciplines, and without prejudice to outcomes of any other negotiations in the future on export restrictions, Members agree that net food-exporting Members of a specific foodstuff shall [, to the extent possible,] refrain from imposing export prohibitions or restrictions on such foodstuff imported by LDCs and Net Food-Importing Developing Countries (NFIDCs) for their domestic consumption to ensure their current food security needs, taking due account of past levels of imports.

7. Members recognize the importance of the implementation of existing notification and transparency obligations under Article 18 of the AoA and shall make best possible efforts to provide outstanding notifications in a complete and comprehensive manner. Members shall endeavour to provide the value of production data, including for specific products, in their DS:1 notifications to substantiate de minimis claims. Members facing capacity constraints in fulfilling their notification and transparency requirements are encouraged to request technical assistance from the WTO Secretariat.

8. Special and differential treatment for developing countries shall be an integral part of the negotiations. LDCs will be exempted from undertaking reduction commitments. The non-trade concerns of Members shall be taken into account in the negotiations.

The chair's draft text seems to be replete with contradictions, as paragraph 3 of the decision above calls for intensifying work on PSH and SSM after MC13, while including the option to conclude the permanent solution on PSH at MC13 in square brackets, said people who asked not to be quoted.

The chair's draft text from paragraphs 9-33 is as follows:

Domestic support

9. Members commit to pursue and intensify negotiations on domestic support to reduce substantially and progressively [all forms of] trade-distorting domestic support in an equitable manner and also improve

disciplines in accordance with the reform objective in the AoA within a reasonable timeframe to be agreed by Members. Modalities shall be agreed and adopted by MC14 and they should reflect different treatment depending on the effects of the support provided.

10. Members' contributions to the reduction effort should [be fair and equitable and] take into account, inter alia, their global market participation, their status as either importers or exporters, the needs of developing Members as well as the need to encourage a shift towards less trade distorting forms of domestic support.

11. Members shall consider addressing [all forms of] trade-distorting domestic support, in particular those concentrated in specific products. The needs of low-income or resource-poor farmers in developing countries shall be taken into account in these negotiations.

12. [Recognizing the importance of the domestic support measures that meet the fundamental requirement that they have no, or at most minimal, trade-distorting effects or effects on production in the reform process and in assisting Members to address contemporary challenges, such as food security, rural livelihood security and environmental protection, Members may consider reviewing and adapting the relevant criteria of Annex 2 and related transparency requirements, as necessary, to ensure they remain fit for purpose and enable Members to effectively address these challenges.]

Market access

13. Members commit to pursue and intensify the negotiations on agricultural market access to improve substantially and progressively market access opportunities for all Members and strengthen disciplines in accordance with the reform objective in the AoA, within a reasonable timeframe to be agreed by Members. [Modalities shall be agreed and adopted by MC14/Members agree to work towards achieving modalities by MC14.]

14. These negotiations may address tariff reductions and other elements such as tariff simplification, tariff escalation, high tariffs and tariff peaks, transparency in changes of applied tariffs, tariff rate quotas, and special agricultural safeguards, and take into account the interests of both importing and exporting Members. Technical discussions on relevant market access elements shall support these negotiations, as necessary, to facilitate effective participation by all Members and a common understanding on the elements to be addressed in negotiations.

SSM

15. Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/43-WT/L/978), Members shall pursue and intensify negotiations in dedicated sessions of the CoA-SS on a special safeguard mechanism for developing country Members, as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC), and to which the developing country Members will have the right to have recourse under paragraph 1 of the Nairobi Ministerial Decision. [Modalities shall be agreed and adopted by MC14/Members agree to work towards achieving modalities by MC14.]

16. Members agree to engage in enhanced technical discussions on specific themes relevant to a special safeguard mechanism to address developing countries' vulnerabilities to import surges and price decreases, including, inter alia, evaluation of import surges and price decreases; triggers and cross-check; remedies; scope, including coverage and the treatment of preferential trade; seasonality and normal evolution of trade flows; possible countervailing mechanism; transparency; and effectiveness and operability of the mechanism. Technical elements of the existing Special Agricultural Safeguard instrument in Article 5 of the AoA and the experience gained in its implementation since 1995 may also be considered.

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

Export restrictions

18. Members agree as part of the negotiations to continue the discussions on enhancing transparency and predictability of export prohibitions and restrictions [and to work towards achieving tangible outcomes by MC14].

19. To this end, Members agree to explore ways in the CoA to review and update the ER:1 notification format specified in G/AG/2 with a view to facilitating timely access to clear and relevant information by Members having a substantial interest as an importer, while minimizing administrative burdens on notifying Members. Members shall take due account of the capacity constraints of developing country Members.

20. Members also agree to explore ways to improve the implementation of Article 12 of the AoA. These discussions may include but are not limited to elements such as clarifying relevant terms in Article 12 of the AoA and Article XI:2(a) of the GATT 1994; considering the role of evidence and data in instituting an export prohibition or restriction; improving information- and experience-sharing at the CoA; and improving the implementation of disciplines on export prohibitions and restrictions.

Export competition

21. Members reaffirm their commitment to ensure an effective implementation and monitoring of the Nairobi Ministerial Decision on Export Competition (WT/MIN(15)/45-WT/L/980) including by reviewing and exploring ways in the CoA to update the existing transparency requirements, taking due account of the capacity constraints of developing country Members.

22. Members agree to continue negotiations to enhance disciplines on export credits, export credit guarantees or insurance programmes, agricultural exporting state trading enterprises and international food aid to ensure that no circumvention threaten export subsidy elimination commitments and to prevent non-commercial transactions from being used to circumvent such commitments. [Members agree to work towards making tangible progress in these negotiations by MC14, building on the evidence amassed during the review undertaken in the CoA.]

