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Shocks for developing countries from President Trump's first weeks

Mr. Donald Trump's first weeks as US President have sent shockwaves around the world, and it is the developing countries that will be most affected. This article by the South Centre's Executive Director reviews the implications of Trump's initial policies, including the blocking of refugees, the impending actions to cut funding to the UN and other organisations, the turnaround on climate change and environment issues, and the turn towards trade and investment protectionism.

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At his inauguration President Trump promised to make America great again. But his policies of America First, Buy American and Hire Americans may be at the expense of people in other countries, especially the South.

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Andrew Harrer - Pool/Getty Images

In his first days as President, Donald Trump signed many executive orders and memos including to take the US out of the TPP and to temporarily ban the entry of refugees and of travellers from seven developing countries.

By Martin Khor

His first days in office indicate that President Donald Trump intends to implement what he promised, with serious consequences for the future of the United Nations, trade, the environment and international cooperation, and developing countries will be most affected.

Those who hoped Trump would be more statesman-like in style and middle-of-the-road in policy matters after his inauguration had their illusions dashed when the new United States President moved straight into action to fulfil his election pledges.

The world and the world order have to prepare for more major shocks. It will be far from business as usual. And while other powerful countries can prepare tit-for-tat counter-moves when President Trump strikes, most developing countries won't have the means, and may suffer the most.

Even close friends are not spared. Trump signed an order fast-starting building a wall at the US border with Mexico. To add insult to injury, he asked Mexico to pay for the wall and threatened to impose a 20% tax on Mexican products to finance it. He has also discouraged US companies from moving to Mexico.

Mexicans are understandably outraged and the Mexican President cancelled his planned trip to Washington. Mexico has been one of America's strongest allies. If it can be treated in this manner, is there hope for others to avoid being targeted?

The Trump order to ban the entry of citizens from seven Muslim-majority countries, even those holding a Green card or are working in the US, on the ground that they could pose a security threat, has caused not only anger in the affected countries but also uncertainty among people in other developing countries who fear they may also be targeted in the future.

The executive order also suspended the admission of all refugees into the US. If made permanent, this measure signals the end of a long tradition of the US (in line with many other Western countries) to welcome a limited number of people escaping from troubled countries. In some of these countries, the troubles that prompted them to leave resulted from interventions or interference by the US and its Western allies.

Very troubling are the signs that the US is revamping its approach to international cooperation. Two executive orders are being prepared to reduce the US' role in in the United Nations and other international organisations, according to a New York Times report.

One of the draft orders calls for at least a 40% cut in US funding toward international organisations and terminating funds for any international body that fit certain criteria.

The other order calls for a review of all current and pending treaties, and recommendations on which negotiations or treaties the US should leave.

The New York Times says that if Trump signs the orders, the cuts could severely curtail the work of UN agencies which rely on billions of dollars in annual US contributions. "Taken together, the orders suggest that Mr Trump intends to pursue his campaign promises of withdrawing the US from international organisations. He has expressed heavy scepticism of multilateral agreements such as the Paris climate agreement and the UN."

The US has been the major creator of the post-Second World War system of international relations, with the United Nations at its centre. The UN has served as a crucial universal forum for international discussion and cooperation, including on peace-keeping and

USA Today

Trump's executive order to temporarily ban refugees and visitors from seven countries from entering the US led to protests and chaos including in airports like the Dallas airport above.

economic and social issues.

It convenes leaders and representatives of almost all countries for meetings and conferences, with resolutions and declarations, on a wide range of current affairs. Its agencies have supported global and national policy making and actions on economic development, health, food, the environment, human rights, culture and education, natural disasters and refugees.

The UN has been playing a critical positive role in providing a venue for developing countries to voice their opinions and take part in decision-making on global affairs. The UN agencies have provided resources and support to developing countries to build their national capacities for economic and social development, and in preventing and managing political conflicts.

Of course the UN needs to be improved, including in democratisation of the Security Council and in giving more say to developing countries, especially on global economic and financial issues on which decisions are usually taken by a few powerful countries and outside the UN.

But denigrating the UN's role and reducing funds for its operations would severely weaken the spirit and substance of international cooperation, to the detriment especially of developing countries.

Another looming problem is that President Trump looks intent on doing a complete turnaround on the present US environmental policies. This will have a grave effect on the world, both in terms of the physical environment itself and in turning back the clock on global efforts to tackle multiple environmental crises.

Within a day of Trump's inauguration, pages and references to climate change were removed from the White House website. The Environmental Protection Agency was reportedly told to remove its web section on climate change, though that order was later countered. Staff at the EPA were forbidden to issue media statements or new scientific studies and research grants were suspended.

Two major projects cancelled during Obama's presidency on environmental and social grounds, the Keystone XL pipeline and the Dakota access pipeline, are being revived. The Clean Power Act, a centrepiece of the Obama effort to address climate change, has been under attack.

And all these even before the assumption of office of Trump's nominee for the new EPA chief, the Oklahoma attorney-general Scott Pruitt, who is well known for having sued the EPA 14 times. His selection by Trump was described by the New York Times as signalling Mr Trump's determination to dismantle President Obama's efforts to counter climate change – and much of the EPA itself.

This policy turnaround will negatively affect international efforts to combat the global environmental crisis. In particular, the many years of collective work to get agreed action on climate change will be seriously impeded since the US is looked up to show an example that developed countries take domestic climate actions seriously and are also committed to provide climate-related financial assistance to developing countries.

At this point it is not certain whether the US will remain in the Paris Agreement or even the UN Framework Convention on Climate Change; its withdrawal from either or both would be disastrous.

It can however be expected that under Trump, the US will stop its funding to the Green Climate Fund, to which the Obama administration had pledged $3 billion in its initial period and delivered $1 billion. If the US withdraws, will other countries increase their funding to make up for the loss of the US, or will they also reduce their share, thereby plunging the GCF into an uncertain future?

Another major action was Trump's move to withdraw the US from the Trans Pacific Partnership (TPP) agreement. He had pledged to do so but when he acted, on his first working day, it still came as a shock.

Initially Australia and New Zealand tried to get the remaining 11 TPP countries to pledge they would continue to get the TPP to enter into force. But this has not gained traction, with Japan and Canada bluntly stating that the TPP is meaningless and cannot continue without the US.

Thus, the TPP has been killed. Even if in the future Trump or his successor has a change of heart, the public mood is such that the US Congress would be unlikely to approve.

More important than Trump's action itself is what it represents in terms of the new US approach towards trade. The TPP was loaded to favour US interests in many ways. On the trade aspect, the US has lower tariffs than the developing country partners with which it did not yet have a trade agreement, and thus stood to gain in terms of trade balance.

On the non-trade aspects of the TPP, which the US under Obama had insisted upon, American companies would have gained in the areas of intellectual property, investment, government procurement and state-owned enterprises.

Yet the TPP was unpopular with the American public, because it perceived that whatever gains the US

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President Obama speaking at the Paris climate conference in December 2015. Now the world is wondering whether Trump will allow the US to remain a member of the Paris Agreement, or will pull the US out.

would have would flow to the corporations and the elites, leaving the working and middle classes to face problems such as possible job losses from cheaper imports and relocation of factories abroad.

With the demise of the TPP, developing countries which are its members regret the loss of their opportunity to gain greater access to the US market. But they are also spared from having to take on heavy obligations on investment, intellectual property and state-owned enterprises, and other issues.

The Trump move on the TPP is a prelude to other trade policies to be rolled out soon, in pursuance of his America First strategy, which includes the subsidiary slogans Buy American and Hire Americans.

Policies being considered include higher tariffs or else "border adjusting taxes" on products from countries with which the US has trade deficits, starting with China and Mexico; tax incentives for companies that export; taxes to punish US companies located abroad that export to the US; and requirements that companies that win government infrastructure and other contracts have to make use of American-made goods.

Many developing countries which depend on the US for their exports, and that presently host US companies or hope to attract new US investments, will be adversely affected by these policies, which together spell a new era of US protectionism. It will end the US-championed policies of liberalisation of trade and investment.

Trump also announced that he plans to initiate new one-to-one bilateral trade agreements, in place of regional or plurilateral trade agreements. If his aim is to promote the US companies' interests even more strongly than in previous FTAs, this may mean a negotiating stance of maximising US exports to while minimising imports from the bilateral partners, and pressurising them to accept provisions on investment, services, intellectual property, procurement, state-owned enterprises and other issues that are even stronger than what the TPP had.

Other developed countries like Japan and the post-Brexit United Kingdom may be interested in starting negotiations with the US with its new template, in an attempt to get mutual benefits. It remains to be seen whether there would be developing countries willing to be new partners in what for them would likely be very one-sided bilateral agreements.

Another question is whether the rules of the multilateral trading system will act to constrain the new US administration. Many of the new policies announced by Trump or his team (such as higher taxes and tariffs on Chinese and Mexican goods, or taxes on American companies exporting to the US) are probably against one or another of the agreements under the World Trade Organization.

Even if the Trump administration fine-tunes its policy measures in an attempt to fit within the WTO's rules, they will most likely be challenged by other WTO members. If the WTO panels rule against the US, will it comply with the decisions, or will Trump turn his fire against the WTO and its system instead?

Meanwhile, the WTO members are waiting to see what positions the new US trade team will take in the on-going WTO negotiations in Geneva.

Given that Trump ran on the promise to upend the establishment, and it looks as if he intends to keep to his word, leaders and people around the world, and especially in the developing countries since they are more vulnerable, should prepare themselves to respond to more and bigger shocks ahead.

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Newss

Above is a news report of how the White House web section on climate change disappeared on Trump's inauguration day, removing the information on former President Obama's actions on climate change. It was replaced by the Trump administration's views on energy, which was very different.

Rethinking trade policy and protectionism in the Trump era

It is now almost certain that the United States under President Trump will significantly increase trade protectionism, while going for a different (and probably worse) approach to free trade agreements. Developing countries should reconsider their own policies towards trade and trade agreements.

Saul Loeb, AFP/Getty Images

President Trump has asked American car companies not to open new factories in Mexico and also said he would impose a border tax on cars produced in Mexico that enter the US market. This would threaten the viability of the many auto companies (and render thousands of Mexicans jobless) that set up base in Mexico to take advantage of its present tariff-free status with the US.

By Martin Khor

What kind of trade policy will the United States have under President Donald Trump? This is a hot issue, as Trump has made unorthodox pronouncements on trade issues before and after his inauguration. If he acts on even some of the positions he took, it will create a sea change in trade policy in the US and possibly the world.

After a few weeks in office, Trump is now taking some trade action. True to his pledge, he withdrew the US from the Trans Pacific Partnership Agreement (TPP) and is preparing to renegotiate the North American Free Trade Agreement (NAFTA).

