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A new protectionist threat: the US "border adjustment" tax

A new protectionist device, the US "border adjustment" tax, is being planned that could devastate the exports of developing countries and cause American and other foreign companies to relocate. The first article explains the complexities and implications of this proposed measure. The major question of whether such a measure will violate the rules of the WTO is examined in the second article.



Chip Somodevilla/Getty Images

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Beware of the new US protectionist plan, the border adjustment tax

A new protectionist device is being planned in the United States that could devastate the exports of developing countries and cause American and other foreign companies to relocate. The complexities and implications of the proposed border adjustment tax are explained in this article. This is the first of a two part series on the US border tax plan.



The border adjustment tax is part of a tax reform blueprint "A Better Way" whose chief advocates are Republican leaders Kevin Brady, Chairman of the House Ways and Means Committee (left), and Paul Ryan, speaker of the House of Representatives (right).

By Martin Khor

A new and deadly form of protectionism is being considered by Congress leaders and the President of the United States that could have devastating effect on the exports and investments of American trading partners, especially the developing countries.

The plan, known as a border adjustment tax, would have the effect of taxing imports of goods and services that enter the United States, while also providing a subsidy for US exports which would be exempted from the tax.

The aim is to improve the competitiveness of US products, drastically reduce the country's imports while promoting its exports, and thus narrow the huge US trade deficit.

On the other hand, if adopted, it would significantly reduce the competitiveness or viability of goods and services of countries presently exporting to the US. The prices of these exports will have to rise due to the tax effect, depressing their demand and in some cases make them unsalable.

And companies from the US or other countries that have invested in developing countries because of cheaper costs and then export their products to the US will be adversely affected because of the new US import tax.

Some firms will relocate to the US. Potential investors will be discouraged from opening new factories in the developing countries. In fact this is one of the main aims of the plan – to get companies to return to the US.

The plan is a key part of the America First strategy of US President Donald Trump, with his subsidiary policies of "Buy American" and "Hire Americans."

The border adjustment tax is part of a tax reform blueprint "A Better Way" whose chief advocates are Republican leaders Paul Ryan, speaker of the House of Representatives and Kevin Brady, Chairman of the House Ways and Means Committee.

President Trump originally called the plan "too complicated" but is now considering it seriously. In a recent address to congressional Republicans, Trump said: "We're working on a tax reform bill that will reduce our trade deficits, increase American exports and will generate revenue from Mexico that will pay for the (border) wall."

The proposal has however generated a tremendous controversy in the US, with opposition coming from some Congress members (including Republicans), many economists and American companies whose business is import-intensive.

It however has the strong support of Republican Congress leaders and some version of it could be tabled as a bill. Whether it will be passed remains to be seen.

Trump had earlier threatened to impose high tariffs on imports from countries having a trade surplus with the US, especially China and Mexico.

This might be a more simple measure, but is so blatantly protectionist that it will trigger swift retaliation, and would almost certainly be found to violate the rules of the World Trade Organization.

The tax adjustment plan may have a similar effect in discouraging imports and moreover would promote exports, but it is more complex and thus difficult to understand.

The advocates hope that because of the complexity and confusion, the measure may not attract such a strong response from US trading partners.



Tax
June 24, 2016
better.gop

The report, "A better way," produced in June 2016, is now the subject of intense discussion in Congress and in the public. It is not clear whether it will be adopted by Congress.

Moreover they claim it is permitted by the WTO and are presumably willing to put it to the test.

In the tax reform plan, the corporate tax rate would be reduced from the present 35% to 20%. The border adjustment aspect of the plan has two main components. Firstly, the expenses of a company on imported goods and services can no longer be deducted from a company's taxable income. Wages and domestically produced inputs purchased by the company can be deducted.

The effect is that a 20% tax would be applied to the companies' imports.

This would especially hit companies that rely on imports such as automobiles, electronic products, clothing, toys and the retail and oil refining sectors.

The Wall Street Journal gives the example of a firm with a revenue of \$10,000 and with \$5,000 imports, \$2,000 wage costs and \$3,000 profit. Under the present system, where the \$5,000 imports plus the \$2,000 wages can be deducted, and with a 35% tax rate, the company's taxable total would be \$3,000, tax would be \$1,050 and after-tax profit would be \$1,950.

Under the new plan, the \$5,000 im-

ports cannot be deducted and would form part of the new taxable total of \$8,000. With a 20% tax rate, the tax would be \$1,600 and the after-tax profit \$1,400.

Given this scenario, if the company wants to retain his profit margin, it would have to raise its price and revenue significantly, but this in turn would reduce the volume of demand for the imported goods.

For firms that are more import-dependent, or with lower profit margin, the situation may be even more dire, as some may not be financially viable anymore.

Take the example of a company with \$10,000 revenue, \$7,000 imports, \$2,000 wages and \$1,000 profit. With the new plan, the taxable total is \$8,000 and the tax is \$1,600, so after tax it has a loss of \$600 instead of a profit of \$1,000.

The company, to stay alive, would have to raise its prices very significantly, but that might make its imported product much less competitive. In the worst case, it would close, and the imports would cease.

The economist Larry Summers, a former Treasury Secretary, gives a similar example of a retailer who imports goods for 60 cents, incurs 30 cents in labour and interest costs and then earns a 5 cent margin. With 20% tax, and no ability to deduct import or interest costs, the taxes will substantially exceed 100% of profits even if there is some offset from a stronger dollar.

On the other hand, the new plan allows a firm to deduct revenue from its exports from its taxable income. This would allow the firm to increase its after-tax profit.

The Wall Street Journal article gives the example of a firm which presently has export sales of \$10,000, cost of inputs \$5,000, wages \$2,000 and profit \$3,000. With the 35% corporate tax rate, the tax is \$1,050 and after-tax profit is \$1,950.

Under the new plan, the export sales of \$10,000 is exempt from tax, so the company has zero tax. Its profit after tax is thus \$3,000. The company can cut its export prices, demand for its product increases and the company can expand its sales and export revenues.

At the macro level, with imports reduced and exports increased, the US can cut its trade deficit, which is a major aim of the plan.

On the other hand, the US is a major export market for many developing countries, so the tax plan if implemented will have serious adverse effects on them.

The countries range from China and Mexico, which sell hundreds of billions of dollars of manufactured products to the US; to Brazil and Argentina which are major agricultural exporters; to Malaysia, Indonesia and Vietnam which sell commodities like palm oil and timber and also manufactured goods such as electronic products and components and textiles; Arab countries that export oil; and African countries that export oil, minerals and other commodities; and countries like India which provide services such as call services and accountancy services to US companies.

American industrial companies are also investors in many developing countries. The tax plan if implemented would reduce the incentives for some of these companies to be located abroad as the low-cost advantage of the foreign countries would be offset by the inability of the parent company to claim tax deductions for the goods imported from their subsidiary companies abroad.

Perhaps the most vulnerable country is Mexico, where many factories were established to take advantage of tariff-free entry to the US market under the North American Free Trade Agreement. President Trump has warned American as well as German and Japanese auto companies that if they make new investments in Mexico, their products would face high taxes or tariffs on entry, and called on them to invest in the US instead.

After the implications of the border adjustment plan are understood, it is bound to generate concern and outrage from the United States' trading



Companies like Walmart that sell a lot of imported goods in the US will be affected by the proposed tax bill and are protesting against it.

nies including giants Walmart and Apple are strongly against the border tax plan, and an influential Republican, Steven Forbes, owner of Forbes magazine, has called the plan "insane."

