

Youth jobless rate at 15-year low, but “headwinds” persist

While the global labour market outlook has improved considerably for young people aged 15 to 24 more than four years since the onset of the COVID-19 pandemic, the picture is uneven across the regions, according to the International Labour Organization (ILO)

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Youth jobless rate falls to 15-year low, but recovery is uneven – ILO

While the youth unemployment rate fell to a 15-year low in 2023, the progress has been uneven, with youth unemployment rates remaining high in the Arab States, East Asia and South-East Asia and the Pacific compared to 2019, according to the International Labour Organization (ILO).

by *Kanaga Raja*

PENANG: More than four years from the onset of the COVID-19 pandemic, the global labour market outlook has improved considerably for young people aged 15 to 24, according to the International Labour Organization (ILO).

In its latest Global Employment Trends for Youth 2024 report, the ILO said that the 2023 youth unemployment rate, at 13 per cent, equivalent to 64.9 million people, represents a 15-year low and a fall from the pre-pandemic rate of 13.8 per cent in 2019.

It is expected to fall further to 12.8 per cent this year and the next.

However, the ILO said the picture is not the same across regions. In the Arab States, East Asia and South-East Asia and the Pacific, youth unemployment rates were higher in 2023 than in 2019.

The ILO also cautioned that the number of 15- to 24-year-olds who are not in employment, education or training (NEET) is a cause for concern.

The report also said that young people face other “headwinds” in finding success in the world of work.

For the youth who do work, the report noted the lack of progress in gaining decent jobs.

Globally, more than half of young workers are in informal employment.

Only in high- and upper-middle-income economies are the majority of young workers today in a regular, secure job, it added.

The report further warned that the continuing high NEET rates and insufficient growth of decent jobs are causing growing anxiety among today’s youth, who are also the most educated youth cohort ever.

“None of us can look forward to a stable future when millions of young people around the world do not have decent work and as a result, are feeling

insecure and unable to build a better life for themselves and their families,” said Gilbert F. Hounghbo, ILO Director-General.

“Peaceful societies rely on three core ingredients: stability, inclusion, and social justice; and decent work for the youth is at the heart of all three,” he added.

“The report reminds us that opportunities for young people are highly unequal; with many young women, young people with limited financial means or from any minority background still struggling,” said Mr Hounghbo.

“Without equal opportunities to education and decent jobs, millions of young people are missing out on their chances for a better future,” he added.

Labour outlook

According to the report, in 2023, 64.9 million young people aged 15 to 24 were unemployed worldwide.

This is the lowest number to date in the twenty-first century and nearly 4 million fewer than the number of unemployed youth in 2019 (before the onset of the COVID-19 pandemic).

Standing at 13 per cent in 2023, the global youth unemployment rate does not just reflect a full recovery from the COVID-19 peak; it is also at its lowest level in the past 15 years, it said.

This is 0.8 percentage points below the pre-pandemic rate (13.8 per cent), and well below the crisis peak of 15.6 per cent in 2020.

“Although this is an encouraging development, there are still 65 million youth around the world with an unmet explicit demand for paid work,” said the report.

By 2023, youth unemployment rates were lower than their pre-crisis levels for both sexes, but saw a larger drop for

young men than young women.

The recovery period thus represents a shift in the gender dynamics of young people's transition to employment, with a greater degree of disadvantage falling to young women, said the report.

It said that the higher male-to-female ratio in youth unemployment rates that persisted in the decade prior to the pandemic has effectively disappeared, as the unemployment rate of young men fell at a steeper rate than that of young women in the post-crisis period.

The ILO said from the peak of the crisis and continuing through 2023, the unemployment rates of young men and young women converged: in 2023, they reached 12.9 per cent for young women and 13 per cent for young men.

By 2023, youth employment had regained the COVID-19 losses and involved another 3.8 million young workers over the pre-pandemic level in 2019.

There were 435 million employed young people globally in 2023, a number not seen since 2016, it added.

At 35 per cent, the global youth employment-to-population ratio (EPR) in 2023 also reflects the rebound from the pandemic-driven employment losses in 2020-22, the report noted.

The gender gap in the youth EPR has narrowed by one percentage point per decade, with the male-to-female gap at 15.1 percentage points in 2003, 14.1 points in 2013 and 13.1 points in 2023.

If the current pace of change was to continue, the gender gap in youth EPR would not reach zero until well into the twenty-second century, said the report.

Youth unemployment rates in 2023 had returned to their pre-crisis rates or fell below their pre-crisis rates in most (but not all) sub-regions, it added.

The three sub-regions where the rates remained elevated over the 2019 pre-pandemic rates were the Arab States, East Asia, and South-East Asia and the Pacific.

The youth unemployment rate in East Asia increased by as much as 4.3 percentage points between 2019 and 2023, with the components moving as follows: youth unemployment grew by 3.4 million people and the youth labour force shrank by 4.7 million people.

The report said both factors – a rising numerator and shrinking denominator – have influenced the rising youth unemployment rate in East Asia.

The only other sub-region with more unemployed youth in 2023 compared to 2019 as well as a shrinking youth labour force was South-East Asia and the Pacific, it pointed out.

It said the sub-regions of Central and Western Asia, Eastern Europe, Latin America and the Caribbean, North America, Northern, Southern and Western Europe, and sub-Saharan Africa all experienced youth unemployment rates during the recovery period that were at a multi-decade low.

It said in North America and Northern, Southern and Western Europe – the two regions consisting primarily of high-income countries – the low youth unemployment rates during the recovery period were likely influenced by recent circumstances of “tight” labour markets (that is, with excess demand) as a result of slowing labour force growth (following demographic changes, but also for health reasons) and due to changes in workers' preferences and skills mismatches.

It also said the spike in unfulfilled vacancies in numerous advanced economies during the rebound period from the COVID-19 pandemic has applied to both high-skilled and low-skilled occupations.

In the European Union, labour shortages were reported in science, technology, engineering and mathematics occupations but also in lower-skilled occupations, such as cleaners and personal care workers.

The ILO said these shortages are expected to continue on the heels of demographic changes and as the digital and green transitions advance.

Beyond the issue of crisis recovery, there remains the long-standing challenges faced by young people in the sub-regions of the Arab States and North Africa, where youth unemployment rates remain critically high, it added.

Knowing that the chances of working for pay or profit are slim (due to cultural and circumstantial constraints), few young women attempt to join the labour market in these two sub-regions, and among those who do, more than one in three remain unemployed (female unemployment rates are 38.5 per cent in the Arab States and 34 per cent in North Africa in 2023).

But young men also do not have an easy time finding work, as is evident in the male unemployment rates of 25.7 per cent in the Arab States and 18.8 per cent

in North Africa, said the report.

The search for work by young job-seekers is a challenge everywhere, but more so in middle-income countries, it noted.

It said that the 2023 youth unemployment rate in upper-middle-income countries remained above the pre-crisis (2019) rate.

The report said that as this was not the case in high-income countries, the gap in rates between the two income groupings has widened, with the youth unemployment rate in upper-middle-income countries being 1.5 times greater than in high-income countries in 2023 compared to 1.3 times greater in 2019.

It said the youth unemployment rate in lower-middle-income countries in 2023 was 1.2 times higher than in high-income countries, down from 1.5 times in 2019.

The report said that youth unemployment rates are lowest in the low-income country group (at 8.6 per cent in 2023), as few young people can afford to spend time in a job search, and therefore take whatever jobs they can, regardless of the quality of such work.

In 2023, 256 million young people aged 15 to 24 (171 million women and 85 million men) globally were not in employment, education or training (NEET), it further said.

This represents one-fifth (20.4 per cent) of the youth population – 1 percentage point below the pre-pandemic year of 2019.

For young men, the NEET rate was 13.1 per cent (0.5 points below 2019), while the rate for young women remained twice as high at 28.1 per cent (1.6 percentage points below the 2019 rate).

In 2023, the Arab States had the highest youth NEET rate across sub-regions, with one in three young people being NEET (33.2 per cent). North Africa was close behind with a youth NEET rate of 31.2 per cent.

Slightly more than one in four youth are NEET in South Asia, while in Latin America and the Caribbean and sub-Saharan Africa, the ratio was about one in five.

Only in East Asia, Eastern Europe, North America, and Northern, Southern and Western Europe – that is, in primarily high-income countries – were youth NEET rates below 15 per cent, said the report.

Globally, in 2023, two out of every three youth in NEET status are female, and young women are twice as likely as young men to be NEET, it added.

In South Asia, the rate of young women in NEET status in 2023 (42.4 per cent) is nearly four times as high as that registered by their young male counterparts (11.5 per cent).

The report said that not only are NEET rates significantly higher for young women than for young men - more than double in some countries and regions - but NEET status is also a much more permanent situation for young women than for young men.

Outlook going forward

The International Monetary Fund (IMF) has revised upwards its global GDP growth estimate for 2023 to 3.2 per cent, said the ILO, adding that the world economy is also forecast to continue growing at the same pace during 2024 and 2025.

The report said that while such growth marks a “soft landing” from the pandemic years, driven in part by easing deflation and better-than-expected employment growth in advanced economies and among some large emerging economies, it is still lower than the pre-crisis historical growth trend and there is some divergence across regions and development levels.

ILO modelled estimates project an increase in youth employment at the global level of 2.9 million between 2023 and 2025, following a slight dip in 2024.

It said that positive youth employment growth is projected for both young men and young women in the Arab States, Central and Western Asia, East Asia, Eastern Europe, North Africa, South-East Asia and the Pacific, and sub-Saharan Africa.

It said three quarters of the projected global youth employment gains through 2025 are expected to come from sub-Saharan Africa.

The ILO noted that in another two of these sub-regions - Central and Western Asia and East Asia - employment growth is projected to be outpaced by the youth population growth, which will lead to declining youth EPRs.

The global youth unemployment rate is expected to decrease further over the next two years from 13 per cent in 2023 to 12.8 per cent in 2025, said the report.

The largest projected decreases in the youth unemployment rate between 2023 and 2025 are expected to occur in Central and Western Asia and Eastern Europe.

The expected decrease in rates in the Arab States and North Africa is good news, as these are sub-regions where youth unemployment rates are still excessively high, said the ILO.

In both sub-regions, improvements in youth unemployment rates are projected for both young men and young women, although true success will only come if more young women and men are being engaged in good quality jobs, it added.

Only two sub-regions are expected to experience an increase in the youth unemployment rate through 2025, said the report, adding that these are North America and Northern, Southern and Western Europe.

Although above the 2023 rates, the

projected unemployment rates in 2025 in these two sub-regions would still be at historically low levels, it said.

The report also said that the youth NEET rate is projected to remain at 20.4 per cent in 2024 and 2025.

Youth NEET rates are expected to increase in three sub-regions where they have been relatively low: East Asia, Eastern Europe and North America.

In South Asia, where rates were already among the world's highest, youth NEET rates are projected to show an increase, creeping up to 26.6 per cent in 2025.

“Slight improvements are expected for the other two sub-regions with particularly high NEET rates, the Arab States and North Africa.”

Yet, far too many young women in these two sub-regions are still facing exclusion from schooling and labour market engagement, the report concluded. (*SUNS 10067*)

TWN Global Economy Series No. 33

The Structural Power of the State-Finance Nexus: Systemic Delinking for the Right to Development

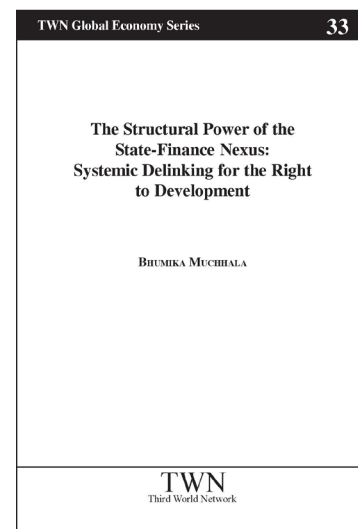
By *Bhumika Muchhala*

The current era of financial hegemony is characterized by a dense financial actor concentration, an exacerbated reliance of many South countries on private credit, and an internalized compliance of South states with financial market interests and priorities. This structural power of finance enacts itself through disciplinary mechanisms such as credit ratings and economic surveillance, compelling many South states to respond to creditor interests at the expense of people's needs.