He called them a disaster for the US. He was probably referring to the claim that many of manufacturing jobs lost in the US in recent years were due to free trade agreements (FTAs) and the overseas relocation of US companies. He is also blaming trade agreements for the US' huge trade deficits.

Most economists however have a different view. They attribute US job losses mainly to technological change, with trade having only a minor role overall. However, the visible closure of factories in some sectors and areas linked to import competition has fuelled the popular US campaign against FTAs.

There are legitimate fears that Trump's "America First" slogan, when applied to trade, will lead to a big increase in trade protectionism.

Trump has threatened to raise tariffs or impose a "border adjustment tax" on products from China (by 45%) and Mexico (by 20%). Trump in his campaign accused China of being a "currency manipulator". If a country is so labelled by the Treasury Department it could be grounds under US law to slap extra tariffs on its products.

President Obama came under pressure from many Congress members and economists to do just that, but he smartly resisted as he realised it would trigger a very nasty trade war with China.

It is possible Trump will also climb down from this particular populist stance. For a start, China's currency is not under-valued and currently its government is trying to prevent (not encourage) its currency from further sliding.

Secondly, taking trade action against China on currency grounds would be against the rules of WTO, and China should be able to successfully take a WTO case against the US for any such action.

Finally, China has warned it will retaliate if the US were to take protectionist actions. An article in the Beijing-based Global Times spelled out how the country would cancel its orders of Boeing aircraft, restrict US auto and I-phone sales in China and halt US soybean and maize imports, while a number of US industries would be impaired.

Instead of tariffs, Trump may impose a "border adjustment tax" as part of reforms to the US corporate tax. This would have a similar effect as imposing a tax (the expectation is that it will be a tax of 20%) on goods that companies import, while providing a tax exemption equivalent to a subsidy on goods that companies export. This would have the same effect as putting a tariff or tax on imports, and giving a subsidy for exports, a measure that is sure to attract opposition and cases against the US by other countries.

The Trump administration is also likely to consider taking more trade-remedy action on a range of products from China and other countries by claiming they are being dumped or unfairly subsidised.

There are loopholes in the WTO rules on trade remedies which have made these a favourite protectionist tool. A country can slap on high tariffs against an imported good from another country by claiming its price is artificially low because it has been "dumped" (exported at a price lower than the domestic price) or unfairly subsidised by the state.

But if the exporting country complains and a WTO panel rules that the actions were wrongly taken, there is no penalty imposed against the offending country which is only asked to lift the tariff. Meanwhile the aggrieved country has lost many years of export earnings. Moreover, the same actions can again be taken against the same country, thus perpetuating the protection.

We may see a rise in such trade-remedy actions under President Trump, especially if he is counselled against taking the more blatant route of imposing an all-out tariff wall.

But we can also expect tit-for-tat counter-action of the same type by the affected countries, in a global spiral of protectionism. That will be in nobody's interest.

The new Trump presidency is also expected to usher in a major change in how the US (and eventually many other countries) will perceive free trade agreements. Trump's objection to the TTPA and NAFTA seems to be based on the issue of goods trade, that the template of these agreements seems to favour the exports of the partner countries at the expense of the US.

Trump said he would instead "negotiate fair bilateral deals that bring jobs and industry back." This appears to be neo-mercantilist and against the free-trade principle, but it is this kind of "America-first" populism that helped propel him to power.

If the new US policy moves in this direction, what is to prevent other countries from doing likewise? "Free trade" or "fair trade" will be interpreted by each country in ways that favour it, and many of the present rules will have to be set aside.

However the FTAs are much more than trade, and they became unpopular with the public in the US and elsewhere not only because of the threat of cheap imports taking over the market of local producers, but also because of the non-trade issues that are embedded in most recent FTAs, including FTAs between developed countries, and those between developed and developing countries. Most of these issues favour the big corporations at the expense of states and consumers.

One of these issues include investment rules aimed at liberalising foreign investment and financial flows, with an especially controversial section that gives rights to foreign investors to take cases and make claims against the host government in an international tribunal (known as the investor-state dispute settlement system).

Another issue is the strengthening of intellectual property rules that boost multinational companies at consumers' expense. A most unpopular effect is a tremendous rise in the prices of patented medicines through the additional curbing of competition from cheaper generic drugs.

Other issues include the opening up government procurement to foreign firms on a national-treatment basis, thus reducing the share of local businesses in this huge sector; the liberalisation of the services sectors, which for some countries may affect the cost of basic services that are normally performed by the public sector; and, in the most recent FTAs, the establishment of new rules imposing restrictions on the operations of state-owned enterprises.

The structure of this kind of North-South FTAs is mainly unfavourable to developing countries in general. In the trade component of the FTA, a developing country can get some benefits through better market access to the developed country, but can also suffer damage to its local companies and farms due to cheaper imports. The non-trade issues are usually much against their interests as the developed countries (and their companies) are far stronger and have the upper hand in the areas of investment, intellectual property, services and procurement.

However, civil society groups in the developed countries also find the non-trade issues against the public interest. For example, the investor-state dispute system undermines the ability of these countries to set their own environmental or health policies, and the tighter intellectual property rules impede access to medicines and knowledge for the consumers in these advanced countries as well. In the trade aspect, these CSOs also blame FTAs for the inflow of cheap imports causing the closure of factories and loss of jobs. Therefore these modern FTAs have become very unpopular in the US, Europe and other developed countries.

Through the recent FTAs, sensitive areas and issues that were previously under the purview of the national government are now subjected to new and intrusive rules that cramp the space that countries (whether in the South or North) normally have to set their own policies.

Both the trade and non-trade issues have made the "trade agreements" highly controversial. Civil society groups in developing countries have been expressing their concerns that the public interest and national sovereignty are being undermined.

At the same time, the public in developed countries, including in the US, Europe, Canada, Australia, New Zealand and Japan, have become disillusioned and even outraged by the effects of the FTAs their governments signed or proposed.

The anti-FTA movement became so strong in the US that it helped boost the unexpectedly good showing by Bernie Sanders in the Democratic primaries, pressurised Hillary Clinton to pledge her opposition to the TPP, and enabled Trump to ride on and add to the "anti-trade" emotions in his campaign.

The heightened focus on trade policy during and after the US elections is a good time to review what works and what does not work for the public interest in trade agreements.

It is becoming clear that trade agreements have become overloaded with many issues that do not belong to an agreement originally designed for trade in goods.

For example, there is a history and logic to the "non-discrimination" and "national treatment" principles established for trade in goods among countries, and even then there is a debate on the conditions under which the application of these principles bring about mutual benefits in trade.

The same principles and template are often inappropriate when applied to non-trade issues for which they were not designed. Creating rules based on these principles and including them in trade agreements can lead to imbalances and unequal outcomes among the partners, and even adverse consequences for all the partners.

However in recent years the scope of trade agreements has grown to include more and more issues, to which the original trade principles have been applied, leading to more and more contention and unpopularity.

The overloaded agenda in FTAs gives trade a bad name, with people being confused between trade, trade policy and trade agreements. Many people who are disgruntled with trade agreements also become unhappy with trade per se, and the benefits that trade can bring get mixed up with and overwhelmed by the contentious non-trade issues, and trade ends up being con-

demned as well.

It is important at this moment to clarify the difference between trade and trade agreements, and to review the whole issue of trade policy.

A good outcome would be to design new agreements that are mutually beneficial in the trade aspect to all partners, whilst removing the controversial non-trade issues from the agenda. And this could be part of a broader pro-development trade agenda.

But this is not likely to be the new agreements being envisaged by the Trump team. The danger is that these may be even worse than the existing ones.

We risk entering a new era where the US, and maybe some other developed countries as well, are tempted to promote extreme trade protectionism, whilst retaining or expanding the unpopular non-trade issues in the trade agenda because it is in the interest of their corporations.

We might end up with a new type of "America first" agreements, in which a Trump administration ensures that the US can curb imports whilst championing its exports, thus reducing the trade benefits to its partners; while at the same time strengthening the rules in non-trade issues like intellectual property, investment, liberalising financial services and curbing state-owned enterprises that favour US corporations but are against the partners' interests.

That would be the worst of both worlds, at least for developing countries.

It is thus crucial for policy makers and thinkers in developing countries to rethink what kind of trade is good for their economies, what kind of trade policy would correspond to that positive trade performance, and what kind of trade agreements would be good to have and which types should be avoided.

It is also time to rethink the role of the World Trade Organization and reaffirm the priority of developing a balanced and pro-development multilateral trading system. If (and that is a big if) the WTO could evolve into such an ideal system, there would be no need for North-South bilateral trade agreements.

Free Trade: A change of paradigm

The United States, champion of the free trade paradigm, is itself now criticizing it, with President Trump taking the country on a protectionist road.

This article, by a prominent Peruvian economist, points out the flaws of the orthodox paradigm which has caused difficulties for developing countries; and the change in the US policy may bring more problems.

By Humberto Campodonico

One of the pillars of orthodox economic theory explains that trade liberalization and tariff reductions benefits all countries, rich or poor. This was the theoretical matrix of the Bretton Woods Agreements in 1944, which designed the "international economic and trade order" for the next 70 years.

This matrix has just suffered a traumatic blow by Donald Trump. The slogan "America first" means that this is achieved at the expense of others, and not in partnership with them. Therefore, he proposes a tariff of 45% for Chinese products and 35% for Mexicans.

The magnitude of this rise is enormous. The WTO says that the weighted US tariff average in 2015 was only 1.69%. So we're talking about raising it 18 to 25 times. Incredible.

Why does he do this? Because he says that free trade has not brought benefits to the US. And that NAFTA (the US Free Trade Agreement with Mexico and Canada) has caused the loss of millions of jobs in the US. And that the same would happen with Obama´s TPP (that Trump has rejected).

Bernie Sanders said the same thing: free trade brings losers and winners (although his economic and trade policies alternatives are far away from those of Trump). It's not like what David Ricardo told us in the 19th Century: that everyone wins with free trade and therefore each country must specialize in its comparative advantages, according to the endowment of factors that it possesses (natural resources, capital, labor force).

If each country does that, Ricardo says, it will have a specific place in the international division of labor. If you do it as a supplier of raw materials or a producer of capital goods, it does not matter. In the end, everyone will win because international prices of goods will match and the same will happen with the prices of capital and labor.

One moment. That's what the orthodox theory says. But reality tells us something different. In Peru, for example, we also have winners and losers, as in every country. For example, non-traditional exporters of agricultural products, including grapes, potas and squids, maca, strawberries and, recently, blueberries, are clearly the winners in trade with China. And also winners are those who buy cheaper consumer goods (from cell phones to motorcycles) as well as capital goods for the industry.