It is not yet clear what Trump's final position will be. If he finds it too difficult to use the proposed border tax, because of the effect on some American companies and sectors, he might opt for the simpler use of tariffs.

In any case, whether tariffs or border taxes, policy makers and companies and employees especially in developing countries should pay attention to the trade policies being cooked up in Washington, and voice their opinions.

Otherwise they may wake up to a world where their products are blocked from the US, the world's largest market, and where the companies that were once so happy to make money in their countries suddenly pack up and return home.

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partners, in both South and North, if implemented. They can be expected to consider immediate retaliatory measures.

A former undersecretary for international business negotiations of Mexico (2000-2006), Luis de la Calle, said in a media interview: "If the US wants to move to this new border tax approach, Mexico and Canada would have to do the same....We have to prepare for that scenario."

In any case, it can be expected that countries will take up complaints against the US at the WTO. The proponents claim the tax plan will be designed in a way that is compatible with the WTO rules.

But many international trade law experts believe the tax plan's measures will violate several of the WTO's principles and agreements, and that the US will lose if other countries take up cases against it in the WTO dispute settlement system.

This prospect may however not decisively deter Trump from championing the Republicans' tax blueprint and signing it into law, should Congress decide to adopt it.

The President and some of his trade advisors have criticised the WTO's rules and have mentioned the option of leaving the organisation if it prevents or impedes the new America First strategy from being implemented. If the US leaves the WTO, it would of course cause a major crisis for international

trade and trade relations.

There are many critics of the plan. Lawrence Summers, a former US Treasury Secretary, warns that the tax change will worsen inequality, place punitive burdens on import-intensive sectors and companies, and harm the global economy.

The tax plan is expected to cause a 15-20% rise in the US dollar. "This would do huge damage to dollar debtors all over the world and provoke financial crises in some emerging markets," according to Summers.

While export-oriented US companies are supporters, other US compa-



The sale of cars imported into the US will be much affected by the equivalent of a 20-25% tax if the Republican tax plan is adopted.

The planned US border tax would most likely violate WTO rules

As the US Congress and President consider whether to introduce a border adjustment tax, a major question is whether such a measure will violate the rules of the World Trade Organization. Experts have good reason to believe the tax in several ways go counter to the WTO. But there are also shortcomings in the WTO system that could limit its usefulness in stopping the US if it is determined enough. This is the second of a two part series on the US border tax plan.



The WTO, based in Geneva, will most likely hear cases against the US if the border adjustment tax proposal is adopted.

By Martin Khor

As American lawmakers and the Trump administration prepare the ground for introducing a border adjustment tax, many controversial issues have emerged, including whether they go against the rules of the World Trade Organization.

The border tax is part of the overhaul of the US corporate tax system proposed by Republican Congress leaders and appears to have the support of President Donald Trump.

If adopted, the tax measure is sure to attract the opposition of the United States' trading partners, as their exports to the US will have the equivalent of a 20% tax imposed on them, whereas the exports from the US will be exempted from a 20% corporate tax.

The tax on US imports, without the same being applied to US-made products, discriminates against foreign products, and US exports being exempted from taxes is tantamount to being an export subsidy.

How will this be taken at the WTO, the guardian of the multilateral trading system?

US Congressman Kevin Brady, chairman of the House Ways and Means Committee, and the plan's main advocate, is convinced the plan is WTO-consistent, but has yet to explain why.

On the other hand, many trade and legal experts think the plan violates the principles and rules of the WTO, although they caution that a final opinion is possible only when the language of the law is known.

Their general view is as follows: Firstly, the inability to deduct import expenses from a company's tax (while allowing deductions for locally sourced products and services and wages) discriminates against imports vis-à-vis domestic products, and violates the national treatment principle of the WTO and the rules of the General Agreement on Tariffs and Trade (GATT) which specify that imports must be treated no less favourably than similar locally produced goods.

Secondly, the exemption of export revenues from the taxable income would be most likely assessed as a prohibited export subsidy under the WTO's subsidies agreement.

The renowned international trade expert, Bhagirath Lal Das, says that there are two separate issues to be considered: firstly, the differential treatment of a domestic product used as input and a like imported product used as similar input in domestic production; and secondly, the differential tax treatment of income based on whether the product is domestically consumed or exported.

On the first issue, Das says: "Some reports indicate that the proposal is to deduct the cost of domestic input (product) from the income while computing the tax, whereas there is no such deduction if a like imported input (product) is used in the production. If this be the case, such a provision will clearly violate the principle of national treatment contained in Article III of the GATT 1994."

[Article III.4 reads: "The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than accorded to like products of national origin in respect of all laws, regulations and requirements affecting their...use."]

Adds Das: "If the 'use' of the domestic product results in tax reduction whereas the 'use' of the like imported



US President Donald Trump meeting US business sector representatives. The business community in the US is split with some companies opposed to and some supporting the border tax plan.

If some countries do take up cases, it takes as long as three to four years for a case in the WTO to wind its way through panel hearings and to a final verdict at the Appellate Body, and for the winning Party to get the go-ahead to take retaliatory action. During that period, the US can continue with its laws and practices.

If the US loses, it need not pay any compensation to the successful Party for having suffered losses. Moreover, in the past, when it loses cases at the WTO, the US has typically not complied with the orders made on it. Even if it does comply, it needs to do so only in respect of the Parties that brought the action against it; it need not do so for other Parties.

If it does not comply, the complainant countries are allowed to take retaliatory action by blocking US goods and services from entering their markets up to an amount equivalent to the losses they have suffered. This retaliatory action can only be taken by those countries that successfully took up the cases.

Thus, the US may decide to implement the border adjustment taxes and wait two to four years before a final judgment is made at the WTO, and for retaliatory action to be allowed by the WTO. It can meanwhile reap the benefits of its border tax measures.

Another possibility is that Trump may make good his threat to leave the WTO, if important cases go against it. That would cause a major crisis for the WTO and for international trade.

With regard to the WTO process, Raghavan said: "Apart from the difficulties of taking up cases in the WTO, including costs, the lengthy process and no retrospective damages when any WTO member, raises a dispute, the onus of proving the violation is on them.

"To the best of my knowledge, in none of the rulings against US, requiring changes in law or regulations, has the US implemented them, and even major trading partners have been chary of taking retaliation action.

"Countries that are affected, could act to unilaterally deny the US some rights; but they cannot justify that this is retaliation, until there is a ruling in their favour."

American advocates of the border

product does not get similar treatment, clearly the imported product will get "less favourable" treatment. And that will violate the principle of national treatment contained in Article III. Even without going into the fine print of the provisions of subsidy, such a provision can be successfully challenged in the WTO on this ground."

On the second issue, Das commented: "Some reports indicate that the proposal is to differentiate between the earning from domestic sale and that from export in the matter of taxation in respect of a product. Here it would appear that the exemption of the tax is conditional on export. Thus some revenue is forgone conditional on export. This practice will clearly qualify for being categorised as export subsidy which is prohibited under Article 3 of the WTO's Subsidy Agreement."

Das cites a case of an American company, the Domestic International Sales Corporation (DISC). A portion of its profit which was engaged in export was tax free. The EEC, the predecessor of EC, raised a dispute in the GATT in 1973. The matter was delayed for a long time until in 1999 a panel at the WTO ruled that the US practice was in fact an export subsidy and was prohibited.