23. Special consideration shall be given to the needs and circumstances of least-developed and net food-importing developing countries, including by exploring ways to enhance the transparency of the implementation of the Nairobi Decision on Export Competition in relation to the specific provisions therein for LDCs and NFIDCs on export credits, export credit guarantees or insurance programmes and international food aid.

Cotton

24. Members undertake to pursue and intensify negotiations on cotton trade-related measures in line with the mandate to address it ambitiously, expeditiously and specifically within the agriculture negotiations in particular with a view to reduce substantially trade-distorting domestic support for cotton in accordance with modalities that would be agreed and adopted by Members by MC14.

25. Members undertake to continue efforts aimed at enhancing transparency and monitoring of cotton-related trade measures affecting the global cotton market through the Dedicated Discussions on Cotton held on a bi-annual basis, as mandated by paragraphs 5, 6 and 7 of the Bali Ministerial Decision on Cotton (WT/MIN(13)/41-WT/L/916) and confirmed in paragraph 14 of the Nairobi Ministerial Decision on Cotton (WT/MIN(15)/46-WT/L/981).

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

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

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

PSH

29. [Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members adopt a permanent solution as set out in Annex ... to this Decision].

OR

29. [Pursuant to the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979), Members undertake to pursue and intensify negotiations on PSH in dedicated sessions of the CoA-SS and make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes by MC14. The permanent solution shall be available to all developing country Members.]

30. These negotiations shall consider all relevant issues, including domestic food security targets of the programmes; product coverage; safeguards and anti-circumvention, including with respect to exports; transparency; and legal certainty. They shall also consider the impact of inflation on calculations of the Aggregate Measurement of Support.

31. [Taking into account the acute food security challenges and vulnerabilities of LDCs, and pending the adoption of a permanent solution, Members agree to extend the Bali Interim Solution established by the Ministerial Decision of 7 December 2013 (WT/MIN(13)/38-WT/L/913) and the General Council Decision of 27 November 2014 (WT/L/939) to public stockholding programmes for food security purposes of LDCs enacted after 7 December 2013.]

32. [The General Council shall regularly review progress in these negotiations.]

TIMELINE FOR IMPLEMENTATION

33. [...] *(SUNS 9935)*

DG hopes for agreements on fisheries, development, IFD at MC13

The World Trade Organization's Director-General, Ms Ngozi Okonjo-Iweala, has suggested that she expects "two or three agreements" to emerge from the WTO's upcoming 13th ministerial conference (MC13).

by D. Ravi Kanth

GENEVA: The World Trade Organization's Director-General, Ms Ngozi Okonjo-Iweala, said on 22 January that she expects "two or three agreements" such as on "harmful fisheries subsidies", the "moratorium" on customs duties on electronic transmissions, and "development" involving increased flexibilities for developing countries, at the WTO's upcoming 13th ministerial conference (MC13) that begins in Abu Dhabi on 26 February.

Speaking along with the European Commission Vice-President Valdis Dombrovskis at the European Civil Society Dialogue on "Tackling Global Trade Challenges – Is Multilateralism Still the Answer?" in Brussels on 22 January, the DG also pitched for an outcome on "investment facilitation" for development (IFD), which is currently being negotiated by 110 countries on a plurilateral basis.

However, the DG remained silent on agriculture in her initial comments on what she hoped for in terms of outcomes at MC13.

Later, when asked about food security and agriculture by one of the food lobbyists, she suggested that "it is difficult to get an outcome on agriculture."

She said that for the last 20 years, there has been no outcome on agriculture, adding that she is "impatient" to get an outcome on this issue.

However, she said it is difficult because of the domestic political groups.

Ms Okonjo-Iweala went on to suggest that there are several important issues like "domestic support", "PSH", or the permanent solution for public stockholding programs for food security, and "market access".

She also said that cotton is another important issue for developing countries.

Ms Okonjo-Iweala suggested that it is a "good thing if members can get a common understanding on these issues by agreeing to a future program."

"Setting up a work-stream on agriculture to be finalized at MC14 (expected to be held in Cameroon in 2026)" will be a good outcome at MC13," the European Commission's trade chief emphasized.

The separate addresses as well as several answers on the MC13 outcomes by the WTO DG and the European Commission's vice-president seemingly revealed a high degree of convergence, in which both supported each other's expectations for MC13.

For example, the two chiefs underscored the need for concluding the fisheries subsidies agreement (see below for the chair's latest message on fisheries subsidies).

E-commerce moratorium

On extending the moratorium on customs duties on electronic transmissions that is proposed to be terminated at MC13 as per the MC12 decision, the DG and the European Commission vice-president seemed to be almost on board for a temporary extension.

The DG said that she cannot take sides on the e-commerce moratorium, but stressed that she can ask Valdis to talk to those developing countries that are seeking the termination of the moratorium.

The MC12 ministerial decision on the E-commerce moratorium (WT/MIN(22)/32) said rather unambiguously: "We agree to maintain the current practice of not imposing customs duties on electronic transmissions until MC13, which should ordinarily be held by 31 December 2023. Should MC13 be delayed beyond 31 March 2024, the moratorium will expire on that date unless Ministers or the General Council take a decision to extend."

Incidentally, some 32 US Congresspersons recently urged the US Trade Representative (USTR) Ambassador Katherine Tai to ensure the extension of the moratorium at MC13.

South Africa had already circulated a draft ministerial decision on electronic commerce on 1 December calling for the termination of the existing e-commerce moratorium.