Among the losers we have the footwear industries (medium and small enterprises), as well as the textile industries (that is the case of the Gamarra textile cluster in Lima) since cheaper imports from third countries (mainly China) have strongly affected local production.

But the orthodox theory is not the only one that exists. There are other economic theories that point to orthodox failures. Recently, economist Dani Rodrik has clearly demonstrated that Ricardian theory is oversold. He adds, against all orthodoxy, that there are cases where "less trade may be better than more trade" (1).

The Economic Commission for Latin America and the Caribbean of the United Nations (ECLAC) tells us

At meetings like the APEC Summit in Peru in 2016, world leaders usually pay homage to and promote free trade and free enterprise. But in the new Trump era, this orthodoxy is being turned upside down, as protectionism is now championed by the leader of the US which traditionally has carried the free-trade flag.

that "in recent years, greater integration in trade and global financial and investment flows has been associated with the weakening of redistributive systems, especially in several advanced countries" (2).

ECLAC adds that when they analyzed the world distribution of income, a paradox arose: in the last three decades, global inequality declined, while the internal inequality of most countries increased, especially in the industrialized countries. Let's look at this more closely.

Global inequality declined especially in the "emerging countries", such as China, India and, also, in Latin America. But in the OECD countries, the ratio of income share of the richest 10% of the population to that of the poorest 10% has steadily increased over the last four decades, from 7 in the eighties to 9.6 in 2014 (ECLAC, p.75).

This aggravation is explained by the replacement of manufacturing workers from rich countries by workers in the same sector in developing countries. Between 2000 and 2010, in the US and Europe almost 10 million manufacturing jobs were lost, more than a quarter of the total. In the same period, China created more than 45 million jobs in this sector, while Latin America generated 4 million (ECLAC, p.76).

Interesting, right? Someone would say: at last, rich countries are receiving their own medicine. With free trade in a global economy rich countries lose and emerging countries win. It doesn´t matter if the orthodox theory is wrong, as long as the outcomes are in my favor.

That's what Trump is going to try to change, in order, he says, to aid American workers to get back their jobs. We do not believe that he will succeed despite his rhetoric: the announcement of lowering the income tax from 30 to 15% will further concentrate wealth in the richest 1% of the population.

Not only that. According to Paul Krugman, the underlying central characteristics of his economic and trade policies are more "effectist" than anything else because the real problem of the US economy is that productivity growth is not creating more jobs in the manufacturing sector due to several factors, including the boom of the service sector and the increasing automation (the use of robots). Therefore, the root of the problem is not that jobs have gone to other countries. Trump is wrong (3).

Let's go back to Latin America. ECLAC says that the increase in fiscal resources due to the super-cycle of commodity prices generated greater employment and a positive cycle of redistributive policies that "marked a break with the past and that probably improved the population's perception of the globalization process".

But now that we have the "thin cows" period, that boom is over and will lead to an increase in social and political tensions. In addition, the Region, including Peru, did not take advantage of this super cycle to transform its production matrix towards greater value added and, thus, continues to depend on raw materials exports.

And we are in diapers in the economy of the future, which is increasingly based on the revolution of the digital economy (Internet economy). That is what Asian countries did, starting with China, because they did not believe the Ricardian tale of specialization according to our static comparative advantages. But in Latin America we have stumbled again on the same stone.

Corollary: We are facing a huge paradigm shift that no longer supports the free trade theses of 200 years ago nor the Bretton Woods agreements of 1944. That is the crux of the matter.

(1) Dani Rodrik, The Globalization Paradox, 2011.

http://www.rci.rutgers.edu/~triner/UFFseminar/RodrikParadox.pdf

See Chapter 3: Why doesn´t everyone get the case for free trade?

(2) CEPAL, Panorama de la inserción internacional de América Latina y el Caribe, 2015.

http://repositorio.cepal.org/bitstream/handle/11362/39010/4/S1501143_es.pdf

(3)http://www.businessinsider.com.au/krugman-tweets-on-manufacturing-labor-market-jobs-donald-trump-2016-11

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2017 -- a thunderous clash of politics, economies and policies

What a tumultuous year this will be, with the effects of a Trump presidency and the possible turmoil in currencies and capital flows. This preview of the year ahead was written on 2 January 2017.

By Martin Khor

Yet another new year has dawned. But 2017 will be a year like no other.

There will be a thunderous clash of policies, economies and politics worldwide. We will therefore be on a roller-coaster ride, and we should prepare for it and not only be spectators on the side-lines in danger of being swept away by the waves.

With his extreme views and bulldozing style, Donald Trump is set to create an upheaval if not revolution in the United States and the world.

He is installing an oil company chief as the Secretary of State, investment bankers in key finance positions, climate sceptics and anti-environmentalists in environmental and energy agencies and an extreme rightwing internet media mogul as his chief strategist.

US-China relations, the most important for global stability, could change from big-power co-existence with a careful combination of competition and cooperation, to outright crisis.

Trump, through a phone call with Taiwan's leader and subsequent remarks, signalled he could withdraw the longstanding US adherence to the One China policy and instead use Taiwan as a bargaining card when negotiating economic policies with China. The Chinese perceive this as an extreme provocation.

He has appointed as head of the new National Trade Council an economist known for his books demonising China, including "Death by China: Confronting the Dragon".

Trump seems intent on doing an about-turn on US trade and investment policies, starting with ditching the Trans Pacific Partnership Agreement and re-negotiating the North American Free Trade Agreement.

Other measures being considered include a 45% duty on Chinese products, extra duties and taxes on American companies located abroad, and even a 10% tariff on all imports.

Thus 2017 will see a rise in protectionism in the US, the extent still unknown. That is bad news for those developing countries whose economies have grown on the back of exports and international investments.

Europe in 2017 will also be preoccupied with its own regional problems. The Brexit shock of 2016 will continue to reverberate and several European countries facing elections will see challenges to their traditional values and established order from xenophobic and narrow nationalist parties.

As Western societies become less open to the world and more inward looking, developing countries should revise their development strategies and rely more on domestic and regional demand and investments.

As North-South economic relations decline, this should also be the moment for expanding South-South cooperation, spurred as much by necessity as by principles.

2017 may be the year when resource-rich China, with its huge Road and Belt initiative and its immense financing capacity, fills in the economic void created by western trade and investment protectionism.

But this may not be sufficient to prevent a finance shock in many developing countries now beginning to suffer a reversal of capital flowing back to the US, attracted by the prospect of higher interest rates and economic growth.

Several emerging economies which together received many hundreds of billions of dollars of hot money in recent years are now vulnerable to the latest downturn phase of the boom-bust cycle of capital flows.

Some of these countries opened up their capital markets to foreign funds which now own large portions of government bonds denominated in the domestic currency, as well as shares in the equity market.

As the tide turns, foreign investors are expected to sell off and transfer back a significant part of the bonds and shares they bought, and this new vulnerability is in addition to the traditional external debt contracted by

the developing countries in foreign currencies.

Some countries will be hit by a terrible combination of capital outflow, reduced export earnings, currency depreciation and an increased debt servicing burden caused by higher US interest rates.

As the local currency depreciates further, the affected countries' companies will have to pay more for servicing loans contracted in foreign currencies and imported machinery and parts, while consumers suffer from a rapid rise in the prices of imports.

On the positive side, the currency depreciation will make exporters more competitive and make tourism more attractive, but for many countries this will not be enough to offset the negative effects.

Thus 2017 will not be kind to the economy, business and the pockets of the common man and woman. It might even spark a new global financial crisis.

The old year ended with mixed blessings for Palestinians. On one hand they won a significant victory when the outgoing President Obama allowed the adoption of a UN Security Council resolution condemning Israeli settlements in occupied Palestinian territories by not exercising a veto.

The resolution will spur international actions against the expansion of settlements which have become a big obstacle to peace talks.

On the other hand the Israeli leadership, which responded defiantly with plans for more settlements, will find in Trump a much more sympathetic President. He is appointing a pro-Israel hawk who has cheered the expansion of settlements as the new US ambassador to Israel.

With Trump also indicating he will tear up the nuclear power deal with Iran, the Middle East will have an even more tumultuous time in 2017.

In the area of health care, the battle for affordable access to medicines will continue, as public frustration grows over the high and often astronomical prices of patented medicines including for the treatment of HIV AIDS, hepatitis C, tuberculosis and cancers.

There will be more powerful calls for governments to curb the excesses of drug companies, as well as more extensive use of the flexibilities in the patent laws to counter the high cost of medicines.

Momentum will also increase to deal with antibiotic resistance which in 2016 was recognised by political leaders meeting at the United Nations to be perhaps the gravest threat to global health.

All countries pledged to come up with national action plans to counter antibiotic and anti-microbial resistance by May 2017 and the challenge will then be to review the adequacy of these plans and to finance and implement them.

Image: Alamy

The new year will also see its fair share of natural disasters and a continued decline in the state of the environment. Both will continue to be major issues in 2017, just as the worsening of air pollution and the many earthquakes, big storms and heatwaves which marked the previous few years.

Unfortunately low priority is given to the environment. Hundreds of billions of dollars are allocated for highways, railways and urban buildings but only a trickle for conservation and rehabilitation of hills, watersheds, forests, mangroves, coastal areas, biodiversity or for serious climate change actions.

2017 should be the year when priorities change, that when people talk about infrastructure or development, they put actions to protect and promote the environment as the first items for allocation of funds.

This new year will also be make or break for climate change. The momentum for action painfully built up in recent years will find a roadblock in the US as the new President dismantles Obama-initiated policies and measures.

The Paris agreement, which was adopted in December 2015 and which came into force in record time in October 2016 as a demonstration of international concern over climate change, may face a major test and even an existential challenge in 2017, if Trump fulfils his election promise to pull the US out.

But Trump and his team will face resistance domestically including from state governments and municipalities which have their own climate plans, and from other countries determined to carry on without the US on board.

Indeed if 2017 will bring big changes initiated by the new US administration, it will also generate many counter actions to fill in the void left in the world by a withdrawing US or to counter its new unsettling actions.

Many people around the world, from politicians and policy makers to citizen groups and community organisers are already bracing themselves to come up with responses and actions.

Indeed 2017 will be characterised by the Trump effect but also the consequent counter-effects.

There are opportunities to think through, alternatives to chart and reforms to carry out that are anyway needed on the global and national economies, on the environment, and on geo-politics.

Most of the main levers of power and decision-making are still in the hands of a few countries and a few people, but there has also been the emergence of many new centres of economic, environmental and intellectual capabilities and community-based organising.