"This case may not be exactly the same as the currently anticipated proposal, but it does point to the fallibility of providing government benefit contingent on export," says Das.

Das was formerly Chairman of the General Council of GATT, Indian Ambassador to GATT, and subsequently Director of Trade in the UN Conference on Trade and Development, and has written many books on the WTO and its agreements.

According to another eminent expert on the WTO, Chakravarthi Raghavan, whether the US law is considered "legal" depends on the language of the law and its actual effects.

"There is little doubt that the "pith and substance" of the Republican border tax proposal or ideas will be in violation of Articles II and III of GATT and Article 3.1 of the Subsidies Agreement."

Raghavan, Chief Editor Emeritus of the South-North Development Monitor, followed and analysed the negotiations of the Uruguay Round and of the WTO on a daily basis ever since.

Countries can challenge the US at the WTO and if they succeed the US has to change its law or face retaliatory action. The winning party can block US exports to it equivalent in value to the loss of its exports to the US.

However, there are many shortcomings with the WTO dispute system. Few countries have the courage or financial resources to take up cases against the US.

adjustment tax plan have claimed that it is similar to a value added tax (VAT) which is considered by the WTO to be a legitimate measure; and thus that the border adjustment tax would also be compatible with the WTO.

Almost all major developed countries have instituted the VAT system, with the notable exception of the US. The Republican Congress leaders and Trump have argued that this places the US at a disadvantage in its trade relations because the VAT system imposes a tax on imports, whilst allowing companies to obtain a refund for taxes paid on their exports.

They claim the border tax would correct this disadvantage that the WTO should similarly recognise the border tax as legitimate.

However, several well-known economists and lawyers are of the opinion that there are important differences between the VAT and the border tax.

There are two parts of their arguments. Firstly, the VAT imposes taxes on both imports and locally produced goods and services and therefore does not discriminate against imports; whereas the border tax system imposes a tax on imports whilst excluding domestic inputs and wages from tax, which therefore discriminates against imports. Secondly, the VAT system does not subsidise exports, whereas the border tax system does.

In a 1990 paper, Martin Feldstein and Paul Krugman found that the VAT does not improve the trade competitiveness of countries using it. They said: "The point that VATs do not inherently affect international trade flows has been well recognised in the international tax literature...A VAT is not a protectionist measure."

Krugman, in a recent blog, reiterated that "a VAT does not give a nation any kind of competitive advantage, period." But a destination-based cash flow tax like the border adjustment tax has a subsidy element that "would lead to expanded domestic production."

In another paper, Reuven Avi-Yonah and Kimberly Clausing from Michigan Law School and Reed College respectively analyse the difference between the VAT and the proposed border adjustment tax and why the former is WTO-consistent whereas the latter would violate WTO rules.

They said: "U.S. trading partners are likely to be hurt in several ways. The effects of the wage deduction render the corporate cashflow tax different from a VAT, and these differences have the net effect of increasing the incentive to operate in the United States.

"In addition, such a tax system would exacerbate the profit shifting problems of our trading partners, since the United States will appear like a tax haven from their perspective."

Economists also agree that the border tax will raise the value of the US dollar but there is a debate as to how long this will take and by how much it will rise.

If the dollar appreciation is significant, this may have an adverse effect on countries that hold debt in US dollars, as they would have to pay out more in their domestic currency to service their loans. This would include many developing countries with substantial dollar-denominated debts of the public or private sectors, and some of them may tip into new debt and financial crises.

According to former US Treasury Secretary Lawrence Summers: "Proponents of the plan anticipate a rise in the dollar by an amount equal to the 15 to 20 per cent tax rate. This would do huge damage to dollar debt-

ors all over the world and provoke financial crises in some emerging markets."

From the above, it is clear that a border tax measure by the US would have terribly adverse, if not horrendous, effects on the economies of its trading partners, the world trade system and even the stability of global finance.

Using the WTO's dispute system to discipline the US would be a useful way of countering such an action, but this will have limited effect if the US administration is determined to pursue its new protectionist device, and will also involve a lengthy process, and thus damage will be done for several years.

Some countries, like Mexico, are already considering more immediate counter-actions, matching a unilateral US measure with a similar unilateral counter-measure. Making these intentions known may get the US administration and the Congressional Republicans to think twice.

Prevention is better than cure, especially if the cure involves a trade war of giant proportions. How to succeed in prevention is the really big question.



The WTO's Appellate Body in session: There are many shortcomings with the WTO dispute system that could limit its usefulness in stopping the US if it is determined enough.

Border tax proposal, WTO rules and how developing countries could respond

In the article below, the well-known international trade expert and author of several books on the WTO agreements BL Das provides a comment on why the US proposal on introducing a border adjustment tax system would violate the rules of the World Trade Organization, and what responses the developing countries could consider should the proposal be put into effect.



Mike Segar / Reuters

The whole framework of international trade will change quite drastically if the US eventually adopts the border adjustment tax.

By Bhagirath Lal Das

A proper examination of the impending US action can be done only after the US issues the order. Right now there is a lot of confusion on what is coming. Besides, many terms in the US trade parlance have local connotation; hence some of them can be fully understood only through specific US examples. However we should be prepared with our views based on whatever provisional information is available at present.

As I see, there are two separate issues to be considered:

i. differential treatment of a domestic product used as input and a like imported product used as similar input in domestic production;

ii. differential tax treatment of income based on whether the product is domestically consumed or exported.

Let us take the first issue. Some reports indicate that the proposal is to deduct the cost of domestic input (product) from the income while computing the tax, whereas there is no such deduction if a like imported input

(product) is used in the production. If this be the case, such a provision will clearly violate the principle of national treatment contained in Article III of the GATT 1994.

Article III.4 reads: "The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than accorded to like products of national origin in respect of all laws, regulations and requirements affecting their....use."

If the "use" of the domestic product results in tax reduction whereas the "use" of the like imported product does not get similar treatment, clearly the imported product will get "less favourable" treatment. And that will violate the principle of national treatment contained in Article III. Even without going into the fine print of the provisions of subsidy, such a provision can be successfully challenged in the WTO on this ground.

Now the second issue. Some reports indicate that the proposal is to differentiate between the earning

from domestic sale and that from export in the matter of taxation in respect of a product. Here it would appear that the exemption of the tax is conditional on export. Thus some revenue is foregone conditional on export. This practice will clearly qualify for being categorised as export subsidy which is prohibited under Article 3 of the Subsidy Agreement.

In fact the US has gone through a similar exercise once earlier. That is the famous DISC case, the case related to the Domestic International Sales Corporation (DISC). Here a portion of the profit of DISC which was engaged in export was tax free. EEC, the predecessor of EC, raised a dispute in the GATT in 1973. The US went on delaying this matter as was possible in the GATT those days, including giving a new shape and name to the organisation (Foreign Sales Corporation, FSC).

Finally, when the WTO came into being, a panel ruled in 1999 that the US practice was in fact an export subsidy and was prohibited. Thus the matter which was dragging on for about 26 years got finally settled. This case may not be exactly the same as the currently anticipated proposal, but it does point to the fallibility of providing government benefit contingent on export.