As a human rights paradigm, the Declaration on the Right to Development has the active potential to redress the structural power of finance and the distortion of the role of the state through upholding the creation of an enabling international environment for equitable and rights-based development

on two levels of change. The first comprises structural policy reforms in critical areas of debt, fiscal policy, tax, trade, capital flows and credit rating agencies. The second area of change envisions systemic transformation through delinking as articulated by dependency theorist Samir Amin, which entails a reorientation of national development strategies away from the imperatives of globalization and towards economic, social and ecological priorities and interests of people.

Available at <https://twon.my/title2/ge/ge33.htm>



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Draft on appeal/review mechanism appears “palatable” for one member

A 14-page confidential draft on “Appeal/Review tables” issued by the facilitator overseeing the World Trade Organization’s dispute settlement system reform process appears to have fundamentally altered the current binding two-tier system.

by D. Ravi Kanth

GENEVA: A confidential draft on “Appeal/Review tables” issued by the facilitator overseeing the World Trade Organization’s dispute settlement system reform process appears to fundamentally alter the two-tier system while making it “palatable” for a major industrialized country that does not want a binding Appellate Body because it ruled against several trade measures adopted by that country over the last two decades, said several people familiar with the development.

In her email sent to members on 23 August, the facilitator, Ambassador Usha Dwarka-Canabady of Mauritius, wrote: “At the request of Members, the co-convenors on Appeal/Review have prepared draft tables (attached) to document several important aspects of the discussions held on each of the sub-topics: scope of review; standard of review; form of the mechanism; reducing/changing incentives to appeal; clarifying Members’ expectations of adjudicators; and access to the mechanism.”

She said that “the draft tables have been prepared with the following caveats in mind:

- They are not negotiating texts but have been designed to aid Members in their ongoing discussions.
- The co-convenors will update the tables as the discussions progress which will allow Members to gauge the progress being made through the technical discussions.
- The tables do not exhaustively capture each point made by Members but do highlight some of the main points based on the discussions held.
- There is yet to be a detailed discussion on some of the sub-topics and elements within those sub-topics and, as such, the observations linked to them

may not yet reflect all points of view held by Members.

- Since the reform ideas are not exhaustive, new ideas and contributions are encouraged from Members.
- It is not the intention of the co-convenors to convey that all sub-topics or all elements under those sub-topics require reform.
- The tables are not final, and Members will have an opportunity to comment on the document on 9 September 2024 during the dedicated expert-level session on appeal/review (see below). The co-convenors also remain open to meeting with Members, on request, to discuss the tables.”

The facilitator, who was appointed after the WTO’s 13th ministerial conference (MC13) that ended in Abu Dhabi on 2 March this year, is tasked with overseeing the dispute settlement reform process to finalize/agree on reforms by the end of December 2024.

The mandate (WT/MIN(24)/37) agreed by trade ministers at MC13 states: “Recalling our commitment made at our Twelfth Session to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024, we take note of the works done thus far.

- We recognize the progress made through this work as a valuable contribution to fulfilling our commitment. We welcome all submissions from Members that help advance our work.
- We instruct officials to accelerate discussions in an inclusive and transparent manner, build on the progress already made, and work on unresolved issues, including issues regarding appeal/review and accessibility to achieve the objective by 2024 as we set forth at MC12.”

Against this backdrop, the 14-page “WTO Confidential” draft, seen by the SUNS, contains the following tables: (A) “Scope of review”; (B) “Standard of review”; (C) “Form of the mechanism”; (D) “Reducing/Changing incentives to appeal”; (E) “Clarifying Members’ expectations of adjudicator”; and (F) “Access to the mechanism”.

While all the tables seem to have considerable bearing on fundamentally altering the dispute settlement system, the crucial table on the “Form of the Mechanism” is the one that is likely to replace the Appellate Body, said people familiar with the provisions.

Form of Mechanism

Before the Appellate Body was made dysfunctional by the United States in December 2019, it comprised 7 persons/adjudicators with a four-year term, including the provision to re-appoint them once, as per Article 17.2 of the Dispute Settlement Understanding (DSU).

As part of the reform ideas in the tables in the WTO confidential draft, it is being suggested that there will be “ad hoc adjudicators.”

It contains a provision to “increase the number of standing adjudicators.”

Another reform idea in the table states, “In lieu of a separate appeal/review stage, add additional adjudicators (from a pool or through a process similar to panel composition) at the interim review stage of the panel proceedings to review and test the panel’s conclusions.”

It is also stated, “in lieu of appeal/review by adjudicators, review of the panel’s conclusions by a committee of WTO members.”

On the face of it, the above reform ideas seem to be aimed at undermining the binding Appellate Body as agreed to at the end of the Uruguay Round of trade negotiations that led to the establishment of the WTO in 1995.

The reform ideas appear to go against the original goals of the two-tier dispute settlement system that undergirds the WTO’s enforcement function.

In response to the above reform ideas, the tables contain observations by members, though they do not name the countries that made these observations.

For example, terms like “most members” or “some members” are employed, which are neither named nor

quantified.

According to the tables, “most Members consider that a standing body supports their interests, which include correctness, predictability, consistency, coherence, legitimacy, transparency and accountability. Some Members have indicated a willingness to explore a form of standing body that differs in some respects to the current system (such as reform idea 2 dealing with increasing the number of standard adjudicators).”

Further, members’ observations on “Reform ideas 1, 3 and 4 are intended to address several interests and concerns, including a concern that a standing body (with a limited number of adjudicators) may be perceived as having greater authority and legitimacy than other adjudicators, and also does not guarantee correct decisions.”

Finally, as per the observations listed in the tables, “many Members have said that ad hoc adjudicators would not meet their interests.”

Selection of adjudicators

Under the current system, according to the table on the form of the mechanism, “Adjudicators [are] appointed by the DSB (DSU Art. 17.1) on the basis of a proposal formulated jointly, after consultations, by the DG, DSB Chair, and the Chairs of the Goods, Services, TRIPS and General Councils (Preparatory Committee Recommendations, para. 13).”

The reform idea on the selection of adjudicators seems to make a fundamental break with the current practice by suggesting the “appointment of adjudicators via a mechanism agreed by the disputing parties (on a bilateral or plurilateral basis).”

This idea may have come from the US, said a person familiar with the discussions.

As regards the observations made by members, it is suggested that: “This Element is linked to the previous Element (“Nature of the body”). While reform idea 1 relates to the selection of adjudicators, it also presupposes that there would be no standing body. Reform idea 1 is intended to address several interests and concerns, including a concern that adjudicators appointed by the Membership (through the DSB) are perceived to speak on behalf of all Members, which may add to the weight that is accorded to their decisions.

“Noting that many Members wish to see adherence to timeframes in a reformed system, there is a need to consider how to ensure the availability of adjudicators at short notice. See “Adherence to timeframes”, under Table E, “Clarifying Members’ expectations of adjudicators”.

“As per expertise requirements of the adjudicators, in the current system of the Appellate Body, it is clearly stated that ‘Adjudicators shall be persons of recognized authority, with demonstrated expertise in law, international trade and the subject matter of the covered agreements generally (DSU Article 17.3). The expertise should be of a type that allows adjudicators to fulfil their duties.’”

As per the table, members observed that they “have a shared interest in ensuring adjudicators have a high level of expertise.”

Representative balance

As regards the “representative balance”, the current Appellate Body “shall be broadly representative of the Membership (DSU Article 17.3).”

Further, “factors such as different geographical areas, levels of development, and legal systems shall be taken into account.”

Surprisingly, there are no reform ideas on the issue of representative balance.

Without naming the members, the table states that “some members have expressed interest in gender balance.”

According to the table, on the issue of adjudicators’ ability to make their own working conditions, “it is well known that the Appellate Body adjudicators shall draw up working procedures in consultation with the DSB Chair and the DG, and communicate them to Members for their information (DSU Article 17.9).”

However, one member expressed concern that “adjudicators can, through the Working Procedures, make decisions that alter Members’ rights without Members’ consent.”

Adjudicators’ decision-making

Under the current Appellate Body working procedures, it is clearly stated that “decisions relating to an appeal shall be taken solely by the three adjudicators assigned (DSU Art. 17.1; Working Procedures, para. 3(1)).

Collegiality

Adjudicators shall (a) convene on a regular basis to discuss matters of policy, practice and procedures; (b) stay abreast of dispute settlement activities and, in particular, receive all appeal documents. A division shall exchange views with other adjudicators before finalizing a report. (Working Procedures, para. 4).

Consensus

Adjudicators shall make every effort to make their decisions by consensus. Where a decision cannot be arrived at by consensus, it shall be decided by majority vote. (Working Procedures, para. 3(2)).”

The proposed reform idea that radically changes the current practice calls for “apply(ing) different decision-making rules such as requiring all adjudicators to agree that a panel decision should be modified or reversed.”

According to the observations on the above reform idea in the table, “it has been suggested that reform idea 1 could go towards addressing a concern that collegiality and consensus emphasize consistency above correctness. Another view is that this idea would raise the threshold for the reversal of a panel decision and that majority decision-making should be preserved.”

Significantly, “many Members have expressed that they have an interest in a system that delivers consistent and predictable decision-making by adjudicators.”

Impartiality & independence

In the current provisions as regards adjudicators’ impartiality and independence, it is stated that “Adjudicators shall be unaffiliated with any government and shall not participate in the consideration of any disputes that would create a direct or indirect conflict of interest (DSU Art. 17.3). Adjudicators shall be independent and impartial (Rules of Conduct, para. 1).”

The observations from members, as stated in the table, include:

“Most Members consider that it is essential to maintain the independence and neutrality of adjudicators, which supports interests including legitimacy, accountability, and transparency.

To consider the link between this

element and (i) the nature of the body, (ii) the selection of adjudicators and (iii) conditions of employment (including remuneration).

This element is also relevant to Table E, “Clarifying Members’ expectations of adjudicators.”

Conditions of employment

At present, as regards the conditions of employment for Appellate Body members/adjudicators, their “expenses are met from the WTO budget (DSU Article 17.8).”

It has been observed: “Note the link to decision-making (e.g. a collegiality requirement may support payment of a retainer).”

Lastly, on the role of the Secretariat and its assistance, the current practice as regards the Appellate Body is to provide “appropriate administrative and legal support as they require (DSU Art. 17.7).”

As a response to this practice involving the Secretariat’s support, the table contains a concern by one member who said that “the Secretariat supporting the adjudicators previously had too much institutional independence from the rest

of the Secretariat.”

In short, the tables prepared by the co-convenors on the Appeal/Review mechanism seem like the proverbial “red herring” for allegedly undermining the Appellate Body that has been touted all these years as the “Jewel in the Crown” of the WTO.

The one member that has called for the end of the Appellate Body seems to be pulling all the strings in the so-called dispute settlement reform process, said people familiar with the development. (SUNS 10069)

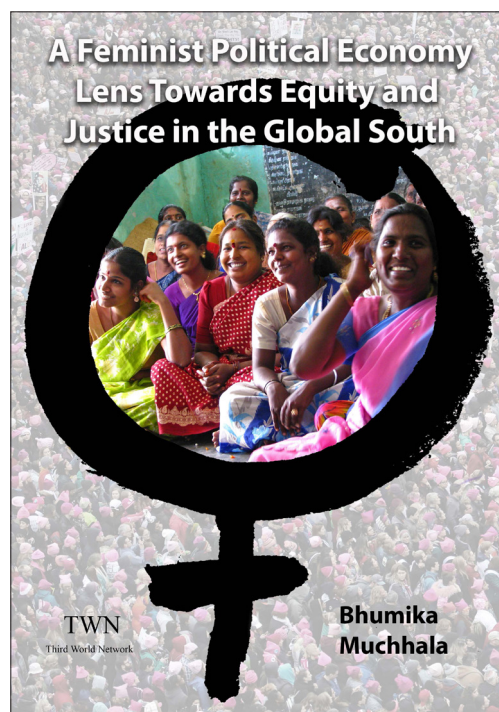
A Feminist Political Economy Lens Towards Equity and Justice in the Global South

By *Bhumika Muchhala*

THE global political dynamics of financialisation, sovereign debt distress and fiscal austerity generate structural inequalities within and between nations. A feminist political economy lens centres the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender and intersectional inequalities. Transforming macro-policy norms and frameworks towards gender and intersectional equity involves reorienting fiscal policy from expenditure reductions to sustained, long-term and gender-responsive investment in public sectors and services to support gender equality and protect women’s economic and social rights.