In the draft decision (WT/GC/W/911), South Africa proposed that MC13 terminate the moratorium because it "provides the global tech firms with a distinct unfair tax advantage over local competitors in developing countries and hampers digital industrialization" and that the "transactions of most global platforms are channeled through to a global entity, thus depriving the importing country of corporate tax revenue, hindering developing countries in their efforts to support digital industrialization initiatives."

South Africa, in its draft ministerial decision which was supported by India, Indonesia, and several other developing countries, proposed the following:

1. Agree to terminate the moratorium on the imposition of customs duties on electronic transmissions.
2. Further agree to re-invigorate the work under the Work Programme on Electronic Commerce, including the development-related issues under it, based on the mandate set out in WT/L/274.
3. Instruct the General Council to deliver concrete outcomes on the implementation of the Work Programme on all the issues allocated to the relevant WTO bodies by December 2024.
4. Agree to establish a Fund that accepts voluntary contributions from developed countries and developing countries in a position to do so to provide developing countries including LDC Members with targeted support to address the digital divide and promote investments in developing domestic SME platforms in developing countries.
5. Agree that all leading platforms must promote greater levels of participation and promotion of historically disadvantaged SMEs on digital infrastructure through among others, funding via fee rebates for on-boarding and subscription, and ad credits or targeted promotions and to improve the visibility of developing countries including LDCs apps through a local app curation and provision of ad credits, as well as through promoting technology transfer.

Speaking at the European Civil Society Dialogue, the WTO DG and the EC trade commissioner supported an outcome on investment facilitation for development (IFD) at MC13, even though it is not a mandated issue.

The DG said that IFD is already being negotiated and supported by 110 members. She said that it should be "done" at MC13.

The EU is a member of the Joint Statement Initiative on IFD, with Brussels taking an active part in the negotiations.

Yet, the IFD does not have consensus at this juncture because India has made it clear that it was never agreed since the WTO's fifth ministerial conference in Cancun, Mexico in 2003, as well as in the 2004 July framework agreement.

As of now, the IFD is not part of the MC13 outcome document and it remains to be seen how it will be addressed at MC13, said people who asked not to be quoted.

Email from fisheries chair

As regards the proposed disciplines on subsidies contributing to overcapacity and overfishing (OCOF), the DG expressed confidence that the disciplines would address the $22 billion worth of subsidies to prohibit them from depleting global fish stocks.

Yet, the discussions on fisheries subsidies at the Doha rules negotiating body last week revealed that neither the chair, Ambassador Einar Gunnarsson of Iceland, nor the Secretariat has an inkling so far as to who the 20 largest subsidizers are, said people familiar with the negotiations.

It appears that at the first week of the Fish Month that concluded on 19 January, members sought to know who are the largest subsidizers before addressing the specific exemptions granted to them.

In a four-page email sent to Heads of Delegation on 22 January, seen by the SUNS, the chair urged members to engage on the text in a "without-prejudice mode".

Expressing his concern, the chair said that members on 16 January "focused on the mechanism to identify the largest subsidizers that would fall under the stricter tier of the two-tier hybrid approach, in Article A.1.1 (a)."

He admitted that he got "a little worried" during that session.

He expressed disappointment that "Members seemed to have a lot more questions than answers, and it was clear that a lot of work remains to arrive at a common understanding of how the mechanism based on the aggregate level of a Member's fisheries subsidies would operate."

"There also seemed to be some discomfort due to uncertainty over which Members would fall under which tier at the outset, when the disciplines would first enter into force," the chair said.

Ambassador Gunnarsson said, "In general, I found it a bit concerning that some seem to want absolute clarity on the interpretation and implications of each word in the provisions."

However, he said, "I would again ask you to keep in mind that no multilateral treaty has ever achieved such absolute clarity – in practical terms, it is not feasible to judge our progress against such a standard."

In his email, the chair recalled that "identifying the top subsidizers is supposed to be a mechanism for distinguishing the Members that would fall into the two tiers," adding that "it is not, as such, an operational part of the discipline itself."

Ambassador Gunnarsson said that members will "remember that the reason for using the top subsidizers as the basis for sorting Members into the two tiers is the priority placed by many Members on imposing stricter disciplines on the Members that subsidize the most."

Without knowing the 20 largest subsidizers, the chair now said: "If we were going to use this criterion, the subsidy information should come from subsidy notifications to the WTO, and not from any outside source."

He said: "If, however, Members are of the view that the mechanism is not suitable or not workable, we will need to quickly go back to the drawing board."

As previously reported in the SUNS, the chair acknowledged that during discussions on 17 January on the substantive obligations under the two tiers in Article A.1.1 of the draft text, "most Members recognized the draft as capturing our attempts to have somewhat stricter standard for the sustainability test in Tier 1," while "some Members questioned how much difference there is between the standards in the two tiers. In this regard, the view was expressed that the language in the top tier "... reasonably be expected to ensure..." can even be seen as a weaker standard than the language in tier 2 "... to maintain"."

He said: "This is definitely not the intention of the drafting – Tier 1 is supposed to have a higher standard than Tier 2. Thus, if the current formulation could give rise to such an unintended interpretation, then we will need to look more closely at how the drafting could be clarified."

Commenting on the discussion on 18 January on the notification and transparency provisions, the chair said: "Similar to the discussion on Tuesday, there remains a lot to unpack with regard to Article C.4. One recurring theme is how the notification requirements in the provisions we were discussing relate to and potentially overlap with the notification requirements of the Agreement on Fisheries Subsidies."