Possible responses by developing countries

The main problem with the current proposal lies in the motive behind it. Some members of the present US administration stated at some stage that they would consider policies and measures even at the very edge of the WTO or by stretching the WTO to the extent possible. Thus what we should be anticipating are policies and measures with questionable WTO compatibility and perhaps clearly violating the WTO rules.

The main problem in that situation is that the other countries will have to launch a series of disputes in the WTO which will be very burdensome for the developing countries. Besides, the dispute process can take up to

about twenty-seven months in getting final relief and that too without any retrospective relief. Then a chain of such disputes in the WTO against the US may have a political cost for the developing countries and that will weigh heavily while they decide to initiate the disputes.

These appear to be the problems which need the thinking and attention of developing countries. Perhaps, instead of going to the dispute process or along with going to the dispute process, some countries may consider taking some action of their own in the area of goods, services, IPRs and even other areas. But that needs determination. Here are some illustrative examples of the possible actions the developing countries could take.

In the area of goods, many of them have comparatively high "bound" tariffs, particularly in the agriculture sector. They could select some items and raise their MFN tariffs anywhere up to the bound tariffs. Such raising of tariffs in the agriculture sector is likely to be effective in the case of the US where agriculture is a sensitive issue. And raising of MFN tariffs unto the level of "bound" tariff will be fully in conformity with the WTO rules.

In the area of services, the developing countries could select such services on which they have not taken obligations under the GATS. Here they could prescribe some high restrictions for entry, for example, prescribing entry fees etc. Even where they have taken obligations under the GATS, they could select some sectors and some conditions and apply restrictions to the full in case they have not done so earlier. They could select services which may be sensitive for the US.

In the area of IPRs, they could apply the provisions of "compulsory license" liberally in order to encourage domestic producers and discourage foreign producers, particularly those from the US. Naturally this should be done in accordance with their domestic laws which they have formulated on the Patent.

Bhagirath Lal Das is the author of several books on the WTO and on international trade. He is a former Director of International Trade at the UNCTAD, and a former Ambassador of India to the GATT and Chairman of the GATT General Council.

Some simple criteria for examining WTO compatibility of certain policies and measures

The US proposal on imposing a border tax on its imports whilst exempting its exports from corporate tax has led to increased interest on whether certain measures being considered by the US or other countries are compatible with the rules of the World Trade Organization. In this article, an expert on the WTO agreements Mr. B.L. Das gives a simple explanation of criteria that can be used to determine if a policy or a measure is in violation of three relevant WTO rules -- on national treatment, domestic subsidy and export subsidy.

By Bhagirath Lal Das

National Treatment

If a country gives some benefit to a domestic product and does not give such benefit to a like imported product, it violates the provision of national treatment contained in Article III of the GATT 1994.

[An exception is that a country may give subsidy to a domestic product without giving it to a like imported product. But subsidy has its own discipline as given later.]

Thus if a manufacturing firm gets a tax benefit for using a domestic intermediate product in the manufacture and such benefit is denied when the manufacturer uses a similar imported intermediate product, such measure/policy will violate the national treatment principle. For example, if the taxable income of the firm is reduced by deducting the cost of a domestic intermediate product and such deduction is not done when a similar imported intermediate product is used, the national treatment principle will be violated.

A country can impose import duty on an imported product up to the level of its commitment of bound duty.

A country cannot impose any other charge on the imported product if it does not impose such charge on a similar domestic product.

Domestic Subsidy

If a manufacturing firm or a specific manufacturing sector gets direct transfer of funds from the government or if the government forgoes some tax which would have been normally imposed on it, such measure/policy will be treated as domestic subsidy.

A domestic subsidy, by itself, does not violate WTO Subsidy rules. Violation occurs when another country is able to prove that:

the subsidy causes injury to its domes-

tic production (by the import of such product from the subsidizing country), or

the subsidy prejudices this country's export interest in a third country (for example, by competition in the third country market).

If a country gives a subsidy to industry in general (i.e., not limiting it to a specific unit or to a specific industrial sector), such subsidy is not actionable and thus it does not violate WTO Subsidy rules. For example, a country may prescribe that it will exempt a part of income from tax in the case of all industrial firms with a maximum annual turn over of US\$ 50,000 or those employing at least 10 physically handicapped persons. It will not violate WTO Subsidy rules.

Subsidy is also permissible for some specific reasons and purposes, e.g., those for research and development, for development of disadvantaged regions, for adaptation to environmental standards etc. Specific criteria and limits have been prescribed for such subsidy.

Export Subsidy

If a benefit is given by a country to a firm or for a product, making it conditional on export, such benefit is treated as export subsidy. Export subsidy is prohibited under WTO Subsidy rules.

Thus if a country exempts the export income of a firm from taxation, it violates the WTO Subsidy rules.

Refund of (or exemption from) taxes and other charges imposed in the production process of the export product (including such taxes and charges applicable to the prior stage production) is not export subsidy. Also, refund of import duty imposed on the intermediate products used in the manufacture of the export product is not export subsidy. (The basic idea is that internal taxes and charges are meant for the people who reside in this country and not for the residents of other countries.)

South Centre Briefing on Global Economic Trends and Geneva Multilateral Processes

Developing country delegations filled a conference room at the UN building, the Palais des Nations, in Geneva on 13 February 2017 to reflect on the challenges of the current global political and economic environment. They also discussed prospects for Geneva multilateral processes, including in the WTO, UNCTAD, WIPO and WHO. The South Centre organized the briefing in cooperation with the Group of 77 and China and the Group of 15. This article reports on some of the key messages of the briefing.



Opening panel: from left to right -- Dr. Yılmaz Akyüz, Chief Economist of the South Centre; Ambassador Tehmina Janjua (Pakistan), Vice Chair of the G77 and China (Geneva Chapter); Ambassador Ajit Kumar (India), Vice Convenor of the Council of Representatives of the South Centre; and Mr. Vicente Yu, Deputy Executive Director of the South Centre.

The South Centre held a briefing on 13 February 2017 at the Palais des Nations in Geneva for developing countries on global economic trends and their linkages to multilateral processes. After welcome remarks by **Mr. Vicente Paolo Yu III**, Deputy Executive Director of the South Centre, **Mr. Ajit Kumar**, Permanent Representative of India to the UN in Geneva, opened the briefing, speaking in his capacity as the Vice-Convenor of the Council of Representatives of the South Centre.

Ambassador Kumar presented a broad outline of the emerging global economic scenario and how it may affect developing countries. He stressed the importance of South-South Cooperation as well as the Sustainable Development Goals and their relation to the right to health, the right to development, innovation and intellectual prop-

erty. He spoke on the linkages between the achievement of the SDGs and the new challenges that are now facing developing countries, especially increasing protectionism and populism in developed countries.

"The 2030 Agenda for Sustainable Development envisions ending the scourge of poverty within our lifetime; it is a charter for development that comes with common but differentiated responsibilities", he highlighted.

"The world we entered in 2017 is marked by unevenness, possibilities, uncertainties, known and unknown unknowns" he said. "The return of economic nationalism with resulting prospects of rising protectionism may satisfy some disgruntled political constituencies but is sure to have an adverse impact on the global economy,

especially the developing world", he said.

Ambassador Kumar pointed out that developing countries will now have to live with a "new normal" that relies on boosting domestic demand and national industrialization and to rely on each other through expanding and strengthening South-South Cooperation. Ambassador Kumar also noted that, "as we have often reiterated at this forum, South-South Cooperation cannot be a substitute for North-South Cooperation and it cannot be looked through the glass of a measuring flask". The full statement is available [here](#).