2017 will be a year in which ideas, policies, economies and politics will all clash, thunderously, and we should be prepared to meet the challenges ahead and not only be spectators.

South Centre Statement at the G77 and China Geneva Handover Ceremony

The Group of 77 and China (Geneva Chapter) held a Changeover Ceremony on 10 January 2017 at the Palais Des Nations in Geneva to mark the passing of the baton of Chairmanship from Ambassador Wayne McCook of Jamaica to Ambassador Modesto Mero of Tanzania. The South Centre was invited to be present and to speak at the ceremony. Below is the statement presented by Mr. Vicente Paolo Yu, Deputy Executive Director, South Centre.

Your Excellency Ambassador Hector Marcelo Cima, Your Excellency Ambassador Wayne McCook, Your Excellency Ambassador Modesto Mero, Secretary General Kituyi, distinguished guests, it is my pleasure to be here on behalf of the South Centre to witness this annual rite of transition of leadership in the Group of 77 and China in Geneva.

Let me express, however, the apologies and best wishes of Mr. Martin Khor, Executive Director of the South Centre, who could not be here today.

The year 2016 was a year of great activity and accomplishment by the Group of 77 and China in Geneva, under the able and distinguished leadership of Ambassador McCook of Jamaica and Ambassador Cima of Argentina, particularly in the negotiations up to and during UNCTAD XIV and in the post-UNCTAD XIV discussions on the implementation of the Nairobi Outcome.

The South Centre is proud to note that it worked closely with the G77's negotiators and its member States prior to and during UNCTAD XIV, contributing in that way to the success of UNCTAD XIV. Our work at the South Centre derives its credibility and importance from the value and use that developing countries, including the Group of 77 and China, make of our work.

We also worked closely with the other G77 chapters in New York, Paris, Vienna, and Nairobi in 2016 on issues that are relevant here in Geneva and UNCTAD – such as on climate change, sustainable development goals, financing for development, environmental governance, science and education, technology development and transfer, among other issues.

We look forward to continuing this relationship with the G77 in Geneva as the attention shifts to the implementation of the Nairobi Outcome, as part of the implementation of the other key outcomes from the various multilateral conferences that took place in 2015 and 2016 – such as on the SDGs, Agenda 2030, FFD3, climate change, the WTO Nairobi Ministerial Conference.

The year 2017 will likely be a very interesting year in global politics, economics, and environment, after major political events in key developed countries that took place in the latter half of 2016 look set to redraw longstanding political and economic relationships. We could see protectionism, xenophobia, and narrow nationalism increase in developed countries, with corresponding impacts on their global policy agenda. These may in turn increase the economic uncertainty and financial shocks that many developing countries that are reliant on developed country markets are already experiencing. As the adverse impacts of climate change increase, especially on developing countries, the momentum generated by the Paris Agreement for global climate action needs to be sustained regardless of potential policy reversals that might take place in some developed countries.

While there are new uncertainties that have come up in 2017, there are also new opportunities that developing countries can take advantage of in shaping alternatives and reforms that are anyway needed on the global and national economies, on the environment, and on geopolitics. While most of the main levers of power and decision-making globally continue to be controlled by developed countries, developing countries now have increasing opportunities to organize themselves better, through collective action guided by their own research and analysis, in order to become the shapers and drivers of global policy.

There will also be many issues and many opportunities for the Group of 77 and China, its individual members, and the South Centre to work together on issues other than those in UNCTAD. Just to highlight a few, the global economic situation is still very fragile with developing countries being adversely affected more and more; WTO discussions are likely to ramp up with the preparations for the 11th WTO Ministerial Conference; the climate change negotiations for the rules on the implementation of the Paris Agreement are now ongoing; there continues to be major policy discussions taking place at WIPO; issues relating to health – in particular in relation to antibiotic resistance. On these issues and more, the South Centre stands ready to work together with the Group of 77 and China to promote and protect developing countries' rights and interests.

The South Centre is the South's own research institution that is tasked with promoting the views of the South on various development issues. We take this mandate seriously and we also look forward to the Group and your countries' support to the South Centre in carrying out this mandate. We will be interacting closely with the Group and your missions, either through meetings such as this one, or joint activities, or even individual visits and discussions, in order to strengthen the South Centre's ability to carry out its mission and to respond to your needs and interests.

We would like to thank Mr. Miguel Bautista and his team, with whom the South Centre has worked closely, as the focal point for UNCTAD's support to the Group of 77 and China, and we also look forward to working with Secretary General Kituyi and his team in furthering the interests of developing countries through UNCTAD.

Thank you very much.

South Centre Statement on the Amendment to WTO TRIPS to Ease Access to Affordable Medicine

Below is the statement of the South Centre made on 27 January 2017 on the amendment to the WTO'S TRIPS Agreement to address what is known as the "Paragraph 6 issue" which has the objective of improving access to medicines for countries lacking capacity to manufacture pharmaceutical products.

The amendment to the TRIPS agreement is aimed at helping poor countries increase their access to medicines but there are many obstacles to overcome for that to happen.

An amendment to the TRIPS Agreement that aims to facilitate the access to affordable medicines has entered into force upon approval by two thirds of the WTO Members. The amendment reflects the recognition by WTO Members of the need for the continued enhancement of global intellectual property rules to allow Members to systematically take measures to protect public health.

The amendment is the result of a negotiated solution among WTO Members, known as the Paragraph 6 system. It modifies elements of intellectual property rules under the WTO TRIPS Agreement that constrained the ability of Members to make available affordable medicines. The use of a compulsory license (allowing production or importation of a patented medicine without the agreement of the patent holder) was legally restricted to be predominantly for the domestic market. The amendment establishes new rules allowing Members to export/import limited quantities of patented medicines under certain circumstances.

During the negotiations of the Paragraph 6 system, in the context of the Doha Declaration on TRIPS and Public Health, the aspiration was to develop a system to enhance access to patented medicines at affordable prices. So far this aspiration has not materialized. To date there is only one recorded instance of the use of the system (export of an HIV/AIDS medicine from Canada to Rwanda). The reasons for the lack of use of the system have not been assessed yet in the WTO context.

The interest in the use of the Paragraph 6 system as a means to supply affordable medicines to developing countries is likely to rise. With the number of essential medicines, including biologics, under patent protection expected to increase countries without manufacturing capacity should explore all means available to increase affordable access to medicines for their people. With the amendment in place, eligible exporting and importing countries may growingly seek to use the system. This will require the adoption at the national or regional level, both by potential exporting and importing countries, of streamlined, easy to follow rules and procedures that ensure legal certainty and an effective operation of the system.

The United Nations Secretary General's High Level Panel on Access to Medicines has highlighted the importance of designing legislation that allows for quick, fair, predictable and implementable compulsory licenses for legitimate public health needs, and recommended WTO Members to revise the paragraph 6 system in order to find a solution that enables a swift and expedient export of pharmaceutical products produced under compulsory license.

The South Centre stresses the continued importance for Least-Developed Countries (LDCs) to make full use of the special status they enjoy in not being required to adopt rules on patent protection and most other rules of the TRIPS Agreement, in order to build their technological capabilities and reduce obstacles to affordable access to medicines. The LDCs would not need, in this case, to make use of the system.

Increased action, readiness, collaboration and assistance among governments, international organizations and public and private sector entities, will be needed, both to test the effectiveness of the Paragraph 6 system and to support LDCs to build an adequate technological base.

Efforts should be made by governments and the WTO, in cooperation with other international organizations including WIPO and WHO, to encourage entities, private and/or public, to come on board with good will to help make the system operational. Close attention will need to be paid to the design of national implementing legislations and the feedback from potential user entities of the system on any hurdles they may face that diminish interest in its use. The evaluation of the system must continue in the TRIPS Council.

The South Centre shall willingly provide assistance to countries in examining national implementing legislations, and providing information to potential interested parties. Templates for facilitated implementation and meeting of conditions required under the system may be provided. Countries that are already suffering significant burdens from the lack of access to medicines should not have to face additional technical and financial burdens to make use of the system.

As a contribution to advancing the analysis of the Paragraph 6 system, the South Centre organized a side event to the TRIPS Council on 8 November 2016. (See https://www.southcentre.int/sc-side-event-paragraph-6-of-the-doha-declaration-on-trips-and-public-health-an-effective-solution-8-november-2016/.)

The South Centre is committed to continue to assist its Member States and other developing countries to participate in the evolution of the multilateral trade and intellectual property system that allows policy space to promote public health.

Climate change: Battle of interpreting Paris Agreement takes place at COP22 in Marrakech

A year after the historic Paris Agreement was adopted, the UN Climate Change Convention held its 22nd Conference of Parties in Marrakech in November 2016. The Paris Agreement has come into force, in record time, but as the COP22 showed, there are big differences on what Parties understand the Agreement to mean. The article below explains this battle of interpretation and other highlights of the Marrakech meeting.

Reuters/Stringer

Celebration at the podium at the conclusion of the Marrakech COP22 meeting. The COP has ended but the battle of interpretations of the Paris Agreement will continue this year.

By Meena Raman

A battle of interpretation over what was agreed to in the Paris Agreement took place at the annual UN Climate Conference in Marrakech in November 2016.

This battle, mainly between developing and developed countries, was the major theme at the 22nd session of the Conference of Parties (COP22) of the UN Framework Convention on Climate Change on 7-19 November.

Presided over by the Foreign Minister of Morrocco, Salaheddine Mezouar, the conference comprised the COP 22 as well as meetings of the Convention's subsidiary bodies.

A historic event was the convening of the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 1) on 15 November. It is the supreme body of the Paris Agreement (PA), which entered into force in record time on 4 November.

Much of the important work was done under a body created when the Paris Agreement was adopted, known as the Ad Hoc Working Group on the Paris Agreement (APA). The APA was tasked to craft various rules related to the implementation of the PA, commonly known as "modalities, procedures and guidelines" (MPGs).

Other Subsidiary Bodies of the Convention and other thematic bodies are also assigned tasks to implement the PA.

In Marrakech, in various meetings under the APA, there were stark divergences of views between developed and developing countries on how Parties understand and interpret the PA, though everyone agreed the PA should not be renegotiated as it was "delicately balanced."

Disagreements on interpreting Nationally Determined Contributions

The disagreement was most obvious in the APA informal consultations on what guidance to give on nationally determined contributions (NDCs), as to their features, their scope and information.

The NDCs are the heart of the PA, which all Parties have committed to undertake as their 'contributions' to the global response to climate change. The scope of the NDCs was a big fight in Paris, which led to Article 3 of the Agreement.