On Article C.2 (b) (iii) regarding the full text of access agreements or arrangements, which is allegedly a carve-out for protecting the EU's access agreements that would have otherwise constituted a subsidy, the chair said: "We heard some specific concerns from some Members regarding the potential need to provide confidential information, as well as some textual suggestions to address these concerns."

He suggested that "many Members refrained from reiterating their well-known positions regarding Article C.2 (a) on transparency in respect of the use of forced labour, and Article C.3 on transparency in respect of non- specific fuel subsidies."

While the issue of forced labour was proposed by the United States, which was opposed by China during the negotiations, the issue of "non-specific fuel subsidies" has been a major demand of India.

On both these issues, the chair said, "There has been no movement on these issues yet" based on the statements made at the meeting.

Regarding Article A.1.1 (c), which states that "the notifications referred to in Article A.1.1 (a) and A.1.1 (b) shall be sufficiently precise to enable other Members to evaluate the consistency of the subsidy with the conditions set out in Article A.1.1," the chair said, "there were differing views on whether the items to be notified under the two tiers of the discipline should be the same for both tiers, as is currently the case in the draft text, or whether more items of information should be notified under Tier 1 compared with Tier 2."

Distant-water fishing

During the discussion on 19 January on "Article A.2 on subsidies contingent upon or tied to fishing outside a subsidizing Member's jurisdiction" or distant-water fishing, the chair said, "the views exchanged indicated that Members remain quite far apart on this issue."

He said that he identified several sets of views, including the following:

- First, some Members want a standalone prohibition of such subsidies, with no flexibilities (that would be essentially the current text in Article A.2 (a), with no sub-paragraph (b) for flexibilities);
- Some Members also support a standalone prohibition, but only if it contains flexibilities for non-collection of access fees paid to foreign governments, subject to sustainability requirements;
- Some Members consider that this prohibition should be moved to the list in Article A.1 and thus be subject to the sustainability-based flexibilities in Article A.1.1;
- Some Members propose that Article A.2 should apply only to developed members; and
- Some other Members expressed the view that the contingency language in Article A.2 (a) should be deleted, such that all subsidization outside of a Member's own jurisdiction would be prohibited.

He said that his "overall assessment is that there seems to be a general feeling amongst many Members that subsidies to distant water fishing are the most harmful and should therefore be prohibited. This is also the reason that we hear calls to limit the geographic scope of the flexibilities in Article A.1.1 to the jurisdiction of the subsidizing Member."

In conclusion, it seems that the discussions that took place on 15-19 January have exposed the fault-lines in the chair's draft text as well as the difficulties in identifying the 20 largest subsidizers. Besides, the so-called two-tier sustainability test is seemingly proving to be unsustainable, said people familiar with the discussions. *(SUNS 9932)*

Controversial JSI e-commerce decision eyed for MC13

The co-convenors of the Joint Statement Initiative (JSI) on e-commerce have intensified their negotiations in an apparent attempt to announce a decision on this issue at the World Trade Organization's upcoming 13th ministerial conference (MC13).

by D. Ravi Kanth

GENEVA: Australia, Japan, and Singapore, the co-convenors of the controversial Joint Statement Initiative (JSI) on E-commerce, have intensified the "WTO electronic commerce negotiations" in an attempt to announce a decision at the WTO's upcoming 13th ministerial conference (MC13) that is seemingly legally flawed and replete with questionable goals, said people familiar with the development.

In what appears to be a race to announce a decision in parallel with the proposed plurilateral Agreement on Investment Facilitation for Development (IFD) at MC13, which begins in Abu Dhabi on 26 February, the JSI co-convenors issued a draft chair's text on 15 January.

The co-convenors have issued two restricted proposals (INF/ECOM/84, and INF/ECOM/85), seen by the SUNS, for an intense phase of negotiations at an upcoming meeting to be held from 30 January to 2 February.

In the first proposal (INF/ECOM/84) issued by Australia on 10 January, the "Final Provisions" include: (1) Acceptance and Entry into Force; (2) Accession; (3) Implementation (which is still in square brackets); (4) Reservations; (5) Amendments; (6) Withdrawal; (7) Non-application of this Agreement between Particular Parties; (8) Secretariat, which states that "this agreement shall be serviced by the WTO Secretariat"; (9) Deposit; and (10) Registration.

Significantly, Australia said in paragraph one of the provision on "Acceptance and Entry into Force": "Any Member of the WTO may accept this Agreement. Acceptance shall take place by deposit of an instrument of acceptance to this Agreement with the Director-General of the WTO ("the Depository"). This Agreement shall enter into force, for those Members of the WTO that have accepted it, on the 30th day following the date of deposit of the [X]th instrument of acceptance."

It is somewhat puzzling as to how this agreement can be deposited with the DG because there is no mandate for such an agreement despite the proponents' best efforts at MC11 in Buenos Aires, Argentina, in December 2017, said a negotiator, who asked not to be quoted.

The circulation of the Joint Statement by interested participants expressing their intention to initiate exploratory discussions on E-commerce at MC11 does not represent a multilateral mandate decided by consensus.

This must have been done with the prior consent of the Director-General, who would certainly know the legal status of the JSI e-commerce negotiations, the negotiator said.

Further, questions are being raised as to the involvement of the WTO Secretariat in servicing the proposed agreement without any approval from the WTO's Committee on Budget, Finance and Administration (CBFA), said another member familiar with the Committee.

Lastly, in paragraph 10 of the restricted proposal, the co-convenors said that "this Agreement shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations."

This is somewhat unprecedented because what is being negotiated at the WTO without a proper ministerial mandate is now being sought to be registered under Article 102 of the Charter of the United Nations and not the Marrakesh Agreement, the latter of which would require the consensus of the membership for the agreement to become part of the legal structure of the WTO.