Panel Session 1: "Global economic conditions and prospects"

The first panel session on "Global economic conditions and prospects" was chaired by **Ambassador Tehmina Janjua**, Permanent Representative of Pakistan in Geneva and Vice Chair of the G77 and China (Geneva Chapter), and featured a keynote presentation by **Dr. Yılmaz Akyüz**, Chief Economist of the South Centre.

Ambassador Janjua is the newly appointed Foreign Secretary of Pakistan, the first woman to hold this important diplomatic post in the country's history. In her prefatory remarks to Dr. Akyüz's presentation, Ambassador Janjua said that "Dr. Akyüz is an economist whose analysis and insights have influenced the thinking of developing countries on international economic and trade issues". She also recalled that as the principal author of the UN Conference on Trade and Development's (UNCTAD) annual Trade and Development Report for many years, and in his subsequent writings, Dr. Akyüz has consistently questioned economic orthodoxy and encouraged developing countries to push for policy options that would lead to more just and equitable economic outcomes. She added that Dr. Akyüz's writings influenced the views and perspectives of many developing countries.

Ambassador Janjua flagged three challenges which increasingly preoccupy developing countries. First, the persistent challenge of managing capitalist economies in order to maintain growth, in the face of domestic and external pressures, and addressing political and economic inequalities that affect global stability. This also means looking at financial resource flows and the role of policy space for developing countries. Second, managing of the global trade system which is now under attack. Third, addressing the challenges that emerging technologies pose and what developing countries should do to benefit from these technologies.

In his presentation, **Dr. Yılmaz Akyüz** focused on three main issues. First, the recent trends in the world economy (GDP, trade, trade balances, commodity prices, capital flows, reserves, currencies and markets in the South). Secondly, and more importantly, he highlighted medium term prospects, taking into account some structural systemic problems, mainly inequality, the demand gap and financial fragility and uncertainties in three key economies – the US, EU and China, issues covered in the South Centre's recent research paper *Inequality, Financialization and Stagnation* (available for download [here](#)). Finally and briefly, the policy issues for developing countries in three key areas: macroeconomic policy response to shocks in the South; rethinking global economic integration; and rethinking global economic governance.

The world economy is in a bad shape. Global growth is the lowest since the financial crisis, Dr. Akyüz highlighted. Advanced economies are in bad shape mainly because of misguided policies in response to the crisis which included fiscal orthodoxy, creditor bailouts, imposing austerity on debtors, and exceptional, ultra-easy monetary policy.

"Economic recovery in the US has been faster than in Europe but weak (GDP growth of 2% since 2009 against historical 3%) and there is growing inequality and fragility. The Eurozone was unable to resolve its financial crisis let alone economic and social crisis. The Greek debt problem is still unresolved. Recovery as a whole was completed in the Eurozone only in 2016 but income is still below the pre-crisis levels in many countries with unemploy-

ment still high and not falling", he stated.

Developing countries had an exceptional growth until 2009 but from 2011 onwards lost momentum and there is a feeling that the crisis is moving in a third phase to the South. "The reason is that our exceptional growth performance before 2008 and rapid recovery from the crisis were due not so much to our improved economic growth fundamentals (investment and productivity) as to exceptional global conditions, both in finance and commodity prices. When these disappeared, growth fell and converged to the depressed levels of developed countries". Today growth in the South is half of what it was on the eve of the crisis, he concluded.

Dr. Akyüz also addressed three policy issues for developing countries in their efforts to face major turmoils – macroeconomic policy, global integration and global governance.

"There is a need for some kind of solidarity. A common reflection may be needed among developing countries about the policy response against the next major turmoil", Dr. Akyüz said.

"Many developing countries have become enthusiastic about globalisation", he recalled, and referred to UNCTAD's first report on this topic released in 1997 which concluded that "globalisation would create two things: greater inequality and instability", and in fact this is what is happening.

"We also said that "it is likely that the North may walk away out of it as the South". Dr. Akyüz was the Director of the UNCTAD Division responsible for the above referred report at that time. See the Trade and Development Report 1997 [here](#).

"We (developing countries) left our development too much to global market forces", Dr. Akyüz stated, mentioning the reliance on TNCs and international financial firms, and excessive dependence on foreign capital and foreign markets. "In some cases we have one of the worst income distributions. Income is heavily concentrated but we have one of the lowest savings and investment rates and we expect foreign investment to come and give us a boost".

"We need rebalancing, and I am not suggesting autarky, but strategic integration that will support your develop-

ment", he said.

Since Trump won the election in the US there is a concern among developing countries about the US retreating from globalisation, dismantling FTAs like TPP or NAFTA. TPP was not about trade, said Akyüz. "It was more about TNCs finding a free space to enter without any interference from national or international bodies in their operations".

On NAFTA, Dr. Akyüz said that "everybody seems to be unhappy. The US is unhappy, Mexico should be unhappy because it has had a very poor performance in growth, wages, productivity and poverty under NAFTA".

Akyüz added: "The question is often posed on whether trade or investment is a zero sum game among nations but I do not think that nations are the correct focus here. I do not think it is nations that lose or gain. It is people, corporations, workers, farmers, banks etc. So, perhaps we should focus more on different segments rather than nations as a whole. In other words, we should move from a nations-based analysis of globalisation to a class-based analysis of globalisation" he argued.

Panel Session 2: "Linkages between key Geneva multilateral processes and the South's development interests"

The second panel was chaired by **Ambassador Ravinatha Aryasinha**, Permanent Representative of Sri Lanka to the UN in Geneva and Chair of the Group of 15. It had two presentations. The first presentation on the "Outlook for WTO MC11 and key issues for developing countries" was by **Ms. Aileen Kwa**, Coordinator, Trade for Development Programme, South Centre and the second presentation on "Outlook for innovation and health issues and implications for developing countries" was by **Dr. Viviana Muñoz-Tellez**, Coordinator, Development, Innovation and Intellectual Property Programme, South Centre. Three ambassadors also took part in the panel: **Dr. François Xavier Ngarambe**, Permanent Representative of Rwanda; **Mr. Xavier Carim**, Permanent Representative of South Africa to the WTO and **Mr. Guilherme Patriota**,



The second panel in progress. From left to right: Ms. Aileen Kwa, Coordinator, Trade for Development Programme, South Centre; Mr. Xavier Carim, Permanent Representative of South Africa to the WTO; Dr. François Xavier Ngarambe, Permanent Representative of Rwanda; Mr. Ravinatha Aryasinha, Permanent Representative of Sri Lanka and Chair of the Group of 15; Mr. Vicente Yu, Deputy Executive Director of the South Centre; Dr. Viviana Muñoz-Tellez, Coordinator, Development, Innovation and Intellectual Property Programme, South Centre; and Mr. Guilherme Patriota, Deputy Permanent Representative of Brazil.

our investment in WTO. Africa has been asked to liberalise, without first being competitive. “We have been excited to trade before producing”. He said that this is leading to ‘a survival approach’, where Africa has depended on extracting its resources in order to match its growing imports. Aid is used to fill the gaps. In this way, Africa has become very vulnerable to external shocks, the price of commodities, and international finance.