Article 3 states that, "As nationally determined contributions to the global response to climate change, all Parties are to undertake and communicate ambitious efforts as defined in Articles 4, 7, 9, 10, 11 and 13 with the view to achieving the purpose of this Agreement as set out in Article 2. The efforts of all Parties will represent a progression over time, while recognizing the need to support developing country Parties for the effective implementation of this Agreement."

Article 3 symbolizes the 'battle' over the nature of the agreement to ensure that the NDCs are not viewed as being 'mitigation-centric' or only focused on mitigation actions. Thus Article 3 refers to ambitious efforts to be taken on mitigation (Article 4), adaptation (Article 7), finance (Article 9), technology development and transfer' (Article 10), capacity building (Article 11) and a 'transparency framework for action and support' (Article 13).

In defining the features and information related to NDCs, the battle in Marrakech was once again on the scope of the NDCs. Developed countries and some developing countries were of the view that the focus of work on the 'further guidance' should be confined only to 'mitigation' and not include the full scope of the NDCs as referred to in Article 3.

Several developing countries led by the Like-minded developing countries (LMDC) (who were the main architects of Article 3), the African Group and the Arab Group strongly emphasised that NDCs do not only include mitigation and therefore discussions must include the whole range

UNFCCC/Flickr

Heads of states and governments take a group photo at the Marrakech COP22.

of issues in the NDCs. The LMDC was of the view that any technical work could not be advanced if this was not the understanding. They wanted a comprehensive understanding of what are NDCs so that all the components of NDCs are addressed in a balanced manner.

Developed countries could not agree to this, which led to the co-facilitators of the APA informal consultation on this matter to conclude that "there was agreement that Parties must respect the PA and the 'national determination' character of the contribution" but that "Parties had divergent views on the features of NDCs."

Hence, in the negotiations in 2017, the features of the NDCs will continue to be a major contentious matter.

The issue of differentiation between developed and developing countries and how it should be operationalized in the PA also affected other issues, including the transparency framework on action and support, facilitating implementation and compliance, the global stocktake and adaptation communications.

In the various meetings, a common conflict was over the application and operationalization of the principle of common but differentiated responsibilities and respective capabilities (CBDRRC), in the light of national circumstances, in the various articles of the PA.

Many developing countries stressed the need to integrate the CBDRRC principle in the design of the various MPGs. Developed countries disagreed and wanted a common approach to be taken by all countries and not a "differentiated" approach insisted upon by the developing countries.

Another area of contention was around the issue of the Adaptation Fund (AF) and its future under the PA. Developing countries were of the view that the decision taken in Paris was for the AF to serve the PA and that the Marrakech meeting should work to give effect to the decision.

Developed countries on the other hand did not agree that such a decision was taken and insisted that work was needed to clarify that the AF serves the PA. In the final decision adopted, the CMA decided that "the AF should serve the PA, following and consistent with decisions to be taken…" in 2018 "that address the governance and institutional arrangements, safeguards and operating modalities of the AF."

CMA1: Work programme on Paris Agreement implementation

COP 21 assigned various tasks to the subsidiary bodies of the Convention and other constituted bodies in relation to the implementation of the PA.

An issue in Marrakech was the convening of the CMA and how all Parties, including those who have yet to ratify the PA, can take part in decision-making on its implementation. Parties were in general agreement that the process has to be inclusive that enables all Parties of the Convention to craft the rules, and not only Parties that had so far ratified their membership to PA.

As expected the CMA 1 took a decision to invite the COP (which includes all Parties to the UNFCCC) "to continue to oversee the implementation of the work programme under the PA".

This decision allows the various bodies to continue and complete the work assigned to them in an inclusive manner under the COP and that further decisions will only be adopted at the CMA session in 2018. The next COP and CMA meetings will be in Bonn on 6 -17 November 2017.

The issues under the APA

Under the APA, informal consultations were facilitated by two co-facilitators on six items: (i) guidance on features, information and accounting of NDCs; (ii) guidance related to the adaptation communication; (iii) modalities, procedures and guidelines (MPGs) for the transparency framework for action and support; (iv) mat-

ters relating to the global stocktake; (v) modalities and procedures for the effective operation of the committee to facilitate implementation and promote compliance and (vi) further matters related to the implementation of the PA.

Among the most contentious items were those of the NDCs (which is reported above) and the MPGs for the transparency framework.

On the transparency framework, Parties had agreed in Article 13(1) of the PA for "an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties' different capacities …"

(The transparency framework relates to the measurement, reporting and verification of information provided by Parties, both as regards their climate actions as well as that of support which relates to the provision by developed countries of finance and receipt of these resources by developing countries).

The issues discussed were both political and technical, with the 'political' relating to how differentiation between developed and developing countries is operationalized in the MPGs.

On the overall structure of the framework, the developed countries proposed that the MPGs should be common to all Parties with built-in flexibility, while the developing countries especially from the LMDC see the MPGs themselves to be differentiated.

The United States expressed the view that the transparency framework was not divided into 'developed' and 'developing' countries but focuses on the capacity of countries to carry out the specific transparency MPGs.

The LMDC position was that the PA establishes an 'enhanced' transparency framework rather than a 'common' or 'unified' framework; that it shall be based on differentiated obligations and recognises the different capabilities and capacities of developed and developing countries; that there should be differentiation in the operationalization of the framework and that flexibility has to be accorded to all developing countries.

India in its submission stated that the existing arrangements under the Convention have shown that a common but differentiated transparency framework on action and support can be developed and implemented effectively, while preserving and reflecting equity and the principle of common but differentiated responsibility (CBDR). The Arab Group had similar positions as that of the LMDC.

digitalmajority.com

Delegates during the opening session of COP 22 in Marrakech.

Developed countries on the other hand stressed the importance of having a common transparency framework, with flexibilities for developing countries that do not have capacity. The EU identified the common MPGs in the areas of reporting guidelines; guidelines for technical expert review and for the facilitative and multilateral consideration of progress.

On the issue of 'flexibility', while all Parties agreed on the importance of providing flexibility to developing countries that need it, there were different ideas on how such flexibility could be defined and applied to the MPGs.

For the LMDC, the flexibility to be applied is for all developing countries as they have insufficient capacities in areas of statistics, institutional arrangements, necessary resources etc.

The Arab Group, China, and India further stressed that it is most important to ensure the continuance of the provision of flexibility to developing countries, through ensuring the continuity of differentiation while developing the MPGs. The flexibilities should also be provided to developing countries in a systemic nature, meaning that it is integrated into the entire transparency regime and reflected in terms of scope of reporting, frequency and level and detail of reporting.

The issue of differentiation and its operationalization will continue to be a major political battle in 2017.

The agreed conclusions of the APA noted that while there was progress on all the substantive agenda items, much remains to be done and there was need to progress on all items in a coherent and balanced manner, and to ensure a coordinated approach with regard to related matters considered under the Subsidiary Bodies.

The progress of work on the agenda items were reflected in informal notes prepared by the co-facilitators and it was agreed that the notes will be helpful for the future work of the APA.

Concerns over shifting of focus to actions post-2020 instead of pre-2020

Another area of tussle between developed and developing countries was on climate actions to be taken pre-2020 and post-2020.

Developed countries wanted the focus of climate actions to be mainly on post-2020 contributions by all countries under the PA, while developing countries emphasised the importance of the developed countries implementing their existing commitments under various decisions of the UNFCCC and the Kyoto Protocol in the pre-2020 timeframe.

The developing countries' position is understandable. As Parties celebrated the early entry into force of the PA, the Doha Amendment to the Kyoto Protocol (KP) that is supposed to give effect

green area

Delegates and NGOs, with the then UN Secretary General Ban Ki Moon joining in, proclaiming that climate action is unstoppable. This message was aimed especially at the United States, with the hope that its new President will not decide to exit from the Paris Agreement or even the UNFCCC itself .

to the second commitment period of the KP (2CP) for emissions reductions by developed countries for the period 2013-2020 has yet to come into effect.

Parties had agreed in 2012 in Doha, Qatar, to amend the KP to incorporate the 2CP where developed countries who are Parties to the KP will undertake aggregate emission cuts that would be at least 18 per cent below 1990 levels. They also agreed that developed countries will revisit their emission reduction commitments by the end of 2014, with a view to increasing their ambition level.

Regrettably, neither has the 2CP come into effect, nor has there been a revision of the ambition level for the emission cuts of developed countries thus far.

As noted by India's chief negotiator, Ravi Prasad, during the 'Facilitative Dialogue on Enhancing Ambition and Support', many developed country delegates were focusing on actions in the post 2020 time-frame. Countering this approach, he stressed that ambition could not be put off for another four years.

Thailand, representing the G77 and China, said at the closing plenary in Marrakech that "After 4 years, only 73 Parties have deposited their instruments of acceptance" (in relation to the Doha Amendment) and he reiterated the urgent need to complete the "unfinished business of pre-2020 action and ambition which are long overdue" as the "Kyoto Protocol is a fundamental building block in our post-2020 efforts."

The Marrakech talks took place against the backdrop of the release of the 'Emissions Gap Report 2016' by the United Nations Environment Programme (UNEP), which said that the world is still heading for a temperature rise of 2.9 to 3.4℃ this century, even with "Paris pledges" and that in 2030, emissions will be 12 to 14 gigatonnes above levels needed to limit global warming to 2℃.

The 'Paris pledges' refer to the intended nationally determined contributions (INDCs) that Parties have communicated to the UNFCCC secretariat that will take effect only from 2020 onwards.

The UNEP report also stated that "the need for urgent action has been reinforced by the fact that 2015 was the hottest year since modern record keeping began. Although high temperatures were exacerbated by the effect of El Niño, it is notable that 10 of the warmest years on record have occurred since 2000, and the trend continues, with the first six months of 2016 all being the warmest ever recorded."

COP 22 was touted as a "COP of action" or an "implementation COP", which promised not only to focus on issues relating to the rules for the implementation of the PA but also on pre -2020 actions which deal with the existing commitments under the Convention and the KP, including on developed countries delivering the finance commitment of mobilising USD 100 billion per year by 2020 from developed to developing countries that was agreed to in 2010.

Regrettably, there was very little to show in terms of real progress on developed countries meeting their existing pre-2020 commitments.

Controversy over the roadmap to USD 100 billion financing for developing countries

One major area of controversy was around the roadmap towards mobilising US$100 billion a year by 2020 as climate financing for developing countries, which the developed countries had committed to.

On 16 November, a Ministerial Dialogue on climate finance was convened in Marrakech. A key input for the dialogue was the report Summary of the UNFCCC's Standing Committee on Finance on the 2016 biennial assessment (BA) and overview of climate finance flows.