Draft chair's text

The second restricted proposal (INF/ECOM/85) contains the "draft chair's text", which has been prepared "by the Co-convenors of the WTO JSI on E-commerce for further review and negotiation."

"Australia, Singapore and Japan, as Co-convenors, take sole responsibility for this Chair's Text, which reflects our judgement on where consensus is most likely to be achieved in the agreement," according to the proposal.

The 28-page draft text, according to the co-convenors, "does not represent the dropping of any proposals from the Consolidated Text INF/ECOM/62/Rev.5 issued on 15 November 2023, which remains a comprehensive record of proposals, attributions, and drafting notes."

As previously reported in the SUNS, the proposed agreement appears to have lost its value after the United States pulled out its proposals on cross-border data flows, localization of servers, and source code, due to national security concerns, as it would involve sharing data with China, said people familiar with the development.

Subsequently, the co-convenors ratcheted up the negotiations on what are called digital trade liberalization measures.

The co-convenors said, "in the upcoming meeting (30 January-2 February 2024), the Co-convenors propose that Members engage in a first reading of the Chair's Text in its entirety."

They claimed that "given the nature of negotiations at the WTO, it is unlikely that any Member will see all their drafting preferences reflected in the Chair's Text."

The three co-convenors urged "Members to take a holistic approach in considering the Chair's Text," expressing confidence that "this Chair's Text represents a commercially meaningful and inclusive package, reflects broadly the views and feedback of all participants since discussions began in 2019, and provides a sound basis for us to achieve a consensus agreement."

They admitted that "for a limited number of proposals, Co-convenors were not able to make recommendations regarding text that would most likely achieve consensus."

However, they included "placeholders in the Chair's text for the following issues:

• ICT products that use cryptography (pages 24-25 of the Consolidated Text), Electronic Payments (pages 8-9 of the

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Consolidated Text) and Development (pages 37-51 of the Consolidated Text): these issues require further small group work.

- Scope and exceptions/carve-outs (page 58 paras 2-5, proposals related to government procurement, services supplied in the exercise of governmental authority, government information and financial services, page 62 indigenous peoples, page 63 taxation and page 19 protection of personal data and privacy): these issues depend on the stabilisation of the core obligations and have therefore not had sufficient opportunity for in-depth discussion."

The contents of the "Draft Chair's Text" include several sections covering digital trade facilitation.

In Section A on "enabling electronic commerce", for example, several issues are listed.

They include: (1) electronic transactions frameworks; (2) electronic authentications; (3) electronic contracts; (4) electronic invoicing; (5) paperless trading; and (6) single window data exchange and system interoperability.

In Section B on "openness and electronic commerce", the issue of customs duties on electronic transmissions is included along with open government data and access to and use of the Internet for electronic commerce.

The proposed language on "customs duties on electronic transmissions" is as follows:

"1. For the purposes of this Article, "electronic transmission" means a transmission made using any electromagnetic means and includes the content of the transmission.

2. The Parties acknowledge the importance of the Work Programme on Electronic Commerce (WT/L/274) and recognise that the practice of not imposing customs duties on electronic transmissions has played an important role in the development of the digital economy.

3. No Party shall impose customs duties on electronic transmissions between a person of one Party and a person of another Party.

4. For greater certainty, paragraph 3 shall not preclude a Party from imposing internal taxes, fees or other charges on electronic transmissions in a manner consistent with the WTO Agreement."

Significantly, the above coverage on electronic transmissions was never agreed in the current moratorium on customs duties on electronic transmissions, said an e-commerce negotiator, who asked not to be quoted.

Further, at a time when the fate of the continuation of the e-commerce moratorium is expected to be decided at MC13 as per the MC12 mandate, the inclusion of this item is inconsistent with the negotiations on the moratorium on customs duties on electronic transmissions, the negotiator said.

In Section C of the draft chair's text on "trust and electronic commerce," issues like "online consumer protection", "unsolicited commercial electronic messages" (spam), "personal data protection", and "cybersecurity" are included.

While the section focuses on "transparency, domestic regulation, and cooperation and development", Section E covers telecommunications.

Lastly, the chapter on "Final Provisions", which was earlier intimated by Australia on 10 January, is now pasted in the draft chair's text as it is, though it remains in square brackets, denoting lack of agreement.

In short, the draft text on JSI on e-commerce appears replete with legal inconsistencies as well as seemingly illegitimate goals, said several negotiators who asked not to be quoted. *(SUNS 9934)*

Wealth of five richest men doubles, as five billion grow poorer

A new report by Oxfam International has pointed to the beginnings of "a decade of division" from 2020, with billions of people shouldering the economic shockwaves of the COVID-19 pandemic, inflation and war, while the fortunes of the world's billionaires have boomed.

by Kanaga Raja

PENANG: The wealth of the world's five richest billionaires has more than doubled from $405 billion to $869 billion since 2020, the beginning of the "decade of division", while five billion people have grown poorer, according to a new report by Oxfam International.

In a report titled "Inequality Inc." released on 15 January just as the World Economic Forum gets underway in the Swiss resort town of Davos, Oxfam said if current trends continue, the world will have its first trillionaire within a decade but poverty won't be eradicated for another 229 years.

Among the world's richest men that the report has cited are Jeff Bezos, who founded Amazon, which is being sued by the US government for "illegally maintaining monopoly power". His fortune of US$167.4 billion has increased by US$32.7 billion since 2020.

Another is Bernard Arnault (net worth: US$191.3 billion) who is the world's second richest man and presides over Moet Hennessy Louis Vuitton (LVMH), the world's largest luxury goods empire, which holds a reported 22% of the global luxury market.