In this insightful collection of papers and articles, scholar-activist Bhumika Muchhala examines how financial subordination generates conditions of gendered austerity through channels such as social reproduction and unpaid care work, reduced access to quality public services, and regressive taxation. This analysis involves a perceptual shift from viewing women as mere individuals to gender as a system that structures power relations within economy and society. Writing from a critical political economy and South-centric perspective, she also maps out possible pathways – ranging from fiscal policy reformulation and sovereign debt workouts to social dialogue and movement building – towards a decolonial transformation for gender and economic equity.

Available at: <https://twm.my/title2/books/pdf/A Feminist Political Economy Lens Towards Equity and Justice in the Global South.pdf>



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WTO dispute settlement reform text proposes questionable changes

The confidential draft “Appeal/Review tables” prepared by the co-convenors of the World Trade Organization’s dispute settlement system reform process are seeking to alter the existing parameters on “scope of review” and “standard of review”.

by D. Ravi Kanth

GENEVA: The confidential draft “Appeal/Review tables” prepared by the co-convenors of the World Trade Organization’s dispute settlement system reform process seek to alter rather stealthily the existing parameters of “scope of review” and “standard of review” by the dispute panels and the Appellate Body without revealing the names of the countries that suggested these changes, said people familiar with the development.

In the email sent to members on 23 August, the facilitator overseeing the dispute settlement system reform process, Ambassador Usha Dwarka-Canabady of Mauritius, included what is referred to as the “WTO confidential” draft prepared by the co-convenors “at the request of Members.”

Even though she clarified that the draft tables are not negotiating texts, it has long been the practice in the WTO where issues are introduced somewhat surreptitiously which later are transformed into rules, said people familiar with the draft.

The two co-convenors of the appeal/review mechanism – Mr Joel Richards of Saint Vincent and the Grenadines and Ms Jessica Dickerson of Australia – with their limited expertise in WTO trade law jurisprudence, could not have drawn up the reform ideas without sounding them out to one key member, said people familiar with the development.

The mandate (WT/MIN(24)/37) agreed by trade ministers at MC13 states:

“Recalling our commitment made at our Twelfth Session to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024, we take note of the works done thus far.

• We recognize the progress made through this work as a

valuable contribution to fulfilling our commitment. We welcome all submissions from Members that help advance our work.

• We instruct officials to accelerate discussions in an inclusive and transparent manner, build on the progress already made, and work on unresolved issues, including issues regarding appeal/review and accessibility to achieve the objective by 2024 as we set forth at MC12.”

Against this backdrop, the 14-page “WTO Confidential” draft, seen by the SUNS, contains the following tables: (A) “Scope of review”; (B) “Standard of review”; (C) “Form of the mechanism”; (D) “Reducing/Changing incentives to appeal”; (E) “Clarifying Members’ expectations of adjudicator”; and (F) “Access to the mechanism”.

As previously reported in the SUNS, emphasis has been laid on the “Form of the Mechanism”.

Scope of review

On the “Scope of review”, the co-convenors proposed several reform ideas such as “review of the panel’s objective assessment” and “filters, criteria or admissibility tests for claims”.

After pointing out the current practice regarding the panel’s “objective assessment” such as “a panel should make an objective assessment of the matter before it, including an objective assessment of the facts (DSU Art. 11)” and “appeals are limited to issues of law covered in the panel report and legal interpretations developed by the panel (DSU Art. 17.6)”, the co-convenors proposed three reform ideas.

These three ideas are:

1. “Clarify that a panel’s objective assessment of the facts is subject to appeal only to the extent that there is an egregious

error in the panel’s assessment (i.e. an error that undermines the objectivity of the panel’s assessment).

2. Clarify that the parties should not resubmit factual arguments from the panel stage under the guise of challenging the objectivity of the panel’s assessment of the facts.

3. Clarify that questions of fact, including the meaning and effect of “municipal law”, are not within the scope of appeal/review.”

In response to these ideas, the co-convenors listed out the observations made by members without naming them.

For example, according to the confidential draft tables, “some Members have expressed support for Reform idea 1 (dealing with objective assessment and egregious error), although there are different views on what would be an “egregious” error.”

On reform idea 2 (on whether parties should or should not resubmit factual arguments), the co-convenors said members seek to clarify that “a party needs to identify a legal error in the panel’s assessment of the facts, not simply repeat the party’s factual arguments.”

As regards reform idea 3 (clarify that questions of fact, including the meaning and effect of “municipal law”, are not within the scope of appeal/review, which was raised by the United States in several trade disputes), members observed that “Reform idea 3 reflects a view that questions of fact are not within the scope of appeal/review, including because any consideration of the facts risks increasing the complexity and inefficiency of the process.”

Commenting on “filters, criteria or admissibility tests for claims,” the co-convenors said that the current practice is that “Parties to the dispute may appeal any issues of law covered in the panel report and legal interpretations developed by the panel (DSU Art. 17.4, 17.6), without seeking leave. Adjudicators (of the Appellate Body) shall address each of the issues raised (DSU Art. 17.12).”

The co-convenors proposed four reform ideas on “filters, criteria or admissibility tests for claims.”

These ideas are:

1. “Limit appeal/review claims to errors of law that would have a material impact on the respondent’s implementation obligations with respect to a measure.

2. With respect to any claim relating

to the panel's assessment of the facts, require the substance of the claim to be raised with the panel at the interim review stage, as an admissibility requirement to a party bringing an appeal/review claim.

3. With respect to any claim relating to the panel's legal interpretation or application of the law to the facts, require or incentivize Members to raise the substance of the claim with the panel at the interim review stage.

4. Create a leave to appeal or permission to appeal mechanism so that only alleged errors of law that were (a) raised with the panel during interim review; and (b) with a real prospect of success, would be considered by the adjudicators."

According to the co-convenors, "many Members have expressed a willingness to explore ways to reduce the scope of issues brought for appeal/review."

On reform idea 1 concerning limiting appeal/review claims to errors of law that would have a material impact on the respondent's implementation obligations with respect to a measure, the co-convenors said that members "intended to limit appeals to claims that matter to the parties because they would have a material impact on the respondent's implementation obligations."

While "some Members consider reform idea 1 could have a positive impact on the behaviour of Members and adjudicators, there may be a need to consider (i) whether or how reform idea 1 would apply to claims relating to procedure or to the integrity of the proceedings; and (ii) guidance to adjudicators", the co-convenors maintained.

On reform idea 2 dealing with claims relating to the panel's assessment of the facts, the co-convenors said "some Members have said the reform idea 2 is appropriate given the panel's role as the trier of facts."

On reform ideas 2 and 3 (dealing with claims relating to the panel's legal interpretation), the co-convenors said: "Members are generally more comfortable with requiring legal issues relating to the panel's assessment of the facts to be raised at interim review, than with requiring other legal issues (such as relating to interpretation or application of the law to the facts) to be raised. Members need to reflect further on whether reform idea 3 should be a requirement or an

encouragement."

As regards reform idea 4, which deals with creating "a leave to appeal or permission to appeal mechanism so that only alleged errors of law that were (a) raised with the panel during interim review; and (b) with a real prospect of success, would be considered by the adjudicators", the co-convenors said that "some Members hold the view that there should be no leave/permission to appeal mechanism because they consider that appeal/review should be automatic."

Without indicating the number of countries, the co-convenors said: "Many Members have also expressed concern that reform idea 4 would add another step to the process that would make it more complex, costly and time consuming."

According to the co-convenors, "another view is that it would make an important change if the standard to grant leave was high."

As regards who would decide whether leave was granted, the co-convenors said that "some Members want impartial adjudicators to decide. Another view is that adjudicators would not filter claims effectively, as they would always be inclined to grant leave. There would also be a need to consider how the decision-maker would assess prospects of success and whether this would require reference to past decisions."

Standard of review

The current Dispute Settlement Understanding (DSU) requires appeals to be "limited to issues of law covered in the panel report and legal interpretations developed by the panel (DSU Art. 17.6)."

However, according to the co-convenors, "there is no explicit standard of review in the DSU" and "the adjudicators apply the customary rules of interpretation of public international law and give no deference to the panel's decision on legal issues (DSU Art. 3.2)".

Under the rubric of standard of review, the co-convenors suggested the following reform ideas:

1. "A high or limited standard of review that gives some deference to the panel (such as a standard under which an appellant must establish that the panel's decision on a legal issue was "clearly erroneous" or "plainly unreasonable")."

2. Standard of review under which an appellant must establish that the panel:

a. was guilty of gross misconduct,

bias, or serious conflict of interest, or otherwise materially violated a rule of conduct;

b. seriously departed from a fundamental rule of procedure; or

c. manifestly exceeded its powers, authority or jurisdiction, and any of these acts by the panel materially affected the decision and threatens the integrity of the process."

The co-convenors suggested that members made seemingly differing observations.

One view, according to the co-convenors, "is that reform ideas 1 or 2 would change the incentives for appeal and address concerns with judicial rule-making, de facto precedent and gap-filling."

"Some Members have suggested that these concerns can be addressed by some of the proposed reforms in the Draft Consolidated Text, such as the guidelines for adjudicators (see Title H of Draft Consolidated Text)."

However, "many Members have said reform ideas 1 and 2 would not meet their interests in being able to seek correction of legal errors, as well as other interests, including consistency, coherence, legitimacy and fairness. Those Members consider that reform ideas 1 and 2 could result in inconsistent outcomes which would undermine predictability," the co-convenors maintained.

Although the dispute settlement system reform process was initiated and mandated by trade ministers at the WTO's 12th and 13th ministerial conferences, much of the proposed reforms are seemingly aimed at satisfying the US, which successfully made the WTO's highest adjudicating body, the Appellate Body, dysfunctional, said people familiar with the development.

Ironically, the US appears to be eschewing its multilateral leadership role in establishing the General Agreement on Tariffs and Trade (GATT) in 1948 and the World Trade Organization in 1995, said people familiar with the development.

Regardless of whichever party comes to power after the upcoming November elections in the US, the new administration is likely to accelerate the process of carving out new areas of "in-shoring" and "re-shoring" as well as drawing up new supply chains based solely on its national security-driven considerations, said people familiar with the development. (*SUNS 10070*)

WTO's enforcement function unlikely to stop unilateral trade measures

The draft proposals on the appeal/review mechanism appear to be replete with controversial reform ideas that could make the World Trade Organization's enforcement function ineffectual.

by D. Ravi Kanth

GENEVA: As experts on 9 September take a first look at the draft proposals contained in the "WTO confidential" document aimed at resurrecting an appeal/review mechanism at the World Trade Organization, the multilateral trade body's enforcement function is unlikely to stop the imposition of unilateral trade measures based on national security considerations, said people familiar with the development.

On 6 September, China initiated dispute settlement proceedings against Canada for levying unilateral tariffs of 100% on all Chinese-made electric vehicles and a 25% tariff on steel and aluminum products imported from China.

China said that the Canadian duties on Chinese products "are unilateral and protectionist in nature and would severely damage the multilateral trading system and disrupt [the] global electric vehicle as well as steel and aluminum supply chain."

According to several media reports, the Canadian decision to impose these duties on Chinese products is being viewed as a show of solidarity with its neighbour, the United States, which has also imposed similar measures on various Chinese products.

Although China has requested consultations with Canada at the WTO under Article IV of the Dispute Settlement Understanding (DSU), it would certainly be aware that there is unlikely to be an early resolution to the dispute as the WTO's enforcement function is partially dysfunctional, said people familiar with the development.

DSS reform

Against this backdrop, the meeting of experts on 9 September to consider the "WTO confidential" draft tables on

different elements of the proposed appeal/review mechanism to replace the binding Appellate Body assumes importance, said people familiar with the development.

Despite caveats issued by the facilitator overseeing the discussions on the reform of the dispute settlement system (DSS) that the draft tables do not constitute a negotiating text, privately, members expressed fears over the confidential document.

The facilitator, Ambassador Usha Dwarka-Canabady of Mauritius, is tasked with overseeing the DSS reform discussions with a specific mandate.