The 2016 BA reported that mitigation-focused finance represented more than 70% of the public finance, and that adaptation finance provided to developing countries accounts for about 25% of the total finance. The BA also highlighted that the flows of finance from developed to developing countries as reported in the biennial reports of developed countries were USD 25.4 billion in 2013 and USD 26.6 billion in 2014.

Ahead of the climate talks, developed countries launched a report by the United Kingdom and Australia entitled *'Roadmap to the USD 100 billion'*. This report drew much criticism and flak from developing countries, which challenged its legitimacy and the methodology involved in arriving at the finance numbers.

Developed countries used the report to assert their claim that they are on target to meet the USD 100 billion. The report projected that USD 62 billion was mobilised in 2014 and based on an OECD (2016) analysis, "pledges made in 2015 alone will boost public finance from an average of USD 41 billion over 2013-14 to USD 67 billion in 2020 – an increase of US$26 billion."

During the informal consultations held on the issue of long-term finance (LTF), developed countries wanted an explicit reference in the proposed decision to their 'Roadmap' and for the report to be "welcomed" but this was strongly resisted by the G77 and Chi-

na.

The final compromise in the LTF decision was the use of the terms *"the submission made by developed country Parties…"* which was an implicit reference to the 'Roadmap'.

The Marrakech Action Proclamation

The President of COP 22, the Foreign Minister of Morrocco, on 17 November issued a call, endorsed by all Parties, entitled the 'Marrakech Action Proclamation for our Climate and Sustainable Development'. Describing the call as a "new source of inspiration", Minister Mezouar said that the proclamation received the support of all Parties.

When the Moroccan Presidency first mooted the idea of issuing a document billed as the 'Marrakech Call for Action', which was the precursor to the 'proclamation', it was viewed with some concern among several developing countries that issues of importance to them were not adequately reflected in the original draft. Informal consultations were then convened on the document, and the Presidency accommodated points made by various constituencies. After a balance was achieved, the Proclamation received the support of all delegations.

Among other things, the proclamation called for the "highest political commitment to combat climate change, as a matter of urgent priority." It also called for "urgently raising ambition and strengthening cooperation…to close the gap between current emissions trajectories and the pathway needed to meet the long-term temperature goals of the Paris Agreement." It also called on developed countries to "reaffirm" the "USD 100 billion mobilisation goal."

Many saw the proclamation as an important signal to the world that Parties were committed to take forward the UNFCCC process and the Paris Agreement, despite the uncertainties associated with the election of Donald Trump as the new US President, including whether the US would remain a member of the Paris Agreement. In fact the turn of events in the US became a talking point in the corridors of the Marrakech meetings.

Issue of the 'homeless items'

The closing plenary of the first session of the CMA1 adopted a decision on matters related to the work programme under the PA in a manner that was rather confusing.

The decision was on the process forward, as regards items under the PA that were not assigned in Paris in 2015 to any of the subsidiary or constituted bodies for further work (referred to as the 'homeless items').

These 'homeless items', which were the subject of intense debate in the APA meetings, comprise the following matters: common time frames for NDCs; modalities for the recognition of adaptation efforts of developing countries; process for setting a new collective quantified goal on finance; guidance on education, training and public awareness; and modalities to communicate information on projected levels of public finance by developed countries.

Parties were divided since the beginning of Marrakech on how to handle these items, with some including Brazil wanting the issue of common time frames to be forwarded to a subsidiary body for work to commence; while others wanted all the homeless items to be dealt with comprehensively as a package.

(Time frames for NDCs relate to the length of the period of a contribution. Some parties had communicated a 5-year time frame from 2020, and others a 10-year period, thus expiring in 2025 or 2030. Brazil has been pushing for a common time frame).

There was no agreement on the issue under the APA. The Presidency then circulated a draft decision to be taken at the CMA plenary to have the APA continue its consideration of the issues next year.

However, when the Moroccan Foreign Minister as the President of CMA1 convened the meeting late on 18 November, he singled out two of the 'homeless items' for the consideration of Parties, i.e. the common time frames for NDCs and guidance on education, training and public awareness, to be forwarded to the Subsidiary Body for Implementation (SBI) for work to commence.

This seemed to contradict the draft decision that the treatment of the homeless issues be postponed to next year.

Bolivia raised the issue of this inconsistency. The President then put forward the proposed decision, which was approved.

The President then invited Parties to consider the issues of the common time frames and education and training and proposed to send these items to the SBI for work to start.

Bolivia said that it could not support the proposal by the President as it meant that there would be follow-up on a specific issue (of common time frames for NDCs) which appeared to be mitigation-centric. It also said that there was need for a comprehensive and holistic approach on all the 'homeless items' in a single package, and not singling out a few issues, and wanted this matter discussed at the next meeting (of the APA).

Brazil did not agree with Bolivia and asked Bolivia to reconsider its position. A discussion took place, with some supporting Brazil and one country supporting Bolivia.

After a break for consultation, the CMA President said there was no agreement and proposed that Parties move forward.

Brazil persisted and asked Parties to consider forwarding the two issues to the SBI's next session. South Africa, speaking for BASIC (Brazil, South Africa, India and China) said that it could go along with the President's proposal (of forwarding the two issues to the SBI).

The CMA1 President then proposed to send the two items to the SBI for its consideration at its 47th session and he gavelled this proposal.

After the meeting ended, several Parties and observers indicated they were confused as to how the proposal by the President was going to be reflected when the decision that was adopted reflected a different approach and no amendments to the decision were made to reflect the COP President's proposal. This issue could be raised again in 2017.

Meena Raman is Senior Legal Advisor and Head of the Climate Change Programme of the Third World Network (TWN).

Enhancing South-South Cooperation in Climate Change and SDGs

The South Centre participated in the High Level Forum on South-South Cooperation in Climate Change held during the United Nations Framework Convention on Climate Change's Twenty-Second Conference of the Parties (UNFCCC COP22) on 14 November 2016 in Marrakech. The forum was organised by the United Nations Education Programme (UNEP). Below is the intervention made by the Centre's Deputy Executive Director Vicente Paolo Yu during the event.

The South Centre's Deputy Executive Director Vicente Paolo Yu making his intervention during the High Level Forum on South-South Cooperation in Climate Change.

By Vicente Paolo Yu

I would like to thank the organizers for inviting the South Centre, the intergovernmental think tank of developing countries.

For the South Centre, South-South cooperation (SSC) has long been a reality for the South. It is reflected in the long history of political, economic, social, and development cooperation that many developing countries have been undertaking with each other.

South-South cooperation is shaped by the ideals of developing countries working together in a spirit of equality and mutual respect for each other's sovereignty and independence in order to promote their mutual development in the context of their different national circumstances. These were first articulated in the 1955 African-Asian Conference in Bandung that led to the creation of the Non-Aligned Movement and the 1964 Charter of Algiers creating the Group of 77. Since then, these key ideals of mutual cooperation and assistance and respect for national sovereignty have also been reflected in the various regional integration instruments created by developing countries in Africa, Asia, the Pacific, and Latin America and the Caribbean; and continually reiterated in the various multilateral summits and ministerial declarations issued by the NAM and the Group of 77. These are the ideals that the South Centre was established to promote, and assist developing countries in promoting, when our Centre was established in 1994 after the South Commission.

The most recent articulation of these South-South cooperation principles are in the G77's 2008 Yamoussoukro Principles of South-South Cooperation adopted by the G77 Ministerial Meeting in 2008.

In this context, let me respond to the guide questions from the moderator:

What are the capacities and priority that need to be developed? Of great priority for SSC in relation to climate change and SDGs are the following capacities:

• Institutional capacity for both the delivery and absorption of SSC-sourced finance, technology and expertise, at the national, regional, and multilateral level among developing countries.

• Policy integration capacity to enable developing countries to appropriately integrate SSC support into long-term sustainable development and climate change planning and implementation.

• Resource capacity needs to be generated, both internally within developing countries and externally to enable greater levels of SSC support to flow among developing countries.

What modalities offer the greatest potential for SSC and how could nationally determined contributions (NDCs) benefit from them? SSC modalities that offer the greatest potential would be those that capitalize and focus on enhancing the ability of developing countries themselves to define their priorities, shape their programmes and projects, and enhance direct cooperation among themselves through their national, regional or multilateral institutions. These modalities will have to be diverse, given the nature of SSC that these modalities will have to respond to.

In this context, though, SSC modalities must focus on fostering a PEERS-based process of cooperation among developing countries. This process can be best encapsulated by the acronym PEERs: **P**eople are important and should focus on creating a community of practitioners and experts among developing countries and their institutions focused on enhancing and strengthening SSC initiative together; **E**xchanging expertise and experience on SSC among developing countries; **E**stablishing SSC institutions and processes at the national, regional, and multilateral level, particularly in the

institutions of the South and within multilateral partners such as the United Nations; **R**esources are crucial and must be provided if SSC is to become a major driver for supporting action among developing countries on climate change and SDGs; and **S**trategic Southern thinking and the shaping of SSC policy directions by the South is crucial in order to generate long-term ownership and engagement.

As practically applied to NDCs, a PEERS-based modality would reflect, for example, a focus on creating a broader community of national-level developing country expertise through cross-country exchanges among developing countries in relation to the preparation of, readiness for, and implementation of NDCs. This would include looking at how support could be provided to build or strengthen national and regional institutions that can support the strategic and sustainable development-oriented integration of NDCs (including its mitigation and adaptation components) into national long-term development plans and programmes. Such a modality would allow NDCs to be developed and implemented in a manner that becomes country-owned, nationally-appropriate and nationally-determined, and consistent and coherent with the country's national development, poverty eradication, and industrialization policies and strategies.

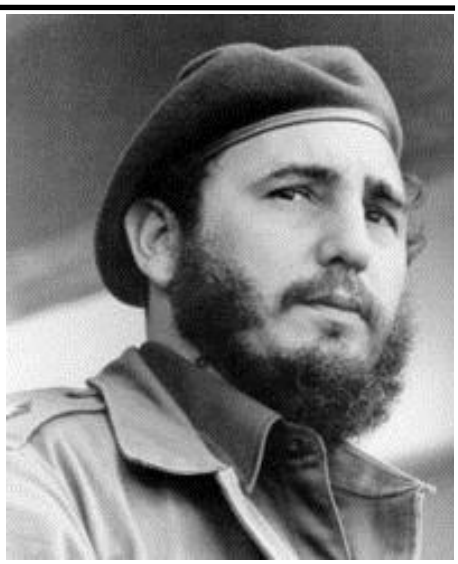
International community stakeholders, including IGOs, the UN, and the public sector, can best facilitate and support pragmatic SSC activities by:

- Prioritizing and focusing on expanding the developing country community of practitioners and experts on SSC in relation to climate change and SDGs;
- Working with developing countries and their institutions to develop institutional capacity – e.g. through ministries - for SSC activities in relation to NDCs and SDGs that would assist developing countries in integrating NDC- and SDG-related actions and policies into their national development planning and programmes;
- Assisting in and facilitating cross-country flows of SSC-related resources, including finance and technology, by working with developing country governments and their regional and multilateral institutions so as to ensure that such flows are mutually supportive of the policy priorities of the participating countries in relation to NDCs, SDGs and their national development priorities.