LVMH has been fined by France's anti-trust body for anti-competitive practices, said Oxfam.

Aliko Dangote (net worth: US$10.5 billion) is Africa's richest person and holds a "near-monopoly" on cement in Nigeria and market power Africa-wide.

Dangote Cement has enjoyed some of the world's highest profit margins on cement (45%), while paying a tax rate of 1% over 15 years.

Dangote is now expanding his empire into oil, raising concerns about a new private monopoly, Oxfam added.

According to Oxfam, Julio Ponce Lerou (net worth: US$2.5 billion), Chile's second richest man and the former son-in-law of Chilean dictator Augusto Pinochet, is described as the "Lithium King" due to his ownership stake in SQM, the world's second largest lithium-mining firm.

It said while SQM was privatized by Pinochet in the 1980s, the Chilean government plans to bring lithium under greater state control.

The report also found that seven out of ten of the world's biggest corporations, which are worth $10.2 trillion, equivalent to more than the combined GDPs of all countries in Africa and Latin America, have a billionaire as CEO or principal shareholder.

"We're witnessing the beginnings of a decade of division, with billions of people shouldering the economic shockwaves of pandemic, inflation and war, while billionaires' fortunes boom. This inequality is no accident – the billionaire class is ensuring corporations deliver more wealth to them at the expense of everyone else," said Oxfam International interim Executive Director Amitabh Behar.

"Runaway corporate and monopoly power is an inequality-generating machine: through squeezing workers, dodging tax, privatizing the state, and spurring climate breakdown, corporations are funneling endless wealth to their ultra-rich owners."

"But they're also funneling power, undermining our democracies and our rights. No corporation or individual should have this much power over our economies and our lives – to be clear, nobody should have a billion dollars," Behar added.

"Age of division"

According to the Oxfam report, for most people across the world, the years since 2020 have been incredibly hard.

For the poorest people, who are more likely to be women, racialized peoples, and marginalized groups in every society, daily life has been brutal, it said.

"The 2020s, which started with COVID-19 and then saw escalating conflict, the acceleration of the climate crisis and surging costs of living, appears to be turning into a decade of division. Poverty in the poorest countries is still higher than it was in 2019."

The report said worldwide, prices are outpacing pay, meaning hundreds of millions of people are struggling to make their earnings stretch further each month.

Protests, strikes and other action by workers have repeatedly made the news headlines as people strive to survive.

The sharp increase in the cost of food and other essentials that began in 2021 has become a grinding new reality for many families across the world as they try to buy oil, bread or flour without knowing how much they can afford this time, or how hungry they and their children will have to go today, it added.

Oxfam also said the gap between the Global North and the Global South has grown for the first time in 25 years.

It said climate breakdown is further increasing global wealth inequality. One study found that inequality between nations is 25% higher than it would have been without the impact of climate breakdown.

It also said governments are finding it impossible to stay financially afloat and face huge debts and escalating costs for importing fuel, food and medicines.

Low- and lower-middle-income countries are set to pay nearly half a billion US dollars a day in interest and debt payments between now and 2029.

"This is driving a wave of austerity. More than half (57%) of the world's poorest countries, home to 2.4 billion people, are having to cut public spending by a combined US$229 billion over the next five years: this is more than the total amount of official development assistance (ODA) in 2022," it added.

People are fighting back with huge strikes and protests across the world, from massive cost-of-living protests in Kenya to Amazon workers striking in 30 countries across the world.

In 2022, cost-of-living protests occurred in 122 countries and territories; these continued in 2023, said the report.

"The richest people in our world remain the big winners at this time of crisis. In 2023, billionaires are US$3.3 trillion or 34% richer than they were in

2020 at the beginning of this decade of division."

The number of millionaires is projected to increase by 44% between now and 2027, while the number of people worth US$50 million and above is set to increase by 50%.

Oxfam estimates that if the wealth of the five richest billionaires continues to rise at the same rate as it has over the last five years, we will see the first trillionaire in 10 years.

Only 21% of humanity lives in the countries of the Global North, but these countries are home to 69% of private wealth, and 74% of the world's billionaire wealth, it said.

The report said global corporations and their super-rich owners are among the big winners amid this crisis.

It added that CEOs the world over have enjoyed significant pay rises in recent decades: CEO pay has risen by more than 1,200% at the 350 largest US companies – vastly outstripping the meagre pay increases of workers.

Analysis by Oxfam and ActionAid of the world's largest corporations found an 89% jump in profits for the years 2021 and 2022, compared to the 2017-2020 average.

The report said new data covering the first six months of 2023 reveals that 2023 is set to shatter all records as the most profitable year yet for big corporations.

"Together, 148 of the world's biggest corporations that we have data for made nearly US$1.8 trillion in profits in the 12 months leading up to June 2023."

According to the Oxfam report, the biggest winners in terms of windfall profits have been:

- The 14 oil and gas companies whose profits in 2023 were 278% above the 2018-21 average; these companies received US$144 billion in windfall profits in 2022 and US$190 billion in 2023.
- The profits of two luxury brands in 2023 were 120% above the average for 2018-21, representing US$8.5 billion and US$9.9 billion in windfall profits in 2022 and 2023.
- Twenty-two financial industry corporations increased their profits by 32% in 2023 compared to the average for 2018-21 and made windfall profits of US$36 billion in 2023.
- Eleven pharmaceutical corporations increased their profits by nearly 32% in 2022 compared to the average for 2018-21 and made US$41.3 billion in windfall profits in 2022.

The richest people are the biggest beneficiaries of the global economy; in some cases, they have benefited from hundreds of years of colonialism, the legacy of which continues to this day, said Oxfam.