That mandate, as spelled out by trade ministers at the WTO's 13th ministerial conference (MC13) in Abu Dhabi on 2 March this year, states:

"Recalling our commitment made at our Twelfth Session to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024, we take note of the works done thus far.

- We recognize the progress made through this work as a valuable contribution to fulfilling our commitment. We welcome all submissions from Members that help advance our work.

- We instruct officials to accelerate discussions in an inclusive and transparent manner, build on the progress already made, and work on unresolved issues, including issues regarding appeal/review and accessibility to achieve the objective by 2024 as we set forth at MC12."

Although the proposals are only meant for "fine-tuning" the proposed reform ideas in the new appeal/review mechanism, they do not seem to instill any confidence that the two-tier dispute settlement system with a binding Appellate Body that undergirded the

WTO's enforcement function will be restored, said people familiar with the discussions.

Also, doubts are being expressed whether the proposals would be circulated without first being vetted by one major industrialized country that paralyzed the Appellate Body in December 2019, said a legal expert from a developing country, who preferred not to be identified.

The 14-page "WTO confidential" draft contains the following tables: (1) "Scope of review"; (2) "Standard of review"; (3) "Form of the mechanism"; (4) "Reducing/changing incentives to appeal"; (5) "Clarifying Members' expectations of adjudicator"; and (6) "Access to the mechanism".

As previously reported in the SUNS, the following areas have already been covered: (1) "Scope of review"; (2) "Standard of review"; and (3) "Form of the mechanism".

Exceptional cases

The draft tables on "reducing/changing incentives to appeal" include a controversial proposal requiring members to "give a collective, non-legally binding, political commitment to file only in the exceptional review".

In a member-driven, rules-based multilateral trade body, where each member is endowed with certain rights and obligations, it seems somewhat odd for Members to take an upfront "political commitment" to reduce appeals.

The two co-convenors on the appeal/review mechanism – Mr Joel Richards of Saint Vincent and the Grenadines and Ms Jessica Dickerson of Australia – noted that "some Members support [the] reform idea because they agree that appeals should be exceptional."

"However, the wording of such a commitment would need to be carefully crafted," the co-convenors said.

Without naming the countries, the co-convenors said, "some Members preferred the idea that appeals should not be "systemic" or "automatic" and that we should seek to limit frivolous and tactical appeals."

In contrast to undertaking such a non-binding commitment, the co-convenors said: "There is broad support to preserve the right of Members to appeal. In this regard, some Members cautioned that there should be no political pressure on Members to reduce appeals."

More pointedly, they said that “some Members have concerns regarding the reform idea.”

On the same note, the co-convenors observed that “there is recognition by some Members that a political commitment to reduce appeals could be a useful signal for Members to exercise restraint.”

From the above observations, the co-convenors are presenting a rather “misleading picture,” said a legal expert, who asked not to be quoted.

RPT for compliance

The reasonable period of time to implement the rulings and recommendations of a dispute panel, or RPT, as it is often referred to, has been best observed in its breach by many members, particularly the United States.

At present, “RPT is determined after the date of adoption of a panel or Appellate Body report (under Article 21.3 of the Dispute Settlement Understanding).”

The co-convenors included the following two ideas in the table:

(1) Change the calculation of the RPT so that the start date for RPT is when an appeal is initiated by the responding party;

(2) Provide the responding party with a longer RPT if it does not appeal.

While “it is the view of some Members that [the] reform idea could reduce responding Members’ incentive to file tactical appeals to gain additional time to comply,” several other Members expressed sharp concerns and questions, according to the draft tables.

The co-convenors said that members’ responses include the following:

- it could impact negatively on Members that require sufficient time to make legislative amendments;

- Members need to consider how a change in the RPT would work if a decision, after appeal, is changed substantially;

- if the RPT starts from the date of appeal, how would it work if the compliance process cannot start until there is an appeal report;

- changes to the RPT may not be suitable for every type of case. For example, in areas such as anti-dumping, Members need to ensure that the investigating authority would have sufficient time to conclude its work before the expiration of the RPT.

According to the co-convenors, “some Members have also suggested that these discussions should be linked to relevant aspects of the Draft Consolidated Text (see Title IV: Compliance).”

Use of interim review

Under the current practice in the Dispute Settlement Understanding, “parties have an opportunity to submit a written request for the panel to review precise aspects of the interim report prior to (the) circulation of the final report to the Members (DSU Art. 15). The template timetable for panel work, including the interim review stage is at DSU, Appendix 3.”

The co-convenors suggested two reform ideas: (1) “Require or incentivize the parties to raise alleged errors of both fact and law with the panel during the interim review stage”, and (2) “extend the time for the panel to conclude its work at the interim review stage.”

They noted that “there appears to be some support to make more effective use of interim review stage of panel proceedings.”

Further, “some members have recognized that more effective use of interim review stage could:

- provide an opportunity for a panel to correct both factual and legal errors, thereby improving the quality of its report (or provide an opportunity for the panel to improve its reasonings);

- potentially avoid some appeals or narrow the number of claims on appeal; and

- disincentivize Members from saving their best legal arguments for the appeal/review stage.”

However, “some Members have expressed concerns about making interim review too complex or lengthy.”

Under the current practice, “the proceedings shall not exceed 60 days from the date a party to the dispute formally notifies its decision to appeal to the date the adjudicators circulate the report.”

“In case the Appellate Body considers that it cannot provide its report within 60 days, it shall inform the DSB (Dispute Settlement Body) in writing of the reasons for the delay together with an estimate of the period within which it will submit its report and in no case, the proceedings shall exceed 90 days (DSU Art. 17.5).”

The reform idea suggested in the

draft tables would require “Clarify(ing)/establish(ing) expectations to ensure that timelines are met.”

According to the co-convenors, “Members are broadly supportive of clarifying/establishing expectations for adjudicators with respect to timeframes so as to ensure adherence to such timeframes.”

The co-convenors said that “many Members support the existing DSU timeframes as being appropriate.”

However, “Members also raised several questions for further reflection.”

The questions include:

- “Should the existing 60/90-day time limits be retained?”

- Practically, how do we ensure that adjudicators can meet these timelines?

- What was the rationale behind the 60/90-day timeframes?

- Do the current timeframes allow for efficiency?”

On the issue of “adjudicators’ output”, the existing practice suggests that “appeals are limited to issues of law covered in the panel report and legal interpretations developed by the panel (DSU Art. 17.6). Adjudicators shall address each of the issues raised (DSU Art. 17.12).”

Also, “reports shall be drafted without the presence of the parties to the dispute and in the light of the information provided and the statements made (DSU Art. 17.10); “opinions expressed by individual adjudicators shall be anonymous (DSU Art. 17.11)” and “the adjudicators may uphold, modify or reverse the legal findings and conclusions of the panel (DSU Art. 17.13).”

The three reform ideas floated on the “adjudicators’ output” seem somewhat controversial and suggest a departure from the existing practice.

The three proposed reform ideas include:

1. “Appeal/review reports should only focus on what is necessary to resolve the dispute/arguments by the parties.
2. Clarify that previous reports are not binding on adjudicators.
3. Clarify adjudicators’ responsibilities in relation to decision-making and drafting reports.”

In response to reform idea 1, namely that appeal/review reports should only focus on what is necessary to resolve the dispute/arguments by the parties, the co-convenors suggested that “some Members are of the view that reports

should be clear, precise, focus on what the parties have argued and contain correct legal analyses.”

Without naming the countries, the co-convenors said that “some Members consider that certain aspects of judicial economy in the Draft Consolidated Text can also be applied to appeal/review adjudicators (see Title V, Chapter II of Draft Consolidated Text).”

On the precedential value of reports as stated in reform idea 2, “some Members consider that it is important to clarify that adjudicators’ reports/decisions do not have precedential effect. Some Members think this concern is addressed by some aspects of the Draft Consolidated Text (see Title V, Chapter III of Draft Consolidated Text) on this issue.”

As regards clarifying the adjudicators’ responsibilities in relation to decision-making and drafting reports, as contained in reform idea 3, the co-convenors noted that “some Members consider that the Draft Consolidated Text contains ideas with respect to adjudicators’ role in drafting reports, which could also be applied to appeal/ review adjudicators (see Title VII, Chapter II of Draft Consolidated Text).”

In a similar vein, on clarifying adjudicators’ role in streamlining the appeal/review process, the co-convenors suggested a reform idea that would require members to “establish or clarify Members’ expectations of adjudicators in relation to streamlining the appeal/review process.”

While “some members see it as beneficial to clarify expectations of adjudicators to make the process more efficient” by establishing word and time limits for the parties’ submissions, “some other Members consider that there are useful ideas in the draft Consolidated Text,” they noted.

Access to appeal/review mechanism

Under the current practice, members enjoy “automatic access by any party which has notified the DSB (Dispute Settlement Body) of its decision to appeal a panel report (as per Article 16.4, 17.4 of the Dispute Settlement Understanding).”

The reform idea on access to the mechanism appears to be a break with the practice of automatic access.

It is proposed: “access to the mechanism by agreement (bilaterally or plurilaterally) of the disputing parties on

a one-off or ongoing basis.”

In sharp response to the above idea, the co-convenors noted that “the majority of Members consider that the right of appeal must be guaranteed and therefore should not be contingent on the agreement of the other party.”

According to the confidential draft, “there is broad support for the current system under which any party may seek appeal/review (compulsory jurisdiction).”

More importantly, “this is seen as essential, especially for developing countries and LDCs so as to help them to navigate power imbalances. Some Members also consider that there should

be no opportunity for an opposing party to strategically block an appeal,” the co-convenors noted.

One unnamed member seems to have argued that “the right of appeal is not an inalienable right and the disputing parties should be able to decide which aspects of the system will assist to resolve their dispute.”

In short, the “WTO confidential” draft on the appeal/review mechanism seems to be replete with controversial reform ideas that could make the WTO’s enforcement function ineffectual. It could essentially pave the way for ensuring that “might is right”, said people familiar with the provisions. (SUNS 10073)

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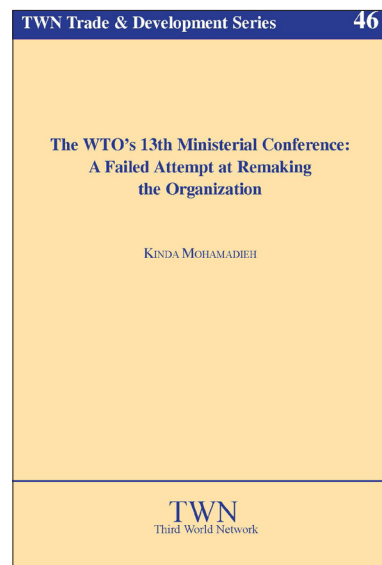
The WTO’s 13th Ministerial Conference: A Failed Attempt at Remaking the Organization

By Kinda Mohamadieh

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

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

Available at: <https://twon.my/title/tnd/td46.htm>



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Fisheries chair asks members to conclude OCOF deal by year-end

The chair of the World Trade Organization's Doha fisheries subsidies negotiations has called on members to conclude an agreement on disciplines on subsidies contributing to overcapacity and overfishing (OCOF) by the end of the year.

by D. Ravi Kanth

GENEVA: The chair of the World Trade Organization's Doha fisheries subsidies negotiations on 9 September claimed that members are "almost there" for concluding a deal to address subsidies that contribute to overcapacity and overfishing (OCOF) "before the end of the year."

In a five-page report sent to Heads of Delegation on 9 September, seen by the SUNS, the chair, Ambassador Einar Gunnarsson of Iceland, acknowledged that "one member is calling for a fundamentally different approach".

It is common knowledge that the "one member" in question, namely India, has severely criticized the chair's revised draft text (TN/RL/W/279) that provided several carve-outs to the big subsidizers to continue with their OCOF subsidies based on a rather weak and manageable sustainability criteria, particularly for the distant-water fishing members, said people familiar with the development.

India has also criticized the revised draft text for restricting special and differential treatment (S&DT) to the developing and least-developed countries, as well as allegedly failing to adhere to the United Nations Sustainable Development Goal (SDG) 14.6.

UN SDG 14.6 states, "by 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to IUU [illegal, unreported and unregulated] fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation."