Vicente Paolo Yu is the Deputy Executive Director of the South Centre.

South Centre Chairman's Letter of Tribute on Fidel Castro

The Chairman of the South Centre, H.E. Benjamin Mkapa, former President of Tanzania, has sent a letter to the President of Cuba H.E. Raul Castro to extend the Centre's condolences on the passing away of President Fidel Castro, who was a friend and supporter of the Centre and the South Commission. Below is the letter.



A young Fidel Castro.

28 November 2016

Excellency,

It is with deep sorrow that we have learned of the passing of your dear brother, the late President Fidel Castro, one of the most visionary leaders of our contemporary history, a great thinker and a tireless combatant against social injustice and for a fair and equitable world order.

President Fidel Castro left a comfortable life to join the struggle for a better world for the poor. When in power, he established innovative and beneficial policies in the social and economic spheres notably in health and education which have become a model for many countries. With President Fidel Castro's vision, Cuba has become one of the most valuable examples of the values of international solidarity as the country has proven through its many actions to be a faithful and leading actor for solidarity with people throughout the world and especially in developing countries.

President Fidel Castro was one of the closest friends of the South Centre. His contributions to our organization and our work goes back to the times of the South Commission presided by the late President Julius Nyerere with whom President Castro enjoyed a great friendship and many memorable times. Both have joined hands to speak and work against many injustices and inequities in the world. And they both fought for a more equal and just world for all.

We at the South Centre are indebted to President Fidel Castro for his support and friendship, and for the example he set in his work and his life.

On behalf of the Board of the South Centre and the staff of the Secretariat, I would like to express our deepest condolences to the government and the people of Cuba and we join you in mourning the loss of one of the greatest leaders of the South.

Please accept the condolences of the Chairman, the Board and the staff of the South Centre, of which Cuba is a leading member. Our thoughts are with his family and the Cuban people.

Benjamin William Mkapa

Chairman of the Board of the South Centre

SOVEREIGN DEBT RESTRUCTURINGS:

Impact of soft and hard laws as well as investment and trade agreements

UNCTAD organized a special event of the Second Committee of the United Nations General Assembly on 26 October 2016 in New York on "SOVEREIGN DEBT RESTRUCTURINGS: Lessons learned from legislative steps taken by certain countries and other appropriate action to reduce the vulnerability of sovereigns to holdout creditors". Ms. Yuefen Li, Special Advisor on Economics and Development Finance of the South Centre, spoke as a panelist and alerted the UN Member States of the current legislative challenges facing the sovereigns when it comes to the need for sovereign debt restructuring including the impact of the plurilateral and bilateral trade and investment agreements. Below is her presentation.

By Yuefen Li

National and international measures: Lessons learned

The recent global financial crisis was mainly caused by too much debt. However, the crisis resolution so far has been largely through creating more debt. With sluggish global demand, declining international trade and the end of the commodity super cycle, there have been plenty of warnings by the UN, the IMF, investment banks and etc about the increasing vulnerabilities of countries from different income groups in maintaining debt sustainability. In the current situation, the lack of sovereign debt restructuring mechanism has been considered by more and more people as a missing link of the international financial architecture. Yet when it comes to legislative steps, it has been proven to be extremely difficult. The tempo of such legislative developments has been one step forward and two steps backward, meaning we have seen small progresses yet some big setbacks.

The following is a brief account and analysis of some recent major developments relating to legislative steps at multilateral, plurilateral, regional and national levels. It will be by no means exhaustive:

At the multilateral level, legislative steps for sovereign debt restructuring have taken too long and achieved too little. Since a few major countries put to sleep the 2003 IMF-led initiative on the Sovereign Debt Restructuring Mechanism (SDRM), the United Nations General Assembly (UN GA) resolution of September 2015 on "Basic Principles on Sovereign Debt Restructuring Processes" has been the major positive progress. The UN resolution should be considered as a milestone. The resolution was based on years of research and consensus building by the UNCTAD secretariat. The principles laid the foundation and the premises of sovereign lending and borrowing. However, political resistance has made it difficult for the UN to push the initiative to a more inclusive and substantive phase. This situation should be reversed. Recent communiques from the G20 and BRICS summits have indicated renewed international attention to the issue. Even though the UN GA principles are voluntary, their significance is great because it was from UN and endorsed by most of the UN Member States.

Like what happened after the SDRM debate, with the global financial crisis, main attention has been turned to contractual improvements of bonds, whose outcomes are welcoming and important, but cannot solve systemic issues. For instance the new Collective Action Clause (CAC) can be

Panorama of the United Nations General Assembly. The Second Committee is the Economic and Financial Committee of the General Assembly.

almost irrelevant in cases when the issue of a bond is very small as holdout creditors could easily buy up bonds up to the threshold level of 75% even with the aggregation clause; when there is 100% ownership of one bond or note; and most importantly for outstanding bonds without CACs. So the stock problem is a major challenge. In addition systemic issues and coordination problems among different types of bonds are not addressed. Therefore the need for a mechanism is still very much there.

At the plurilateral level, we have seen an explosion of investment and trade agreements and treaties, the most well known being the Trans Pacific Partnership (TPP) Agreement which has been signed but not yet ratified and the Trans Atlantic Trade and Investment Partnership (TTIP) Agreement which is still under negotiation. The TPP has an investment chapter which includes investor-state dispute settlement (ISDS) which in a complicated way subjects sovereign debt restructuring to ISDS. The Comprehensive Economic and Trade Agreement has similar arrangements. For TTIP, it considers bonds as a type of investment, thus ISDS will also prevail. Meanwhile, the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank has already accepted its jurisdiction over sovereign debt disputes. Such developments are potential major legislative setbacks in achieving fair, efficient and orderly debt restructuring. Because we know bondholders are not traditional investors, we know under bilateral trade and investment agreements holdout creditors have repeatedly used arbitration in ICSID to get the highest returns on their holdout bond. We also know that judges in ICSID are not elected like the judges in the appellant body of the WTO. There are also complaints about their qualifications which should be looked into. According to these complaints, some ICSID judges are or have been linked with the private sector economically, can defend private investors in one case and sit in the chair of the judge for the next case. The issue of conflict of interests has been repeatedly raised. It is highly doubtful that the current set-up of ICSID could handle sovereign debt disputes fairly.

The North American Free Trade Agreement (NAFTA) excludes sovereign debt from the definition of investment altogether. It would be very important to exclude bond debt from international investment agreements (IIAs) which are binding and enforceable. The leaked out content of the Regional Comprehensive Economic Partnership has specifically mentioned that bonds including government issued bonds are protected as investment. In the case that it is agreed to and implemented in the future, legal fragmentation in debt restructuring would be further complicated.

What's the point of the UN and the IMF discussing a debt workout mechanism when the IIAs have already laid out the framework (to be elaborated) and ICSID has already been passing rulings on sovereign debt disputes?

For legislative steps taken at regional level: The European Stability Mechanism (ESM) has made some legislative progress. The ESM does not only make CACs mandatory which is good, but also has a Shark cage approach which extends the sovereign immunity to assets meant for crisis resolution. The sharks refer to holdout creditors, the cage refers to the immunization of assets. The sharks cannot attack or attach these assets, thus reducing the incentives for holdout creditors. It is in the same vein for the UK's and Belgium's legislative actions. In principle, the more assets are being immunized the better, and the less incentives for the holdout creditors. However, whether or not TTIP could override such ESM is a question being examined.

For legislative steps taken at national level, both Belgium's and the UK's laws are effective in reducing the incentives of holdouts. The UK Act is strictly limited to Heavily Indebted Poor Countries (HIPC) debts. The Belgian 2015 law is broader. I admire and applaud Belgium which has had two laws, in 2008 and 2015 against vulture funds. The latest one is very significant. It is to cap the returns for the bonds vulture funds bought at the secondary market. The law takes holdout creditors insisting being paid 100% of the face value of the bonds bought at dirt cheap price as having "illegitimate advantage". It is remarkable that the law was endorsed in the parliament with 100% endorsement. I gave an example in a published piece of mine. The example is if a person buys something during Christmas sales at a huge discount and goes back to the shop to demand reimbursement at the original price, people would think this guy is insane and unethical. But for holdout creditors who bought when creditors are facing economic difficulties, they think it is their birth right to claim the face value of the bonds**.** If we reach international consensus on what is an 'illegitimate advantage' on the part of holdout creditors, we will basically reduce drastically the incentives for holdouts. However, this is a big if, because the law has already been legally challenged by some hedge funds.

Some commentators think the UK legislation is very narrow as it covers only HIPC debt and only within UK soil. Nevertheless it is valuable. It does reduce the incentives for holdouts and stopped one very unethical case against a low income country.

However we also have set backs at the national level. Among the major ones, are losses caused by bilateral investment and trade agreements. In the absence of a clear and coherent regime, some investors have made their claims through ICSID. The international community should make it very clear that bilateral trade and investment agreements are not equipped to govern global financial issues when it comes to sovereign debt restructuring.

There are other setbacks at national level. The NML big win over Argentina is a setback for sovereign debt restructuring, even though it is necessary for Argentina to reenter the international capital market. The case of Greece is another. There are also other cases.

In conclusion, the United Nations should continue to work on the issue based on the 2015 GA resolution. In addition it is of paramount importance to ensure that the TPP, TTIP and other plurilateral and bilateral trade and investment agreements do not govern sovereign debt restructuring matters and leave sovereign debt to national governments and multilateral institutions including the United Nations and the IMF.

Yuefen Li is the Special Advisor on Economics and Development Finance of the South Centre.

South Centre and FAO sign agreement to promote food security and South-South cooperation

A new agreement between the South Centre and the UN Food and Agriculture Organization (FAO) was signed with the aim to strengthen their efforts in promoting South-South Cooperation and to improve food security, boost rural development, and address climate change in the Global South.

Vicente Paolo Yu, Deputy Executive Director of the South Centre, and Maria Helena Semedo, FAO Deputy Director-General for Natural Resources, during the ceremony of signature of the Memorandum of Understanding.