It said that racialized groups are less likely to own corporations. In the USA, 89% of shares are owned by white people, 1.1% by Black people and 0.5% by Hispanic people.

It also said that the super-rich are more likely to own corporations. In the USA, one of the very few countries for which there is regular data on the distribution of corporate equities, the richest 0.1% account for 19.8% of shares owned by households, the richest 1% own 44.6%, while the poorest 50% own just 1%.

Oxfam said that new research on 24 OECD countries found that the richest 10% of households own 85% of total capital-ownership assets – including shares in companies, mutual funds and other businesses – while the bottom 40% own just 4%.

As to the question of how much of the world's financial assets are owned by the 1%, Oxfam said that using data from Wealth X, it found that the richest 1% own 43% of all global financial assets.

In the Middle East, the richest 1% hold 48% of financial wealth; in Asia, the richest 1% own 50% of wealth; and in Europe, the richest 1% own 47% of wealth.

Looking beyond the richest 1% to all billionaires globally: in 2022, the richest 50 US billionaires held 75% of their wealth in equity in the corporations they head.

For example, Oxfam said Warren Buffet – Board Chair, CEO and the largest shareholder in Berkshire Hathaway – holds 99% of his wealth in his company's stock.

Mark Zuckerberg, who controls Meta, holds 95% of his wealth in company stock; Jeff Bezos, no longer CEO but still Board Chair at Amazon, holds 83% of his wealth in Amazon equity, and a very powerful 10% stake in the company as a whole.

Of the 50 largest listed companies in the world, 17 (34%) have a billionaire as either a principal shareholder or a CEO.

The total value (market capitalization) of these companies is US$13.3 trillion. Of the 10 largest listed companies in the world, seven have a billionaire as either a principal shareholder or CEO, said Oxfam.

It also found that many corporates have billionaires with ownership stakes of above 50%, giving the owners a controlling stake.

This includes the Walton family, the richest family in the USA, who own around 50% of Walmart, one of the world's largest retailers.

It said that this evidence shows that the world's super-rich are not just passive beneficiaries of huge corporate profits.

The fact that they own corporations gives them the power to actively control and hence shape the way that they behave, including how they drive the divide between their rich owners and the rest of society, it added.

This can include the way that these corporations, in turn, influence states and laws in many different sectors and contexts, Oxfam said.

Monopoly power

According to the report, we are living through a new era of monopoly power. A small number of ever-swelling corporations wield extraordinary influence over economies and governments, with largely unbridled power to price gouge consumers; suppress wages and abuse workers; limit access to critical goods and services; thwart innovation and entrepreneurship; and privatize public services and utilities for private profit.

"Monopolistic corporations are not just large; they can control markets, set the rules and terms of exchange with other companies and workers, and set higher prices without losing business."

Governments have enabled the world's largest corporations to get bigger and more profitable, said the report.

Apple is valued at US$3 trillion: illustratively, this figure is greater than the entire GDP of France, the seventh-biggest country economy in the world, it added.

The world's five largest corporations combined are valued at more than the combined GDP of all economies in Africa, Latin America and the Caribbean.

Monopolistic firms have come under scrutiny for "sellers' inflation" since 2021, said Oxfam.

It said as supply shocks from COVID-19 rocked the global economy, large firms in many concentrated sectors, implicitly coordinating, were able to increase prices to drive up their margins – in turn driving inflation, a theory validated by the IMF and the European Central Bank.

"Energy, food and pharma sectors saw significant price hikes, enabling corporations to increase profits at the fastest pace since 1955."

While such opportunistic intensity of price-hiking is new, the trend of increasing profits is not, it underlined.

Data from over 70,000 companies in 134 countries over four decades shows that the global average markup – the ratio of price to cost – rose from 7% above costs in 1980 to 59% above costs in 2020.

Crucially, this increase has been driven by dominant firms at the top, worldwide, which have seen their market power grow, and not the majority of firms.

Moreover, it said rising profits have been driven by large multinational corporations: the share of multinational profits in global profits quadrupled from 4% in 1975 to 18% in 2019 - with this rise most pronounced in the 21st century.

The report said that price inflation is just one manifestation of market power. Simultaneously, the relative size of huge corporations has mushroomed.

Oxfam said that Amazon, which was sued by the US government in late 2023, is accused of using its monopoly power to "inflate prices, degrade quality, and stifle innovation for consumers and businesses".

The report said market concentration is everywhere. Globally, corporations have undergone major consolidation:

- Ten giant, global "Big Pharma" firms merged from 60 companies over two decades.
- Two global companies control over 40% of the global seed market (compared with 10 companies owning 40% of the global seed market 25 years ago).
- Four firms control 62% of the world's pesticide market.
- Three-quarters of global online advertisement spending pays Meta, Alphabet and Amazon.
- More than 90% of online search is done via Google.
- The "Big Four" companies dominate the global accounting market, holding a 74% market share.
- Agriculture has seen "increasing concentration in the production and trading of agriculture and food products."

Numerous seemingly unique products on supermarket shelves, from cereal to shampoo, are in fact owned by the same corporation, said the report.

For example, it said that beer giant Anheuser-Busch Inbev owns over 500 brands of beer, including Budweiser, Becks, Corona and Stella Artois.

Monopoly power is increased and exercised through many business tactics, including: mergers and acquisitions; collusion in concentrated industries; aggressive abuse of intellectual property protection; and exclusive dealing to push rivals and smaller businesses out of the market, said Oxfam.

It also said private finance and asset managers – acting largely on behalf of wealthy clients – play a huge role in concentrating economic power in fewer hands.