The chair mentioned SDG 14.6 in his email to the members, saying that it "tasked us with tackling subsidies

contributing to overcapacity and overfishing".

"We need to complete this task given the sense of urgency attached to safeguarding the sustainability of our oceans," he said, suggesting that the "status quo cannot be the answer."

However, India and several other countries repeatedly argued that the chair's revised draft text has apparently failed to address the core issues concerning prohibiting the OCOF subsidies, said people familiar with the draft text.

As previously reported in the SUNS, the three proposals (WT/GC/W/945, WT/GC/W/946, and WT/GC/W/947) circulated by India days before the General Council (GC) meeting in July pointed out several imbalances in the chair's draft text and how they appear to have tilted the balance in favour of the big subsidizers.

The Indian statement made at the GC meeting on 23 July exposed the asymmetries in the chair's revised draft text, including the apparent "free pass" given to the big subsidizers to continue with their billions of dollars in OCOF subsidies under seemingly weak and circumventable notification requirements based on a two-tier sustainability criteria, said people familiar with the discussions.

Given India's tough stand on the chair's revised draft text, Iceland's proposed "decision" (TN/RL/W/279/Add.1) to agree on the draft text was moved to the "discussion" section of the GC agenda, said people familiar with the development.

In fact, on the morning of 23 July, the GC chair, Ambassador Petter Olberg from Norway, was understood to have moved the Icelandic proposal from "decision" to "discussion" after a telephone conversation with one member, said

people familiar with the development.

Against this backdrop, the fisheries chair wants to "resume NGR (Doha Negotiating Group on Rules) activities" after six weeks due to his "other work."

Chair's summary

In his report, the chair said on 10 July "under my responsibility as Chair of the Negotiating Group on Rules, I circulated a revised draft of the Additional Provisions on Fisheries Subsidies in document 279 and two draft General Council decisions in documents TN/RL/W/280 (document 280) and TN/RL/W/281 (document 281)."

He said that the texts were circulated "in response to the widespread call of the vast majority of Members since MC13 to conclude the fisheries subsidies negotiations by the July General Council based on the draft text that I had circulated in TN/RL/W/278 (document 278) in April. Circulating document 279 at that time also preserved the opportunity to inscribe it on the agenda of the 22-23 July General Council so that Members could further engage in the negotiating process with a view to building consensus on the text, with potentially some adjustments that enjoyed an increased level of convergence before the General Council."

According to the chair's report, "most of the amendments in document 279 compared to document 278 were inspired by the so-called "floating text", which a diverse and sizeable group of Members had developed on their own during the final hours in Abu Dhabi."

In addition, Ambassador Gunnarsson said "document 279 contained proposals from me, as Chair, concerning the length of the transition periods for developing country Members and LDC Members."

"These proposals were based on my reflections following the two small group consultations held on 9 July on the two transition periods, recognizing that negotiations on the specifics would continue," he said, suggesting that "Document 279 also included a handful of technical adjustments, both for greater clarity and to avoid causing unintended consequences for some developing country Members."

Later, he issued another draft containing further additions in document TN/RL/W/279/Add.1.

Subsequently, the chair said that "given that items on the General

Council's agenda may be requested only by Members, on 11 July, I requested, through the delegation of Iceland, that the Additional Provisions on Fisheries Subsidies be included on the agenda of the July General Council for decision."

Accordingly, on 11 July, the above documents were circulated as draft General Council decisions (on Additional Provisions on Fisheries Subsidies), the chair noted.

He pointed to "subsidies in WT/GC/W/943 and on Notification of Annual Aggregate Level of Fisheries Subsidies in WT/GC/W/944, and placed on the agenda of the July General Council."

He said the early inclusion of the additional provisions in Iceland's submission to the GC "was done with the aim of providing Members with the necessary space and time to conduct a substantive assessment - including through engagement in the Negotiating Group on Rules (NGR) and the Trade Negotiations Committee (TNC) - to endeavour to seek convergence in the time remaining before the July General Council."

The chair said that he organised four in-person small group meetings on Friday, 12 July to ensure transparency and inclusiveness.

"The objective of these small group meetings was for me to introduce document 279 along with the details of the specific changes it contained compared to the previous version of the Additional Provisions on Fisheries Subsidies circulated in document 278."

At the TNC meeting on 15 July, the chair said that he "noted that the overwhelming majority of Members generally considered that the text, potentially with some adjustments, could serve as the basis for reaching a final agreement by the July General Council."

He acknowledged that "a few Members raised some fundamental issues and concerns and that it seemed questionable that the text offered a path to consensus for them."

At the TNC meeting, according to the chair's report, "members shared their assessment of the situation and their suggestions on the way forward" and "members' interventions reinforced the broad support for concluding the negotiations before the July General Council and provided valuable insights into the remaining gaps and areas needing further work."

In light of those interventions, he said, "I identified the following topics warranting further discussion in small groups before the July General Council: (a) issues related to LDC graduation; (b) characteristics of artisanal and small-scale fishing; and (c) concerns regarding the strength of the disciplines."

To address these three topics, the chair said that he "organised four small group meetings from 16 to 18 July."

At the small-group meeting to discuss the overall strength of the disciplines, the chair said that "few, if any, of the Members present noted that they consider that the current formulation of the disciplines represents the optimal way of addressing subsidies that contribute to overcapacity and overfishing."

According to Ambassador Gunnarsson, "many Members present at the meeting noted that the current text constitutes a difficult compromise for them after years of exploring different alternatives."

Further, "most Members expressed their willingness to conclude the negotiations at the July General Council

meeting based on the disciplines as presented in document 279, or those disciplines with very limited tweaks," the chair said, adding that "many of these Members see the draft Additional Provisions to be a significant improvement over the status quo."

"However, some Members present had more concerns about the overall balance of the disciplines and the SDT provisions and sought more material adjustments, including a call for a fundamentally different approach to the disciplines," the chair noted.

In short, the chair's report suggests that there is a fundamental divide between the big subsidizers, supported by several countries, to reach an agreement on the one side, and several other members, particularly India, who want a fundamental change in the approach that delivers on UN SDG 14.6, on the other, said people who asked not to be quoted.

Against these two conflicting approaches, an agreement to tackle OCOF subsidies by the end of the year seems highly unlikely, said people familiar with the development. (*SUNS 10075*)

Putting the Third World First

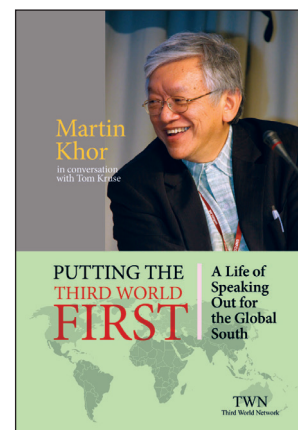
A Life of Speaking Out for the Global South

Martin Khor in conversation with Tom Kruse

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

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

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



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

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

WTO touts trade liberalization and globalization amid criticism

In its World Trade Report 2024, the World Trade Organization showcased the gains from globalization following its establishment in 1995, and claimed that integrating open trade with other key policy areas is essential to spreading the benefits of trade to all.

by D. Ravi Kanth

GENEVA: The World Trade Organization's director-general, Ms Ngozi Okonjo Iweala, on 9 September touted trade's "transformative role in reducing poverty and creating shared prosperity – contrary to the currently fashionable notion that trade, and institutions like the WTO, have not been good for poverty or for poor countries, and are creating a more unequal world."

Ahead of its Public Forum starting on 10 September, the WTO released its World Trade Report 2024 to showcase the gains from globalization following its establishment in 1995 at the conclusion of the Uruguay Round of trade negotiations.

In her foreword to the report, the DG said the report offers important insights on how to make "trade and the WTO work better for economies and people left behind during the past 30 years of globalization."

The report claims that trade cost reductions between 1995 and 2020 led to a 20 to 35 per cent faster income convergence of low- and middle-income economies with high-income economies.

According to the WTO, the report found a weak correlation between trade openness and within-country income inequality.

"Less trade will not promote inclusiveness, nor will trade alone," the WTO's chief economist Ralph Ossa said.

"True inclusiveness demands a comprehensive strategy – one that integrates open trade with supportive domestic policies and robust international competition," he added.

However, it appears rather doubtful whether the claims made by the DG and the WTO economists will convince the major industrialized countries, particularly the United States, who seem to be departing from the current globalization model based on free trade

due to a spate of economic problems ranging from rising inequalities to massive unemployment, said people familiar with the development.

Several developing countries including Nigeria seem to be caught in a whirlpool of unprecedented existential crises, said people, who preferred not to be quoted.

Main findings

The report has highlighted several major findings, including the need for a comprehensive strategy that integrates open trade with supportive domestic policies to make trade more inclusive.

Some of the main points from the report are as follows:

- Never before have the living conditions and prospects of so many people changed so dramatically in the space of a few decades.
- Integrating open trade with other key policy areas is essential to spread the benefits of trade to all.
- Income convergence has progressed over the last 30 years, but it has slowed since the global financial crisis of 2007-08, and took a backward step during the COVID-19 pandemic.
- Trade reforms have accelerated the structural transformation of low- and middle-income economies, contributing to income convergence.
- Income convergence and global economic integration have been uneven, leaving some economies behind.
- High trade costs and limited diversification hamper convergence.
- Impediments to structural transformation and a limited ability to adopt foreign technologies can also prevent certain economies from reaping the gains from trade.

- Geopolitical tensions, the technological revolution and climate change pose significant risks to economic convergence, both in terms of unwinding past achievements and endangering future prospects.
- Reducing trade costs is crucial to leverage future opportunities for trade-led growth.
- Trade policy needs to be complemented by policies that support structural transformation and technology absorption.
- Inclusiveness across economies can support inclusiveness within economies, and vice versa.
- Trade has played a significant role in reducing poverty, especially in low- and middle-income economies.
- Over the past 30 years, global income inequality has remained high, but it has evolved differently across economies.
- Gains from trade are unevenly distributed among individuals within the economy, but this does not inherently increase inequality.
- While trade generally brings benefits to many, some groups of individuals may experience long-term losses.
- Mobility obstacles reduce the gains from trade and exacerbate losses.
- Trade policies that seek to mitigate the disruptive effects of trade by protecting specific groups of individuals can be costly and can negatively impact other segments of the population.
- Making trade more inclusive is essential in a context of rising geopolitical tensions, technological revolution and climate change.
- Removing discriminatory trade barriers affecting vulnerable groups could foster a more inclusive trading system.
- Complementary domestic policies are required to make trade more inclusive.
- The WTO contributes to inclusiveness across economies by promoting an open, rules-based and predictable multilateral trading system.
- WTO rules also contribute to improving governance through economic reform, thereby promoting sustained economic growth.
- WTO rules provide for various flexibilities aiming to enhance

- trade opportunities for developing economies, including LDCs.
- Aid for Trade projects and similar technical assistance programmes available for developing economies have enhanced their export opportunities.
- Greater efforts to include the economies that have been left behind in the global trading system require a more effective and inclusive WTO.
- Greater international trade cooperation is also necessary to address evolving challenges in areas crucial to the future of trade, such as services, digital and green trade.
- Finding the right balance between binding commitments and effective flexibilities is essential to further inclusiveness across economies.
- Concerns about the distributional impacts of trade have led to a growing number of trade agreements including provisions explicitly related to inclusiveness within economies.
- WTO rules also contribute to inclusiveness within economies.
- Nothing in the WTO agreements restricts the use of non-discriminatory complementary policies for inclusiveness.
- WTO members are increasingly discussing how to make trade more inclusive by fostering the greater participation of women and MSMEs in trade.
- A number of trade-related technical and capacity-building initiatives in the WTO are contributing to making trade more inclusive.
- The WTO could help to address inclusiveness issues within an economy by means of its transparency and monitoring functions.
- The implementation of WTO commitments can also become more inclusive if vulnerable groups are actively involved.
- The multifaceted “trade and” challenges faced today demand a robust and coordinated “WTO and” approach to further support inclusiveness across and within economies. (*SUNS 10074*)

momentum in the first quarter of 2024, the WTO suggested.

In the first quarter of 2024, the last period for which data is available, trade was up 1.0% quarter-on-quarter and 1.4% year-on-year.