On the digital economy and digital trade, he noted that we all need to quickly get on board and participate. However, we cannot make the same mistake again and put the cart before the horse. We first need to cover our countries with electricity, develop infrastructure, IT, customer protection rules etc. We first need to have the conditions to participate before we can talk about new rules.

For Africa to have a voice in the multilateral trading system and push its development agenda, it is important to focus on those determining factors of productivity, diversification and competitiveness which are mainly the following: reliable, effective and efficient infrastructure; well governed institutions; innovation, skills development to fill the technology gap.

Ambassador Carim of South Africa stressed that African Trade Ministers in their last meeting emphasized that in any discussion at the WTO, reaffirmation of the development mandates of the Doha round remains essential and that any discussion in the WTO should not adversely affect Africa’s continental integration ambitions. He said that at the recent meeting of selected Ministers in Oslo and Davos, there were divergences regarding the Doha mandate.

Some framed issues within the Doha mandates, others wanted the Doha Round to be consigned to history, and to deal instead with new issues. Whilst there were overlaps in possible deliverables for the next Ministerial, there was no unanimity.

There is also uncertainty as to the policy orientation of some key Members in light of changes in political leadership around the world. Hence, he said, it is very difficult to see a clear path forward for deliverables at the Buenos Aires Ministerial in December. There is a general understanding that Members will engage and look at the

Deputy Permanent Representative of Brazil.

Ms. Kwa focused on the emerging trends in relation to the Fourth Industrial Revolution and the digitization of the global economy – the ease of physical goods delivery; the rise of artificial intelligence and implications for marketing; the use of platforms across sectors; automation; the ‘servicification’ of goods; and 3D printing; and how these trends are radically disrupting existing business models.

On the other hand, developing countries are lagging far behind, still trying to adapt to the 2nd and 3rd industrial revolutions. They could suffer adverse impacts due to job losses and lack of competitiveness as a result of low skill levels and inadequate infrastructure. The economic advantages that automation and digitization currently bring to developed countries are being sought to be solidified by themselves and some others through their proposals on e-commerce in the WTO.

Dr. Muñoz-Tellez assessed the state of play at the World Intellectual Property Organization (WIPO) and the World Health Organization (WHO). She noted the work of these agencies falls under the framework of the UN SDGs that agree to bring good health to all and facilitate access to technology and knowledge. Both organizations face governance challenges, including maintaining member states’ decision

making power in light of growing dependency on external sources of financing. The election of a new head for the WHO is an opportunity. At the WIPO the main challenges are to advance a development agenda for policy space in the design and implementation of intellectual property rules to balance protection and access, and to stir WIPO’s technical assistance towards this goal.

Ambassador Ngarambe of Rwanda spoke of the need for developing countries to rethink what globalization and neoliberal trade liberalization have meant for them, especially for Africa which did not benefit enough from the commodities boom and whose share in global trade and in global manufacturing essentially remained stagnant or even contracted. At the same time, at the WTO, the cost of accession is known to all and is expressed in onerous concessions especially on tariffs; but what are the benefits for a developing country to be a Member of the WTO? Our permanent engagement is time, resources and it is energy consuming, at the detriment of other needed engagements in areas which are more connected to development.

He added that twenty years after our massive and enthusiastic accession to WTO, it is high time to conduct an impact assessment of that accession and evaluate the return of



H.E. Mr. Ajit Kumar, Permanent Representative of India to the UN in Geneva, opened the briefing, speaking in his capacity as the Vice-Convenor of the Council of Representatives of the South Centre. His speech is found in the next page.

ate a positive entry point to consider alternative non-intellectual property based innovation models and issues of delinking research and development from prices.

Ambassador Patriota also noted that the Foreign Policy and Global Health (FPGH) initiative launched by the foreign ministers of Brazil and others will be promoting at the UN GA a new resolution on the issue of vulnerable groups and health of migrants.

Ambassador Aryasinha of Sri Lanka in his **closing remarks** stressed the key role played by Geneva in the implementation of the outcomes of various multilateral development-related processes. "Three years ago when the G15 and South Centre held a meeting on the discussions on SDGs, the Executive Director of the South Centre, Mr. Martin Khor said that while most of the discussions take place in New York, most of the cooking and the working and implementation actually happen in Geneva" he said. Ambassador Aryasinha stressed the important and major role that representatives of developing countries have to ensure fairer and more meaningful outcomes for developing countries in the multilateral discussions and negotiations.

For more information on this South Centre event, please go here:
<https://www.southcentre.int/south-centre-conference-13-february-2017/>

areas convergence can be found, yet as it now stands, it is not clear they will be successful.

On E-commerce, he noted that it is undeniably a significant development which Members need to understand better. It is transforming the global economy but it is a very uneven process. Many countries do not have the infrastructure to participate effectively and the digital divide is very evident. He noted that Members will have to engage to understand the very profound implications for their industrial development and employment before being in a position to negotiate new rules at the multilateral level. In this context, it would not be far fetched to consider that an outcome at the Ministerial simply carrying on the existing work programme could not be considered a success.

Ambassador Patriota, Deputy Permanent Representative of Brazil, gave an overview of the trends and challenges affecting the WHO. He noted that the increased outsourcing of financial contributions in the WHO as in many other agencies, and bilateralization, as opposed to multilateralism, are not positive trends. This has a huge impact on intergovernmental governance and the capacity of governments to be the main stakeholders. There is a risk of agenda capture from excessive outsourcing of funding. A framework for engagement of non-State actors (FENSA) has now been put in place, but the question is open as to whether it will help or make it more difficult for the WHO to fund certain activities.

The WHO is undergoing a reform process, said Mr. Patriota. This in-

cludes the establishment of a new pillar for preparedness and response to health emergencies. This poses a challenge for the WHO to deliver on its traditional mission, focused on the development of global standards and guidelines. The new emergency pillar is expensive and hard to fund. The agenda on addressing antimicrobial resistance (AMR) is also taking increased prominence in the WHO. This is part of a larger agenda outside WHO. The issue of AMR links animal use and human use. Ambassador Patriota cautioned that the AMR agenda (if not properly handled) may unduly place constraints on access to medicines, through the emphasis on control of sale of antibiotics and creating suspicion of generic medicines. He also noted that the WHO agenda on AMR includes promoting innovation in new antimicrobials, having recognized that intellectual property is not providing the incentive. This discussion may cre-



Developing country delegations filled the conference room during the South Centre briefing.

The important issues in 2017 for multilateral action

The following is the opening speech at the South Centre Briefing Session on 13 February 2017 made by Ambassador Ajit Kumar of India, in his capacity as Vice Convenor of the South Centre's Council of Representatives.

By Ambassador Ajit Kumar

Allow me to thank the South Centre for organizing this interactive session on global trends and issues that will continue to occupy our attention in 2017. I am as curious as you are in reading the vectors and valances of the multilateral compass in order to get a sense of the direction in which we are sailing in terms of global multilateral policies and processes. I speak today in my capacity as a Vice-Convenor of the Council of Representatives of the South Centre but several of these ideas and stands also reflect my country's national position.

I would like to present a broad outline of the emerging global economic scenario; how it might affect developing countries; the role of South-South Cooperation; and the on-going discourse on Sustainable Development Goals, health, innovation, intellectual property.