Building upon years of collaboration, a new framework of cooperation was signed on 11 November 2016 between the South Centre, the intergovernmental organization of developing countries, and the United Nations Food and Agriculture Organization (FAO).

With the signing of the Memorandum of Understanding (MoU) the two leading organizations have agreed to strengthen ties and to establish a framework for co-operation based on their accumulated experience in policy research and analysis, technical cooperation and capacity building activities to support developing countries in their efforts to eliminate hunger and malnutrition, reduce poverty, address climate change and achieve sustainable rural development under the framework of South-South cooperation, adding to global efforts to the achievement of the Agenda 2030 for sustainable development.

The five-year cooperation agreement was signed by Ms. Maria Helena Semedo, FAO Deputy Director-General for Natural Resources, and Mr. Vicente Paolo Yu, Deputy Executive Director of the South Centre, on the sidelines of the 22nd Conference of the Parties to the UN Framework Convention on Climate Change (COP22) taking place in Marrakech from 7 to 18 November 2016.

FAO and the South Centre share a common global interest in supporting developing countries in their efforts to overcome major development challenges such as eradication of poverty, promotion of food and nutrition security, climate change, and the achievement of sustainable development.

This partnership comes at a good time when cooperation among developing countries are gaining a new momentum and looking ahead at the commemorations of the 40th anniversary of the first UN Conference on Technical Cooperation among Developing Countries held in Buenos Aires in 1978, a landmark event for South-South Cooperation and for the role of UN agencies and other international organizations in boosting such format of cooperation. A series of celebrations will take place in 2018.

"We look forward to moving expeditiously in the implementation of our cooperation agreement in order to help developing countries enhance South-South cooperation in pursuing sustainable development, food security, and enhancing climate change actions," said the Deputy Executive Director during the ceremony of signature in Marrakech.

The agreement is a landmark in enhancing the institutional cooperation between FAO and the South Centre to address the development challenges particularly facing developing countries arising from acute and chronic food insecurity and malnutrition, natural resource degradation and climate change which will support actions that would contribute to better access and exchange of information and expertise in the field of food security and agriculture production in the context of trade and investment agreements; the promotion of sustainable agriculture including organic and agro-ecology farming; biodiversity and genetic resources benefit sharing for developing countries; and climate change and agriculture.

It includes also cooperation programmes, for capacity development through sharing expertise, technologies and know-how via a wide range of exchange modalities including short-term and medium- to long-term expertise; policy dialogue; learning routes, study tours and training; in-kind and technical solution exchange. Both organizations also agreed to develop and implement joint capacity building activities for policy makers in developing countries and assist developing countries in their implementation of actions pursuant to the outcomes of major international conferences under the United Nations.

The South Centre is an intergovernmental organization of developing

(Continued on page 23)

UN Human Rights Council creates position of Special Rapporteur on the Right to Development

Marking the commemorations of the 30th anniversary of the adoption of the Declaration on the Right to Development, the Human Rights Council approved a resolution (A/HRC/33/L.29) to establish the position of a Special Rapporteur on the Right to Development. This decision reaffirms the value of the right to development as one of the key instruments in the implementation of the 2030 Agenda for Sustainable Development and other internationally agreed outcomes of 2015. Below is a report on the session which adopted the resolution.

By Adriano José Timossi

The commemorations of the 30th anniversary of the adoption of the Declaration on the Right to Development by the UN General Assembly gained a new momentum on 29 September 2016, with the adoption by the Human Rights Council of a resolution (A/HRC/33/L.29) which established a mandate for a Special Rapporteur on the Right to Development. The draft of the resolution was presented by Venezuela on behalf of the member states of the Non-aligned Movement and China, and was adopted by a vote of 34 in favour, two against and 11 abstentions.

The Council decided to appoint, for a period of three years, a Special Rapporteur on the right to development, whose mandate will include:

- To contribute to the promotion, protection and fulfilment of the right to development in the context of the 2030 Agenda for Sustainable Development and other internationally agreed outcomes of 2015.

- To engage and support efforts to mainstream the right to development among various United Nations bodies, development agencies, international development, financial and trade institutions, and to submit proposals aimed at strengthening the revitalized global partnership for sustainable development from the perspective of the right to development.

- To contribute to the work of the Working Group with a view to supporting the accomplishment of its overall mandate, taking into account, inter alia, the deliberations and recommendations of the Working Group while avoiding any duplication.

- To submit any specific study by the Human Rights Council in accordance with its mandate.

- To submit an annual report to the Human Rights Council and to the General Assembly covering all activities relating to the mandate.

In his remarks introducing the draft proposal, **Ambassador Mr. Jorge Valero (Bolivarian Republic of Venezuela), on behalf of the Non-Aligned Movement (NAM),** recalled that in the Vienna Declaration and Programme of Action on the Right to Development, the Council committed to elevate the right to development to the same level as other human rights and fundamental freedoms.

"The Right to Development means to build societies where human dimension, social justice and equality and freedom prevail on Mother Earth… to overcome asymmetries that exist in the international system and to achieve juridical equality of states, and where demands for collective happiness are satisfied," he said.

"The mandate of Special Rapporteur on the Right to Development will contribute to the work of the Working Group in the accomplishment of this important mandate," he further stated. The mandate holder in its work will be complementary and will not duplicate or overlap with the work of the Working Group, he emphasized.

India's Permanent Representative to the UN in Geneva, Mr. Ajit Kumar, added India's support to the draft resolution, while also congratulating Venezuela for assuming office as the Chair of the Non-Aligned Movement and the Islamic Republic of Iran for its able leadership of the NAM in the past four years.

Ambassador Kumar said that the resolution was a "clear expression of the strong commitment of Member States to reinvigorate and advance the discussions on the Right to Development within the Council and its mechanisms."

"Regrettably, even after 30 years of the adoption of the UN Declaration on the Right to Development and 17 years of Working Group meetings, the right to development remains a distant reality," he said. "There is an urgent need to infuse new energy and purpose to deliberations of the Working Group so that it can fulfill its mandate in a time bound manner. Any argument in favour of the *status quo* would be highly unjustifiable," he stated. The ambassador reaffirmed the support of his country to "proposals that aim to overcome existing obstacles and consider new ways to take the Working Group deliberations to the next level."

Speaking on the value of the new mandate holder in the context of the imple-

(Continued from page 22)

countries established in 1995. It currently has 53 Member States and its main objective is to promote South-South cooperation and sustainable development through policy research, analysis, advice and capacity building in developing countries.

FAO is a Specialized Agency of the United Nations system, established in 1945 to raise levels of nutrition and standards of living for all people in FAO Member Nations; to secure improvements in the efficiency of production and distribution of food and agriculture; to contribute toward expanding world economy and ensure humanity's freedom from hunger and malnutrition in an economically, socially and environmentally sustainable manner.

Source: FAO and the South Centre Secretariats.

Related information:

The South Centre and FAO step up cooperation to intensify South-South activities: http://www.fao.org/news/story/en/item/451757/icode/

South Centre website: https://www.southcentre.int

FAO website: http://www.fao.org

mentation of the Agenda 2030 and the SDGs, Ambassador Kumar highlighted that "SDGs are universal and equally applicable to all countries, big and small, rich or poor, developed and developing. The Right to Development can provide a balanced, comprehensive and enabling framework to strengthen the global partnership to achieve these ambitious goals in a sustainable manner while promoting all human rights for all." He stressed that "the fresh perspective and expertise that a Special Rapporteur can bring will greatly contribute to elaborating such a framework while complementing the work of the Working Group without duplicating mandates."

The establishment of the new special procedure mandate on the right to development is a befitting way to accord the priority, attention and resources that realization of this fundamental right deserves. He concluded in urging all Member States to "shun any reservations they may have and extend their full support to the resolution".

South Africa's Permanent Representative to the United Nations in Geneva, Ambassador Nozipho Joyce Mxakato-Diseko, speaking on behalf of the African Group expressed the support of the African continent for the draft resolution proposed by NAM and China. Ambassador Mxakato-Diseko underscored that 2016 was a crucial year for the start of the implementation of the 2030 Agenda for Sustainable Development.

"We cannot talk about the promotion and protection of human rights without addressing the challenges of poverty, underdevelopment and inequality, which continue to impact developing countries negatively," she stressed.

The African Group underscored the need for a strong commitment by Member States of the UN and all relevant programmes, funds and agencies to work together for the full realization of the Right to Development. The African Group also recalled the need to mainstream the right to development in the policies and operational activities of the UN and its specialized agencies, programmes and funds. She concluded that "the right to development is about the constant improvement of the quality of life for all peoples everywhere."

Ambassador Anayansi Rodríguez Camejo, Permanent Representative of Cuba stressed that the Right to Development remains one of the highest priorities of developing countries.

While expressing strong support for the proposals contained in the draft resolution, in particular the creation of a special rapporteur, she stressed that "it will be crucial to ensure all material support and human resources necessary for the new mandate holder to perform their duties on an equal footing with other procedures and contribute to the work of the Working Group on the Right to Development, as has been proposed", she stated.

"Far from seeing this new process as a waste of resources or unnecessary duplication, as alleged by some developed countries, we should see it as a new hope for millions of people around the world and to the goal of achieving an enabling international environment for development, in which all countries, without distinction or interference, may define their own models and policies, consistent with their conditions and realities", Ambassador Camejo added.

[A few days previously at the high-level meeting to mark the 30th anniversary of the adoption of the Declaration on the Right to Development, in New York, Cuban Deputy Foreign Minister Abelardo Moreno said: "The right to development cannot continue to be denied among the family of human rights or its true priority be disregarded. Similarly, the use of technicalities to hamper the setting up of a Convention on the Right to Development that paves the way to its materialization should end"].

However, Slovenia, speaking on behalf of the European Union, opposed the creation of another mechanism that "would duplicate efforts". EU was also not in favour of an international legal standard of a binding nature, to which the draft resolution has a reference. The EU said that "diverging views remained and a common position had not been reached so far", and concluded that the EU would not be able to support the resolution.

The United Kingdom, speaking in an explanation of the vote said "that the primary responsibility for ensuring that the right to development was realized was owed to citizens by States". The UK is also against an international legal standard of a binding nature. The Human Rights Council agenda was already overloaded and the appointment of a Special Rapporteur would detract from more pressing items, the delegate said. The United Kingdom, a member of the Council, called for a vote on the text and would vote no, "despite its support for the right to development", the delegate concluded.

Adriano José Timossi is a Senior Programme Officer of the Global Governance for Development Programme (GGDP)at the South Centre.

The Human Rights Council takes place in Room XX at the Palais des Nations in Geneva, with the beautiful ceiling by Spanish abstract artist Miquel Barceló.

SOUTH BULLETIN

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