Quarter-on-quarter growth in the last two quarters averaged 0.7%, which is equivalent to 2.7% on an annualized basis, the WTO economists suggested.

They noted that this is quite close to the WTO's most recent forecast of April 2024, which predicted a 2.6% increase in world merchandise trade volume in 2024.

However, the recent data in value terms show weaker than expected trade growth in Europe and stronger than expected growth in other regions.

As a result, the WTO's regional projections may need to be adjusted in the next trade forecast update, which will be issued in mid-October, the WTO said.

According to the latest release of data, “all of the barometer's component indices are currently on or above trend, with the notable exception of the electronic components index (95.4), which is below trend and falling. Component indices for automotive products (103.3), container shipping (104.3) and air freight (107.1) are all firmly above trend, although the automotive products index appears to have lost momentum recently.”

Further, the WTO said that “new export orders (101.2), usually the barometer's most predictive component, is marginally positive but has turned down, which could be a cause for concern going forward.”

In a similar vein, the index of raw materials (99.3) is nearly on trend but has declined sharply over the last three months, it added.

National security

Though the WTO constantly refers to “geopolitical tensions” as being responsible for the slowdown in global trade, it remains silent on the factors contributing to these tensions, said people familiar with the development.

As previously reported in the SUNS, national security-driven trade measures and policies being adopted by the US, the world's largest economy, seem to be stalling global trade, said people familiar with the development.

In a news story in the Financial Times (FT) on 4 September, under the headline “How national security has transformed

Geopolitical tensions pushing global trade into uncharted waters

In its latest Goods Trade Barometer, the World Trade Organization has painted a rather uncertain outlook for global trade, on account of rising geopolitical tensions, ongoing regional conflicts, shifting monetary policies in advanced economies and falling export orders.

by D. Ravi Kanth

GENEVA: The outlook for global trade remains highly uncertain due to rising geopolitical tensions, ongoing regional conflicts, shifting monetary policies in advanced economies like the United States, and falling export orders, according to the World Trade Organization's latest Goods Trade Barometer released on 4 September.

However, the positive aspect appears to be a continued recovery in goods trade during the third quarter of 2024 after demand for traded goods stalled in 2023 when the US Federal Reserve hiked up interest rates to fight high inflation, the

trade barometer suggested.

Issued ahead of the WTO's Public Forum on 10 September, the Goods Trade Barometer, which is a composite leading indicator for world trade, suggests that the latest barometer index value is 103, indicating a slow recovery.

It also suggests that merchandise trade volume growth should remain positive in the second and third quarters of 2024.

After remaining flat since the final quarter of 2022, the volume of world merchandise trade started to turn up in the fourth quarter of 2023 and gained

economic policy” in the US, the writers – Sam Fleming, Demetri Sevastopulo, and Claire Jones - have suggested that national security concerns have intruded into US trade policy.

“Over the past decade, there has been a much greater willingness to use tariffs as part of industrial and trade policy,” the writers argued, pointing out that “under Biden, there has also been a parallel emphasis on employing subsidies and other forms of state intervention to boost investment in key sectors.”

“This process is being turbocharged by the way that security issues are becoming entrenched in US government thinking about large segments of the

economy, from manufacturing to new technologies,” the writers said.

“The growing intersection of economic policy and national security has many roots,” they said, adding, however, that “the biggest factor has been China.”

“US officials have watched with awe and trepidation at the advances of Chinese state capitalism in many industries that are likely to dominate the first half of this century” and “retaining and restoring American manufacturing competitiveness has come to be seen as a defining geopolitical challenge,” they argued.

The US national security advisor Jake Sullivan appears to have justified

these national security-driven trade and investment policies.

He told the FT writers that “the role of national security in trade and investment policy and strategy is rising everywhere.”

“There are changes in the way that people are approaching the question of trade policy, international economic policy and that’s true in market economies the world over,” Sullivan maintained.

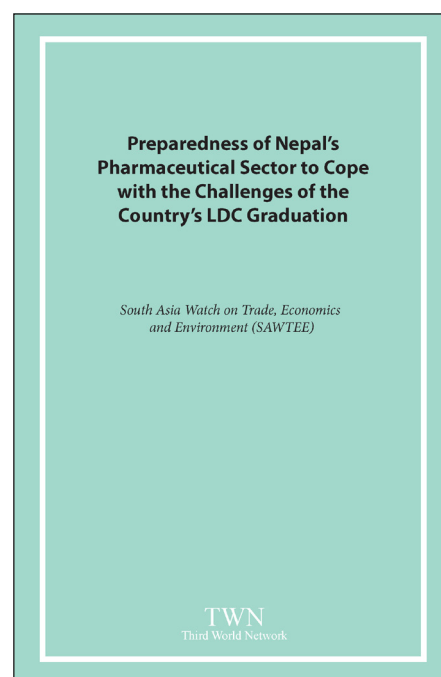
Against this backdrop, not only could global trade become a casualty but also more worryingly, the *raison d’être* of the rules-based WTO in the multilateral trading system, said people familiar with the development. (*SUNS 10071*)

Preparedness of Nepal’s Pharmaceutical Sector to Cope with the Challenges of the Country’s LDC Graduation

South Asia Watch on Trade, Economics and Environment (SAWTEE)

As a least-developed-country (LDC) member of the World Trade Organization, Nepal is not required, under the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), to provide patent protection for pharmaceutical products. With no patent restrictions in force, Nepal’s domestic pharmaceutical industry has expanded over the years to meet an increasing share of the country’s medicine needs. This growth is now under threat, however, as Nepal is set to lose its LDC status – and, with it, the TRIPS exemption – in 2026.

This paper assesses how the Nepali pharmaceutical sector can face the challenges posed by implementation of the WTO intellectual property rules after the country’s graduation from the LDC category. It calls for full utilization of policy flexibilities allowed by the TRIPS Agreement and strengthened government support to boost the local pharmaceutical industry and enhance access to affordable medicines.



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South Asia Watch on Trade, Economics and Environment (SAWTEE) is a non-government organization registered in Nepal with a vision of ensuring fair, equitable, inclusive and sustainable growth and development in South Asia. Established in 1999, SAWTEE has been actively engaged in research, advocacy, capacity building, sensitization and alliance building on issues of trade, economics and environment. The SAWTEE team is comprised of highly skilled and experienced professionals who are passionate about contributing to informed and inclusive policymaking. Researchers at SAWTEE have provided inputs to regional and global organizations, besides the Government of Nepal and the Nepali private sector.

<https://twn.my/title2/books/Preparedness%20of%20Nepal's%20Pharmaceutical%20Sector.htm>

Catastrophic hunger more than doubles in 2024, says report

The number of people facing, or projected to face, catastrophic hunger more than doubled in 2024, according to a joint report published by a group of United Nations agencies.

by Kanaga Raja

PENANG: The number of people facing, or projected to face, catastrophic hunger (IPC/CH Phase 5) more than doubled from 705,000 in five countries/territories in 2023 to 1.9 million in four countries/territories in 2024, mainly due to the ongoing conflicts in Gaza and Sudan.

This is one of the main findings of a mid-year update to the Global Report on Food Crises (GRFC) 2024 released earlier this year.

The mid-year update, released on 5 September, draws on data available as of end of August 2024 to reveal the changes in high levels of acute food insecurity since the 2023 peak.

The report was jointly published by a group of United Nations agencies, including the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP), the International Organization for Migration (IOM), the UN Children's Fund (UNICEF), the UN Refugee Agency (UNHCR), the UN Office for the Coordination of Humanitarian Affairs (OCHA) as well as other humanitarian partners.

Among the other main findings of the mid-year GRFC update are that shocks, such as intensifying conflict, El Nino-induced drought and high domestic food prices drove worsening food crises in 18 countries by mid-2024.

Nigeria, the Sudan, Myanmar, Ethiopia, Zimbabwe, Malawi, Chad and Yemen all had at least 1 million more people facing high levels of acute food insecurity than during the 2023 peak, it said.

However, the report found that better harvests and stabilizing economies drove improvements in food security in 16 countries.

Afghanistan, Kenya, Democratic Republic of the Congo, Guatemala and Lebanon all had at least 1 million fewer people facing high levels of acute food insecurity since the 2023 peak, but they

remain major food crises.

The report also said that acute malnutrition among children and women in food-crisis countries/territories is persistently high, especially in conflict-affected areas.

The lack of affordability of a healthy diet is becoming an increasingly important driver, it noted.

Catastrophic hunger

According to the report, populations facing catastrophic hunger reached the highest level in GRFC reporting and that Famine (IPC/CH Phase 5) is ongoing for the first time since 2020.

It said the number of people facing, or projected to face, Catastrophe (IPC/CH Phase 5) more than doubled from 705,000 in five countries/territories in 2023 to 1.9 million in four countries/territories in 2024.

"This is the highest in GRFC reporting, driven by conflict in the Gaza Strip and the Sudan."

The report explained that in Catastrophe (IPC/CH Phase 5), household members experience an extreme lack of food and exhaustion of coping capacities, with a significantly increased risk of acute malnutrition and death.

Famine (IPC/CH Phase 5), the result of a collective failure to protect lives and livelihoods, is rare, and only four have been identified since 2010 – Somalia (2011), South Sudan (2017 and 2020) and now the Sudan, it said.

As well as causing widespread acute malnutrition and death in the short term, it has major human, social and economic impacts in the long term, it added.

In the Sudan, about 755,300 people were projected to face Catastrophe (IPC Phase 5) by September 2024, up from none in 2023, said the report.

"Famine (IPC Phase 5) is ongoing in

Zamzam IDP camp, and other areas are at risk of Famine as long as conflict and limited humanitarian access prevail."

The Gaza Strip (Palestine) remains the most severe food crisis in the history of the GRFC, with all 2.2 million residents still in urgent need of food and livelihood assistance between March and April 2024, said the report.

The severity of the crisis has intensified, with half of the population in Catastrophe (IPC Phase 5) during this period, up from a quarter in December 2023-February 2024.

In March-April 2024, over 1.1 million people in the Gaza Strip were projected to be in Catastrophe (IPC Phase 5) and 495,300 people are projected to be so between June-September 2024, it added.

Conflict/insecurity drove Catastrophic (IPC/CH Phase 5) levels of acute food insecurity in South Sudan (79,000 people in Jonglei and Unity states and among returnees from neighbouring Sudan) and in the Menaka region of Mali (2,600 people).

The severity eased in Burkina Faso, Haiti and Somalia where no populations were projected in this phase as of August 2024, said the report.

Of the 28 countries/territories with disaggregated data on severity, eight saw increases in the number of people in Emergency (IPC/CH Phase 4).

Populations in Emergency (IPC/CH Phase 4) need urgent action to save lives and livelihoods, it added.

The countries/territories with over 1 million people in Emergency (IPC/CH Phase 4) as of August 2024 include Sudan (8.5 million), Afghanistan (3.6 million), Democratic Republic of the Congo (2.9 million), Myanmar (2.7 million), South Sudan (2.3 million), Pakistan (2.2 million), Haiti (1.6 million) and Nigeria (1.0 million).

The population in this phase more than doubled in Burundi and Eswatini, and increased in Lesotho and Malawi mostly due to the impacts of the El Nino-induced drought, while conflict and insecurity drove increases in Chad, Mali, Myanmar and the Sudan, said the report.

"The number of people in IPC/CH Phase 4 decreased in 19 countries, with the largest reduction observed in Afghanistan, followed by Kenya and Democratic Republic of the Congo. All of them remain major food crises."

The report also said that the number of forcibly displaced people, who are

highly vulnerable to food and nutrition insecurity, continues to rise in food-crisis countries/territories.

In the 59 countries/territories with acute food security data in the GRFC 2024, the number of people in forced displacement reached an estimated 99.1 million by July 2024, up from 91.7 million at the end of 2023, it said.

The increase is mainly driven by an additional 1.6 million IDPs in the Sudan – which remains the world’s largest internal displacement crisis in terms of absolute numbers – and additional data availability in Pakistan, Somalia and Yemen, it added.

In Myanmar, an additional 1.6 million people have been displaced since the escalation of fighting in October 2023, while in Haiti, gang violence and political instability continue to drive people from their homes.

The most significant increases in the numbers of refugees and asylum seekers were in Chad, Ethiopia and South Sudan, largely due to the conflict in the Sudan, said the report.