The recent past has been one of hope and optimism for multilateralism. In this regard 2015 was a momentous year when the global community managed to reach agreement on four crucial issues that will guide our course of action in those fields for many years to come. That year we adopted the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda on Financing for Development, the 2030 Agenda on Sustainable Development, and finally the Paris Agreement on Climate Change. 2016 saw the finalisation of the UNCTAD Nairobi Mandate. These decisions and commitments together constitute a roadmap for global partnership with the objective of advancing peace and security; development including humanitarian interventions; and promoting and protecting human rights. Strong political will, diplomatic dexterity, the spirit of multilateralism and consensus building at all levels will be required to translate these commitments into tangible outcomes.

Sustainable Development Goals are universal, integral and indivisible. The mainstreaming of the SDGs in the work of the UN and other international organisations based in Geneva would be critical to achieving our objective of turning our decisions into concrete action and favourable outcomes.

The world we entered in 2017 is marked by unevenness, possibilities, uncertainties, known and unknown unknowns. Suddenly the gallant march of

globalisation looks vulnerable. The return of economic nationalism with resulting prospects of rising protectionism may satisfy some disgruntled political constituencies but is sure to have an adverse impact on the global economy especially those of the developing world. Developing countries would now need to set a new normal for their development strategies, relying more and more on generating domestic and regional demand and investments, including through expanding and strengthening South-South cooperation. However, as we have often reiterated at this forum, South-South Cooperation cannot be a substitute for North-South Cooperation and it cannot be looked through the glass of a measuring flask.

Linked to this is an important concept that remains both underappreciated as well as misunderstood: the right to development. Those who portray this right as a charity of the global North towards the global South do a great disservice to this idea. While it is accepted that the primary responsibility for the realization of right to development lies on States, owing to well-documented historical reasons, States also have a duty to cooperate with each other in eliminating obstacles to development and creating a more conducive international economic order based on sovereign equality, interdependence, mutual interest and genuine cooperation. In other words, as a complement to the efforts of developing countries, effective international cooperation is essential in providing these countries with appropriate means and facilitating their comprehensive development.

Unilateral measures especially those emanating from populist perceptions of what ails global economy can have devastating consequences. The memories of financial shock are still fresh in many developing countries and history can indeed repeat itself if there is a sudden flight of hot money in this prolonged downturn phase of the boom-bust cycle of capital flows. Currency depreciation will increase the cost to domestic firms for servicing loans contracted in foreign currencies and may lead to a rapid rise in prices of imported goods. The recovery from the global financial crises of 2008 is still at a nascent stage and can be easily reversed.

On global public health, the struggle

for affordable access to medicines will continue, as public frustration spills beyond the manageable regarding the growing prices of patented medicines including those used for the treatment of HIV-AIDS, hepatitis C, tuberculosis and various kinds of cancer. We cannot overstate the need to rein in the excesses of some global pharma companies, within the policy space available to each country, in order to streamline the affordability of public healthcare. This is a fundamental issue of global concern and does not leave much space for appeasement of global pharma giants.

Antimicrobial Resistance (AMR) is another important issue of public health that calls for concerted and coordinated efforts both here in Geneva and elsewhere. AMR was recognised by political leaders in New York last year to be arguably the gravest threat to global health. WHO needs to take a leadership role and strengthen itself as the multilateral forum within the UN system to address these global health challenges.

On the issue of Intellectual Property, it has been our considered view that developing countries need to design their IP laws and policies in a manner that facilitates the assimilation and dissemination of knowledge to support the growth of domestic industries. Making full use of the TRIPS flexibilities in national IP laws will continue to be critical for developing countries. Full and effective implementation of the WIPO Development Agenda and reform of WIPO's technical assistance, whereby WIPO is supportive of the overarching objectives of the developing world, are crucial in this regard. In the context of normative work on Intellectual Property, there has been progress in the discussions on the Protection of Genetic Resources & Traditional Knowledge. Renewal of the mandate of the IGC with a focus on concluding the text-based negotiations and to convene a Diplomatic Conference will be critical in the WIPO General Assembly this year.

Given the role that Geneva plays in economic and social multilateral affairs it would be impossible to even fleetingly cover everything of importance in this short time. Let me just say that given the present state of the world and the turn it seems to be taking, it is important that the developing world gets its act together in the Geneva multilateral processes to succeed. There is too much at stake for us to pursue our separate agenda. We all need to work together in the spirit of collaboration and cooperation for convergence. The choice is ours.

Challenges and Opportunities for the Next WHO Director-General



The three candidates for the post of the next Director-General of WHO in a debate organized in Geneva in March 2017. From left to right — Dr. Sania Nishtar (Pakistan); Dr. Tedros Adhanom Ghebreyesus (Ethiopia); and Dr. David Nabarro (United Kingdom). Whoever wins will have many serious issues to handle.

By Germán Velásquez

The World Health Organization (WHO) is in the most critical crossroad of its history but actions can and should be taken, to ensure its public health mission. This is the challenge for the new Director-General to be elected in May 2017. This year is the last year of the mandate of the current Director-General, Margaret Chan, who fought for 9 years, to maintain a public agenda for the organization, that a small group of industrialized countries and philanthropic foundations had difficulty in accepting and supporting.

For the next DG, good intentions and tireless work, as shown by the current Director-General, would not suffice. The commitment of all member countries, to uphold a public and independent agency, that will be able to set up the rules to guide the global public health challenges for the next 20 years, will be fundamental.

Some of the problems/challenges that the new Director-General will have to face are as follows.

The dilemma between the public / private role of WHO

The main and most serious issue facing the WHO has been the progressive loss of control of the regular, public and compulsory budget. An increasing privatization of the organization has been taking place. In less than 20 years the WHO's budget went from more than 50% financed through public funds, constituted by assessed contributions, to currently only 18 to 20%. WHO is currently in the hands (approximately 80% of its Budget) of philanthropic foundations such as the Bill and Melinda Gates Foundation, a small number of industrialized countries that provide voluntary earmarked funds and big pharma. These voluntary contributions are channelled to health priorities decided by the funders and not the governments, who are the members of the organization.

It is very strange that an organization such as WHO does not have a philosophy and clear rules between public and private. WHO should be defined as an international public agency and therefore at least 51% of its budget

should be public. Similarly, to preserve its independence, any contributor to the budget of the organization should not give more than 15 or 20% of the overall budget.

The dilemma for the member countries of WHO and the new Director-General is clear - they will have to choose between: an office to manage projects financed by the private and philanthropic sector, or rebuild a public and independent international agency to watch over public health. The increase of the regular budget is the only way to ensure that WHO continues doing its core work without having to incessantly follow donor-driven agenda priorities.

Closely linked to the loss of control of the regular budget was the difficult negotiations on the Framework of Engagement with Non-State Actors (FENSA) finally adopted by the 69th World Health Assembly (2016).

The adoption of FENSA is the conclusion of a process initiated 5 years ago, as part of the WHO reform in 2011. The FENSA process was at the heart of the debate on the nature of the organization. What will be the future role of the different categories of non-governmental organizations (NGOs) that are non-commercial and non-profit, NGOs working for profit, the private industry, and the philanthropic foundations?

Instead of developing a comprehensive conflict of interest policy, as the majority of developing countries wanted, the resolution requests the Director-General "to include in the Guide to staff, measures that pertain to application of the relevant provisions contained in the existing WHO policies on conflict of interest, with a view to facilitating the implementation of FENSA". However, it is not clear that WHO currently has such policies, except for the existing and often criticized form for the declaration of conflict of interest to members of the various committees of experts currently used by the organization.