Private equity firms, backed globally by US$5.8 trillion of rich investors' cash since 2009, have used privileged financial access to consolidate many markets by "rolling-up" small businesses.

Oxfam said this fuels their own profits and those of the companies they buy, while distorting markets and acting as a monopolizing force across sectors.

Beyond private equity, the "Big Three" index fund managers –BlackRock, State Street and Vanguard – together manage some US$20 trillion in assets, it noted.

Research suggests that this kind of market concentration reduces incentives for companies to compete and in turn deepens monopoly power. Together they control close to one-fifth of all investable assets in the world.

Oxfam said the Global North dominates the private capital market; of the nearly US$10 trillion in global assets under management, 56% are domiciled in North America, 24% in Europe and 18% in Asia.

However, it said a lot of these funds are channelled towards the Global South.

By some estimates, private capital inflows are now as large as ODA as a share of GDP for low-income countries (LICs), but some of these investments are highly volatile and have not promoted inclusive economic growth.

"Research on sub-Saharan Africa indicates that private equity investments are skewed towards the finance and ICT sectors and 83% of investments went to only four countries."

Similarly, Oxfam said research from 31 Global South countries suggests much of the financial income is earned by the largest firms, empowering local economic elites who benefit from financial integration.

The report also found that for every US$100 of profit generated by 96 major companies between July 2022 and June 2023, US$82 was returned to shareholders in the form of stock buybacks and dividends.

Such massive payouts disproportionately benefit the wealthy because share ownership is highly skewed towards them, it said.

Oxfam said these payouts also represent resources that could otherwise have been invested in workers (e.g. by raising wages), or in new ways of operating that could reduce carbon emissions.

For example, on the back of high oil and gas prices, Shell made US$29.2 billion in profits between July 2022 and June 2023, an increase of 222% compared to its average profits from 2018- 21.

Of those profits, 87.7% were handed back to shareholders in the form of stock buybacks and dividends.

Between July 2022 and June 2023, Brazil's Petrobras made US$30.3 billion in profits – almost four times more than its average annual profits from 2019-21.

It paid out more than 100% of these profits (118%) to shareholders in the form of dividends – more than three times what Petrobras invested in capital expenditure.

According to the report, as a result of deteriorating working conditions and rights, corporate influence over labour policy, and the diversion of record profits to wealthy shareholders, instead of work serving as a path to shared prosperity, in many ways it is turbocharging inequality.

According to ILO estimates, before the pandemic, just over a fifth of the world's workers were moderately or extremely poor, and 327 million wage earners earned just the minimum hourly wage or less.

"The situation has in many ways worsened, with the pandemic, war and inflation contributing to a global cost-of-living crisis."

Oxfam said that its own analysis for

its report finds that 791 million workers have seen their wages fail to keep up with inflation and have lost US$1.5 trillion over the last two years, equivalent to nearly a month (25 days) of lost wages for each worker.

In 2022, the World Inequality Lab found that the poorest half of the world's population earned just 8.5% of global income.

In many countries, the poorest 40% of households command just a small fraction of the overall income, for example, in Mexico (5%), Namibia (2.5%), Indonesia (3.6%) and Romania (10.4%), said Oxfam.

In the USA, white Americans (59% of the country's population) own 89% of corporate shares, while Black and Hispanic families (14% and 19% of the population, respectively) own 1.1% and 0.5% respectively of corporate shares.

Other countries in both the Global South and North show a similarly skewed distribution of shareholders, it said.

The report also said that in 2019, women earned just 51 cents for every US$1 in labour income earned by men.

Women also suffered harsher economic impacts from the pandemic and collectively lost US$800 billion in earnings in 2020.

"Their share of estimated earnings in 2022, just 35% of total income globally, was only slightly more than the estimated 30% in 1990."

Oxfam said that new data on over 1,600 of the largest and most influential companies reveals that only 24% have a public commitment to gender equality, while just 2.6% of companies disclose information on the ratio of pay of women to men.

Oxfam also found that corporate taxation has in many ways collapsed, despite sharply rising profits for many companies.

Since 1980, the corporate income tax rate has more than halved in OECD countries, starting in 1980 at 48% and dropping to just 23.1% in 2022.

This collapse has occurred across the world, with statutory corporate income tax rates falling in 111 out of 141 countries surveyed between 2020 and 2023.

Globally, the actual corporate tax rate dropped from 23% to 17% between 1975 and 2019 – a decline of roughly a third.

During the same period, many corporations made record profits, the report emphasized.

According to the best available estimates, about US$1 trillion in profits – 35% of foreign profits – were shifted to tax havens in 2022.

In its report, Oxfam called on governments to rapidly and radically reduce the gap between the super-rich and the rest of society by:

(1) Revitalizing the state.

Oxfam said that a dynamic and effective state is the best bulwark against extreme corporate power.

"Governments should ensure universal provision of healthcare and education, and explore publicly-delivered goods and public options in sectors from energy to transportation."

(2) Reining in corporate power, including by breaking up monopolies and democratizing patent rules.

Oxfam said this also means legislating for living wages, capping CEO pay, and new taxes on the super-rich and corporations, including permanent wealth and excess profit taxes.

Oxfam estimates that a wealth tax on the world's millionaires and billionaires could generate $1.8 trillion a year.

(3) Reinventing business.

Oxfam said that competitive and profitable businesses don't have to be shackled by shareholder greed. It said that democratically-owned businesses better equalize the proceeds of business.

If just 10 percent of US businesses were employee-owned, this could double the wealth share of the poorest half of the US population, including doubling the average wealth of Black households, it added. *(SUNS 9927)*