In Latin America, large populations of migrants remain displaced in Colombia, Ecuador and Peru as a result of lingering economic hardship.

In other findings, the report said that worsening or persistently high acute food insecurity, inadequate services, poor nutrition practices and lack of affordability of a healthy diet are driving critical levels of acute malnutrition among children and women in some food crises.

It said that data available in 2024 for 21 food crises revealed that the number of acutely malnourished children has increased in Cameroon, Chad, Djibouti, Haiti, the Sudan, the Syrian Arab Republic, Uganda and Yemen and has decreased in Central African Republic, Ethiopia, Kenya, Madagascar, Mali, northern Nigeria and Somalia.

“In Burkina Faso, Pakistan and South Sudan, it remained unchanged compared with 2023. Monitoring of the nutrition situation in Myanmar indicates a progressive deterioration in recent years.”

Critical and Extremely Critical IPC acute malnutrition classifications (IPC AMN Phases 4 and 5) were found in areas of Chad, Haiti, Kenya and Yemen, said the report.

In Ethiopia, significant increases in the prevalence of acutely malnourished children were observed in drought-

affected areas, despite the burden decline at the national level.

The report said that in the Sudan, already high levels of acute malnutrition continued to rise, particularly among children, due to mass displacement, limited humanitarian access, disrupted nutrition and health services and the onset of the lean season.

In July, the Famine Review Committee concluded that the prevalence of acute malnutrition is likely above the 30 percent Extremely Critical (IPC AMN Phase 5) threshold in IDP camps around El Fasher, North Darfur, and that the situation is likely similar in other states with high concentration of IDPs, it noted.

Key drivers

Conflict is the major driver of acute food insecurity and malnutrition, notably in the Gaza Strip and the Sudan, where the conflicts also have regional ramifications, said the report.

It also said that weather extremes worsened. Temperatures in the first six months of 2024 were the highest ever recorded, amounting to 12 consecutive months of record heat levels.

The effects of the recently ended El Nino are still being felt, with widespread drought and implications for food production, particularly in Southern Africa and Latin America and the Caribbean, including the Dry Corridor and Bolivia.

The report said that there is an increasing probability of a La Nina onset in the second half of 2024, which could bring below-average rainfall to the eastern Horn of Africa, increase the likelihood of an above-average Atlantic hurricane season and flooding in parts of Latin America and the Caribbean, and wetter-than-usual conditions in Southern Africa and Southeast Asia.

It further said global food markets managed to remain adequately supplied but were still vulnerable to disruptions from extreme weather events and geopolitical tensions.

“Domestic food inflation has slowed in some countries but remains high in others, including Haiti, Myanmar, Malawi, South Sudan and Zimbabwe.”

It said many poor countries continue to struggle with unsustainable public debt, with 54 percent of low-income countries in, or at high risk of, debt distress.

Regional trends

In East Africa, the report said that devastating conflict in the Sudan is having profound domestic and regional impacts on food security.

According to the mid-year update, in localized areas of Ethiopia, Kenya, Somalia, South Sudan and Uganda, inter-communal violence, resource-based conflict and cattle raiding continued to disrupt livelihoods, markets, trade flows and humanitarian assistance.

The March-to-May rains increased crop and livestock productivity, boosting food availability and livelihood opportunities and improving food security, particularly in Kenya.

They also led to flash floods and landslides that caused localized damage in Burundi, Ethiopia, Kenya and Somalia.

Forecast above-normal June-September rainfall could drive improvements in food security in Djibouti and parts of Ethiopia, Kenya, South Sudan, the Sudan and Uganda, but may also bring flooding, said the report.

From October-December 2024, La Nina is expected to bring below-average rainfall in the eastern Horn of Africa.

High food prices continue to erode household purchasing power. Prices were highest in the Sudan and South Sudan, followed by Ethiopia and Uganda, said the report.

In Central and Southern Africa, it said the 2023-2024 El Nino-induced drought has led to widespread harvest failure and livestock deaths in large parts of Angola, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Zambia and Zimbabwe.

“The lean season from November 2024-March 2025 is anticipated to start earlier and be more severe than usual.”

High food prices, amid lower maize production and limited agricultural wage-earning opportunities, will severely dent the purchasing power of poorer households across the region, the report said.

The biggest year-on-year deteriorations in acute food insecurity are expected in Zambia, Namibia, Zimbabwe and Malawi, all of which declared a State of Drought disaster.

The number of people internally displaced by intensifying conflict remains high in Democratic Republic of the Congo and Mozambique, it added.

As for West Africa and the Sahel, the

report said levels of acute food insecurity are estimated to be higher than in 2023.

It said that Nigeria had the largest increase in the number of people facing high levels of acute food insecurity, driven by record inflation and conflicts in the north, followed by Chad, due to lower agricultural production and poor pastoral conditions, and Sierra Leone, where high levels of inflation persisted.

“The Niger saw a slight increase due to increased food prices and heightened costs of humanitarian assistance associated with border closures.”

The report said Mali had an increase of over 60 percent in the number of people in Emergency (CH Phase 4) as well as the persisting pocket of 2,600 people in the Menaka region in Catastrophe (CH Phase 5) mainly due to prolonged conflict and insecurity.

Important declines in the number of people facing high levels of acute food insecurity were reported in Senegal, driven by lower food prices following an above-average 2023 harvest, and in Burkina Faso, with 30 percent fewer people in CH Phase 4 and no populations in Catastrophe (CH Phase 5) due to higher levels of cereal and cash crop production and increased humanitarian access.

Meanwhile, it said that Cameroon, Togo and Cote d’Ivoire also experienced improvements.

As for the Asian region, the report said that acute food insecurity deteriorated in Myanmar in tandem with the increased intensity of armed conflict and rising numbers of IDPs.

In Bangladesh, persistent high food prices have limited household purchasing power, while prolonged monsoon floods since May, civil unrest and curfew severely impacted households’ income-earning capacity in many parts of the country.

The number of people facing high levels of acute food insecurity decreased in Afghanistan due to better 2023 harvests and humanitarian and livelihood support, said the report.

Nevertheless, economic stagnation, localized flooding, fewer remittances and an influx of returnees continue to hinder access to food, it added.

It further said the Balochistan, Sindh, and Khyber Pakhtunkhwa regions of Pakistan are expected to see seasonal improvements in acute food insecurity but levels remain notably high.

In Europe, the report said the war in Ukraine continues to disrupt the country’s agrifood sector and drive high levels of acute food insecurity, particularly in conflict areas.

“Damage and destruction of critical infrastructure, and land mine contamination of farmland, have constrained agricultural activity and transportation of crops to both local markets and export destinations.”

High production and logistical costs have eroded livelihoods, reducing farmers’ incomes and the wages of millions of rural Ukrainians, the report pointed out.

While the global supply pressures on grains and oilseeds created by the war in Ukraine since 2022 have eased, they remain vulnerable to shocks due to the volume of Ukraine’s exports. In 2024, wheat exports are expected to decline while those of oil crops are forecast to increase.

In Latin America and the Caribbean, the report said that a general easing of headline inflation across the region by mid-2024, except in Haiti, has improved food access, with most countries seeing their rates reduce from the double digit

inflation seen in 2023 to single digits.

This supported important declines in acute food insecurity in the Dominican Republic and Honduras, it added.

Guatemala also experienced declines, primarily due to the absence of extreme climatic or socioeconomic shocks leading to greater availability of food from the last harvest combined with increased purchasing power, said the report.

On the other hand, Nicaragua faces a 25 percent increase in acute food insecurity amid possible declines in staple cereal production.

In Haiti, gang violence, political instability and high inflation rates continue but no new analysis is available yet for 2024, said the report.

As for the Middle East and North Africa region, the report said that in Yemen, a decline in humanitarian food assistance since December 2023, especially in areas controlled by Sana’a-based authorities, has resulted in an increase in the severity of the crisis.

The onset of winter may exacerbate food insecurity and malnutrition in the region, particularly for displaced populations living in inadequate shelters, it warned. (*SUNS 10072*)

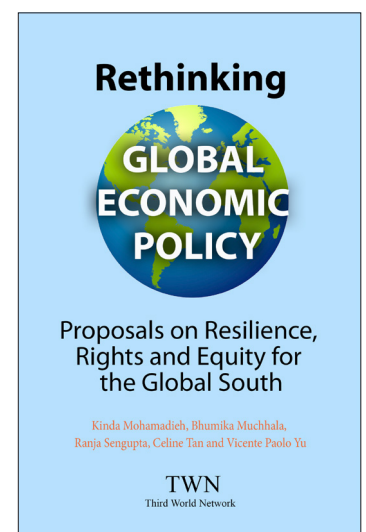
Rethinking Global Economic Policy

Proposals on Resilience, Rights and Equity for the Global South

By *Kinda Mohamadieh, Bhumika Muchhala, Ranja Sengupta, Celine Tan* and *Vicente Paolo Yu*

The COVID-19 crisis has thrown into stark relief the inequities and iniquities of an international economic order that consigns the Global South to the development margins while augmenting the power of rich countries and firms. Redressing this demands a bold multilateralism to support public health and economic recovery in developing countries and, beyond this, an overhaul of the unjust structures underpinning the global economy. This report surveys a myriad of areas – from trade, debt and public finance to investment and intellectual property rights – where fundamental reform and rethink of international policy regimes is urgently required for the developing world to emerge stronger and more resilient from the present turmoil.

Available at <https://twn.my/title2/books/pdf/Rethinking%20Global%20Economic%20Policy.pdf>



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Progress in reducing poverty remains fragile amid overlapping crises

Progress towards poverty eradication remains fragile, with many people still being one misfortune away from falling back into poverty, according to a United Nations report.

by Kanaga Raja

PENANG: Progress in reducing poverty remains fragile, with COVID-19 and the growing threats from climate change and conflict serving as a reminder that many people are still one misfortune away from falling into poverty, according to the United Nations.

This is one of the key messages highlighted by the UN Department of Economic and Social Affairs (UN DESA) in its latest Policy Brief (No. 160) on the dynamics of poverty.

It said supporting people to escape poverty is a first step towards its eradication.

Strengthening the resilience of families and communities to prevent falls into poverty is also key to safeguard progress in the long run.

According to the Policy Brief, in the three decades that preceded the COVID-19 pandemic, more than one billion people escaped extreme income poverty.

It said as the health and economic upheavals brought on by COVID-19 and subsequent crises have made evident, however, progress towards poverty eradication is fragile.

With only a few years remaining before the target date of 2030 for achieving the Sustainable Development Goals (SDGs), there is a renewed commitment to accelerate progress towards poverty eradication, it noted.

In 2025, the United Nations will convene the Second World Summit for Social Development to give momentum towards the implementation of the 2030 Agenda, with a focus on poverty eradication and the other two pillars of social development (full and productive employment and decent work for all, and social integration).

Complex dynamics

Poverty is a widespread risk. Many

more households are affected by poverty than those observed to be living in poverty at specific points in time, said the Policy Brief.

In recent decades, the growing availability of longitudinal data – from surveys that follow the same people over time – has shown that household income and consumption fluctuate significantly.

Some people who move out of poverty escape it permanently, while others do so only temporarily. Some people are born into poverty and remain trapped there for long periods and even across generations, while others avoid the experience of poverty altogether, it noted.

“Even though the number of people living in poverty may be stable or decline slowly, the composition of this population is in constant flux.”

As a result, progress in reducing poverty is much more volatile than suggested by the conventional picture of gradual reductions overall, said the Policy Brief.

Sustained escapes were the most common trajectory in rural areas of Bangladesh (2011-2019) and Cambodia (2008-2017) and in Nepal (1995/96-2010/11), it pointed out.

Bangladesh and Cambodia experienced consistent economic growth with employment creation and significant wage growth during the observation periods, with a move away from jobs in agriculture towards employment in greater value-added activities, including in rural areas.

In contrast, Nepal’s sustained escapes from poverty took place amidst low rates of employment and economic growth.

The country’s brisk poverty reduction is explained mainly by the end of internal armed conflict in 2006 and by the high and stable flow of remittances, said the Policy Brief.

“Negative trajectories or temporary escapes prevailed in most other

countries, suggesting that many people lack the resilience to withstand life course shocks – for example, ill health, job loss, crop failure – let alone systemic regional, national or global crises.”

It said in some cases, the share of people who lived in extreme poverty throughout the observation period was substantial.

For example, in Ethiopia (2011/12-2015/16) and in rural Zambia (2012-2019), more than 60 per cent of those who experienced extreme poverty were chronically poor.

These examples make it plain that reaching the elusive goal of eradicating poverty requires more than merely helping people to move out of poverty. It also requires building the resilience that can protect people against major risks, said the Policy Brief.

Many households rise above the poverty line only to fall back beneath the threshold, highlighting the precarious nature of many escapes from poverty, it noted.

“A dynamic perspective also reveals that many more people are affected by poverty than those observed to be experiencing it at specific moments.”

Thus, poverty should be seen as a widespread risk rather than as a condition that affects a limited or fixed group of individuals, said the Policy Brief.

The urgency of taking action to prevent falls into poverty cannot be overstated, it emphasized.

According to the Policy Brief, in 2019, before the COVID-19 pandemic, almost 1.2 billion people, or 15 per cent of the world’s population, lived between the extreme poverty line of \$2.15 a day and the threshold of \$3.65 a day that is typical of national poverty lines used in lower-middle-income countries.

Even more people, close to 1.8 billion, lived between \$3.65 and \$6.85 a day.

In all, it said almost half of the world’s population, including large majorities in South Asia and sub-Saharan Africa, have levels of economic well-being that fall below national poverty line of some upper-middle-income countries.

Even a minor health problem, an increase in transportation fares or a below-average crop yield could push them into extreme poverty, said the Policy Brief.

Economic insecurity does not end

above the threshold of \$6.85 a day. Many people teeter on the brink of poverty even as they move up the income ladder, it added.

According to UN DESA, research in developing regions has shown that individuals and families wedged between poverty and the middle class struggle to stay out of poverty, with health shocks standing out as a primary driver of impoverishment in this group.

It said many of these “strugglers” work in informal employment, where social protection programmes are largely absent.

They have limited or no access to unemployment benefits, public health insurance or public pension programmes after retirement. In many countries, the near-poor pay more in taxes than they receive in public transfers.

The Policy Brief said that many of them run businesses and generate jobs on which persons living in poverty may rely, and thus their fortunes are closely linked with those of many people living in poverty.

Going forward

According to the Policy Brief, recent crises and growing threats from climate change and conflict have exposed massive vulnerabilities, making the universal need to strengthen resilience even more pressing.

It said the largest and most persistent impacts are often felt far from where a crisis originated.

The much slower recovery from the COVID-19 pandemic and overlapping crises experienced by low-income countries has amplified global disparities in the prevalence and incidence of poverty.

About 2.3 billion people out of the 4.5 billion exposed to extreme weather events in 2019 were living in poverty.

While people in poverty are more exposed to droughts, floods and other environmental shocks, exposure to such events increases the likelihood of living in chronic poverty, said the Policy Brief.

It said a one-degree Celsius increase in temperature has been associated with a 1.6 percentage-point increase in the prevalence of chronic poverty below the threshold of \$3.65 a day.

The nexus between conflict and poverty is particularly overwhelming. Globally, the estimated share of people

living in extreme income poverty who reside in fragile and conflict-affected countries increased from about 20 per cent in 2000 to 48 per cent in 2019, even though these countries accounted for only 10 per cent of the world’s population in 2019, it added.

If such trends continue, two-thirds of people living in extreme poverty worldwide will be living in fragile and conflict-affected countries in 2030, said the Policy Brief.

It said growing evidence on household income dynamics and what drives falls into and escapes from poverty should inform the economic, social and environmental transformations and policies needed to support poverty eradication and avoid setbacks.

However, the Policy Brief said that policy design and implementation have not kept up with the evidence.

While many countries have strengthened the policy and institutional frameworks that help people escape poverty, preventing impoverishment and tackling chronic poverty remain outstanding challenges, it said.

“Escapes from poverty have usually exceeded falls into poverty during periods of rapid economic growth, when such growth has been employment-rich and real wages have risen.”

However, countries have often missed the opportunities created by periods of expansion to take on the massive investments in social protection, education, health care and infrastructure that can help people to manage risk and stay out of poverty in the long run, it pointed out.

“Similarly, relief efforts during and after major crises, as well as peace-building efforts in countries emerging from conflict, have often prioritized actions for short-term recovery while neglecting the long-term investment and institutional capacity-building that would support sustained escapes from poverty.”

The value of social protection systems to shield individuals and families from shocks and to prevent falls into poverty has been broadly recognized, said the Policy Brief.

“Yet, when the COVID-19 pandemic hit in 2020, less than 15 per cent of the population of sub-Saharan Africa and under 25 per cent of the population of Southern Asia were covered by at least one social protection benefit.”

Today, the institutional capacity and

fiscal space of countries in these regions to respond to this and other crises continue to be limited, it added.

It said considering that health shocks are a primary cause of impoverishment, health care coverage is crucial.

Even though coverage has increased quickly in recent decades, benefits are still inadequate in most developing countries, the Policy Brief noted.

Out-of-pocket health spending represents over one-third of total health expenditures in 65 out of 186 countries and areas with data and, in some cases, is as high as 80 per cent.

While private health insurance plans can complement public support, publicly funded social protection remains necessary for most of the world’s population, and its absence violates a basic human right, it pointed out.

Similarly, it said there is broad agreement on the importance of ensuring universal access to quality education to address chronic poverty and break the cycle of inter-generational transmission.

“The challenge is not only to secure the massive investments needed to improve access and quality, but also to ensure that education serves to level the playing field rather than to reinforce inequality.”

The Policy Brief said managing risk and building resilience are increasingly important in the current context of rapid economic, environmental and geopolitical transformations.

“At this critical juncture, accelerating progress towards poverty eradication calls for doing more to integrate analysis and policy making, not only across the social, economic and environmental dimensions of sustainable development, but also between development and peace-building efforts.”

A focus on the links between poverty and conflict highlights the role of governance and the importance of building institutional capacity to prevent conflict and ensure that countries emerging from conflict can make sustained progress towards eradicating poverty, said the Policy Brief.

Doing so requires pursuing long-term goals to ensure, for instance, that countries have effective justice systems or an adequately trained civil service.

Investments to build people’s resilience will not have the desired effects if a State’s capacity to implement policies or enforce regulations is limited, it added. (SUNS 10065)

Handling financial crises in the South

*Jomo Kwame Sundaram** argues that quick fixes do not prevent future crises, which rarely replay previous crises. Instead, measures should address current and likely future risks, not earlier ones.

KUALA LUMPUR: When history repeats itself, the first time is a tragedy; the next is a farce.

If we fail to learn from past financial crises, we risk making avoidable errors, often with irreversible, even tragic consequences.

Many people worldwide suffered greatly during the 2008-2009 global financial crisis (GFC) and the Great Recession.

However, the experiences of most developing nations were significantly different from those of the global North.

Developing nations' varied responses reflected their circumstances, the constraints of their policymakers, and their understanding of events and options.

Hence, the global South reacted very differently. With more limited means, most developing countries responded quite dissimilarly to rich nations.

Hard hit by the GFC and the ensuing Great Recession, developing countries' financial positions have been further weakened by tepid growth since.

Worse, their foreign reserves and fiscal balances declined as sovereign debt rose.

Most emerging market and developing economies (EMDEs) mainly save US dollars. The few countries with large trade surpluses have long bought US Treasury bonds.

This finances US fiscal, trade, and current account deficits, including for war.

Vagaries of finance

After the GFC, international investors – including pension funds, mutual funds, and hedge funds – initially continued to be risk-averse in their exposure to EMDEs.

Thus, the GFC hit growth worldwide through various channels at different times. As EMDE earnings and prospects fell, investor interest declined.

But with more profits to be made from cheap finance, thanks to

“quantitative easing”, funds flowed to the Global South.

As the US Fed raised interest rates in early 2022, funds fled developing nations, especially the poorest.

Long propped up by easy credit, real estate and stock markets collapsed. With finance becoming more powerful and consequential, the real economy suffered.

As growth slowed, developing countries' export earnings fell as funds flowed out. Thus, instead of helping counter-cyclically, capital flowed out when most needed.

The consequences of such reversals have varied considerably. Sadly, many who should have known better chose to remain blind to such dangers.

After globalisation peaked around the turn of the century, most wealthy nations reversed earlier trade liberalisation, invoking the GFC as the pretext.

Thus, growth slowed with the GFC, i.e., well before the COVID-19 pandemic.

Markets collapse

Previously supported by the Great Moderation's easy money, stock markets in EMDEs plunged in the GFC. The turmoil arguably hurt EMDEs much more than rich nations.

Most rich and many middle-income households in EMDEs own equities, while many pension funds have increasingly invested in financial markets in recent decades.

Financial turmoil directly impacts many incomes, assets and the real economy. Worse, banks stop lending when their credit is most needed.

This forces firms to cut investment spending and instead use their savings and earnings to cover operating costs, often causing them to lay off workers.

As stock markets plummet, solvency is adversely impacted as firms and banks become over-leveraged, precipitating other problems.

Falling stock prices trigger downward spirals, slowing the economy, increasing

unemployment, and worsening real wages and working conditions.

As government revenues decline, they borrow more to make up the shortfall. Various economies cope differently with such impacts as government responses vary.

Much depends on how governments respond with counter-cyclical and social protection policies.

However, earlier deregulation and reduced means have typically eroded their capacities and capabilities.

Official policy response measures to the GFC endorsed by the US and IMF included those they had criticised East Asian governments for pursuing during their 1997-1998 financial crises.

Such efforts included requiring banks to lend at low interest rates, financing or “bailing out” financial institutions and restricting short selling and other previously permissible practices.

Many forget that the US Fed's mandate is broader than most other central banks. Instead of providing financial stability by containing inflation, it is also expected to sustain growth and full employment.

Many wealthy countries adopted bold monetary and fiscal policies in response to the Great Recession. Lower interest rates and increased public spending helped.

With the world economy in a protracted slowdown since the GFC, tighter fiscal and monetary policies since 2022 have especially hurt developing countries.

Effective counter-cyclical policies and long-term regulatory reforms were discouraged. Instead, many complied with market and IMF pressures to cut fiscal deficits and inflation.

Reform finance

Nevertheless, appeals for more government intervention and regulation are common during crises.

However, pro-cyclical policies replace counter-cyclical measures once a situation is less threatening, as in late 2009.

Quick fixes rarely offer adequate solutions.

They do not prevent future crises, which rarely replay previous crises. Instead, measures should address current

and likely future risks, not earlier ones.

Financial reforms for developing countries should address three matters.

First, needed long-term investments should be adequately funded with affordable and reliable financing.

Well-run development banks, relying mainly on official resources, can help fund such investments. Commercial banks should also be regulated to support desired investments.

Second, financial regulation should

address new conditions and challenges, but regulatory frameworks should be counter-cyclical.

As with fiscal policy, capital reserves should grow in good times to strengthen resilience to downturns.

Third, countries should have appropriate controls to deter undesirable capital inflows which do not enhance economic development or financial stability.

Precious financial resources will be

needed to stem the disruptive outflows that invariably follow financial turmoil and to mitigate their consequences. (IPS)

[* **Jomo Kwame Sundaram**, a former economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.]

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

Jessica Dempsey

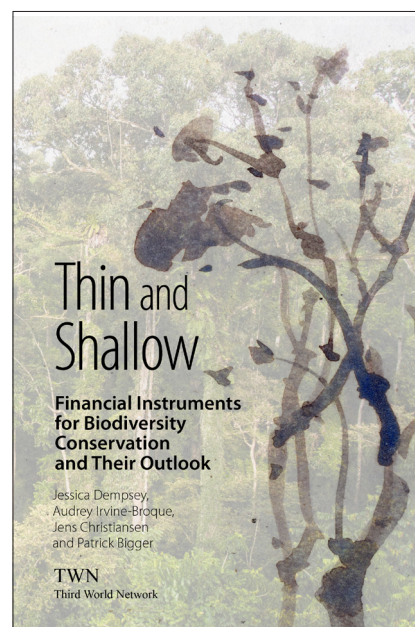
Audrey Irvine-Broque

Jens Christiansen

Patrick Bigger

This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.



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