The resolution also requests the Director-General to conduct an evaluation of FENSA implementation in 2019 and submit the results of the evaluation along with any revisions to FENSA to the January meeting of the Executive Board in 2020.

The dilemma for the next Director-General will be to wait until January 2020 for the result of the evaluation to see if the FENSA agreement represented a progress to the present “status quo” or to start from the beginning of his/her mandate to clarify what is the nature of the organization.

The dilemma between voluntary resolutions or binding instruments

In May 2012, a resolution adopted by the World Health Assembly in Geneva¹ represented a first step towards a change in the dominant model of WHO operations, that is to say: promoting health through voluntary resolutions.

This resolution follows up on the report of the "Consultative Expert Working Group on Research and Development: Financing and Coordination" - known under the acronym of CEWG -, which recommended **starting negotiations on a binding international convention to promote research and development on drugs**.

Relying on a binding global treaty or convention, negotiated in WHO, could allow sustainable financing of the research and development of useful and safe drugs at affordable prices for the population and the public social security systems. The adoption of a convention of this sort, within the framework of the WHO, based on article 19 of its constitution², would also allow global health governance to be rethought. The negotiation of "global and binding instruments in health issues of global concern" is perhaps the most promising clue of the role WHO could take on in the future.

The CEWG recommended in 2012 for WHO Member States to start negotiations on a binding international instrument on health R&D under Article 19 of the WHO Constitution, as the best way to create an appropriate framework to ensure priority setting, coordination, and sustainable financing of affordable medicines for developing countries. The CEWG stated that "... a binding instrument on R&D is neces-

sary to secure appropriate funding and coordination to promote R&D that is needed to address the diseases that disproportionately affect developing countries.”³

However, the main recommendation of the CEWG to kick-start negotiations on an international biomedical R&D agreement has not been considered by the WHO Member States (including in the deliberations and resolution discussed during the 69th WHA), owing to political opposition from developed countries.

This is unfortunately a historical missed opportunity for WHO to take the lead on the important subject of access to medicines in the present economic and social global environment.

The dilemma between priorities for standard setting versus humanitarian aid

Another important problem, to be faced by the new Director-General, that would need to be addressed is the dilemma of the WHO being a normative agency in charge of formulation and creation of international standards and being responsible for the administration of the international health regulations and the creation of binding agreements in global health; versus being a humanitarian agency that implements projects that have been financed by the international community often competing with and sometimes duplicating the efforts of other agencies. Ideally the WHO should play its important normative role and much better too; as well as an operational role to prevent and respond to emergencies, new and emerging diseases and health crises in poor coun-

tries. But with its financial resources being so limited and with much of this coming from voluntary funds rather than the regular budget, it will be difficult for the WHO to get the balance right. The danger is that the norm-setting and standard-setting role of the WHO will be more and more marginalised; while it would still be lacking adequate resources to take on its operational role.

The dilemma more than ever is between what a few donors of the organization want, what the organization does, and what the world needs today from a United Nations agency devoted to health.

End notes:

¹65th WORLD HEALTH ASSEMBLY WHA65.22 “Follow-up of the report of the Consultative Expert Working Group on Research and Development: Financing and Coordination”, 26 May 2012.

²Article of the WHO Constitution which grants the organization the possibility of adopting binding international conventions or treaties. This article was used only once since the existence of WHO with the adoption of the convention on tobacco control adopted in 2003.

³South Centre, Innovation and Access to Knowledge Programme Background Note on the Sixty-Ninth Session of the World Health Assembly, 23-28 May 2016

Germán Velásquez is the Special Adviser on Health and Development of the South Centre.



The WHO headquarters in Geneva: Whoever becomes the next Director General will have to face big challenges.

South Centre and Indonesia hold inaugural forum for South-South cooperation on tax policy issues

Taxation issues have become more and more a priority issue in the global agenda. However there is little space for developing countries' tax officials to discuss and cooperate on tax issues, as a result of which their views are marginalized in the international discussions and decisions. The South Centre and the Indonesian government organized an inaugural forum on developing country tax policies and cooperation at the end of 2016 with the aim of starting a process of South-South cooperation on tax policy issues. Below is a report of what happened at this inaugural forum.



Tri Rismaharini, Mayor of Surabaya, Indonesia (right), greeting A.M. Fachir, Vice Minister of Foreign Affairs of Indonesia (left), at the welcoming ceremony of the forum.

officials a perspective on the importance of the outcome of their work.

Ambassador Triyono Wibowo, Permanent Representative of the Republic of Indonesia whose Mission in Geneva had worked very hard and closely with the South Centre in organizing the Forum thanked the delegations for participating and encouraged everyone to work hard to have a substantial outcome from the Forum for the benefit of all developing countries and future meetings.

In his message to the Forum, Martin Khor, Executive Director of the South Centre, remarked that the international tax regime is a legacy of colonial trading blocs and outdated. Developing countries need to be actively involved in the fundamental reforms required, otherwise the resulting system will reinforce the dominant position of developed countries and their multinational companies and sustain obstacles to development.

Dr. Manuel F. Montes, South Centre's Senior Advisor on Finance and Development, explained that the annual forum is aimed at creating a network with a strong international identity and leading-edge technical capacity among developing country tax officials. This network will assist tax authorities with standards of tax cooperation suitable for developing countries. When in full operation, such a Forum will be held every year, will support working group meetings and efforts toward negotiated outcomes among its members and be supported by a network of tax experts. Dr. Montes proposed the following three main objectives of the Forum and its associated activities:

(1) To assist country authorities in undertaking better research, upgrading local capacity and in designing effective tax policies for their own countries drawing on lessons and experiences from the developing country context;

(2) to strengthen and better coordinate developing country engagement with and negotiations in international tax cooperation activities such as in the OECD-G20 processes, the UN tax coop-

By Manuel F. Montes

Altogether 67 delegates, coming from 33 countries, participated in the Inaugural Annual Forum on Developing Country Tax Policies and Cooperation for Agenda 2030 in Surabaya, Indonesia on 30 November to 2 December 2016. It was organized by the South Centre and the Government of Indonesia.

For the participants, what was at stake was no less than the feasibility of achieving the transformational goals of Agenda 2030. Agenda 2030 calls for the realization of sustainable development everywhere, leaving no one behind. The ambitious agenda will require that developing countries be leading actors in mobilizing the financial resources.

Officials and experts engaged in the sharing of experiences and ideas on what would be needed to ensure that national authorities would be able to

mobilize the financial resources needed for Agenda 2030. One element present in all the discussions was the issue of how international agenda and processes of tax cooperation could be restructured to sufficiently incorporate the interests of developing countries.

In opening the Forum, Ambassador Abdurrahman Mohammad Fachir, Vice-Minister of Foreign Affairs of Indonesia, called on developing countries to expand their efforts to strengthen their tax laws and administration and to take up the leadership in setting the agenda and tax norms in the international sphere.

Madame Tri Rismaharini, Mayor of Surabaya, welcomed the participants and explained the programs of the city in building infrastructure and expanding critical social services and programs, giving the international tax



Ambassador Triyono Wibowo, Permanent Representative of Indonesia to the UN in Geneva, giving his opening remarks at the forum.

eration work, and regional cooperation activities where there are operating fora in Latin America and Africa, but not in Asia; and facilitate mutual action at the regional and global levels; and

(3) To establish international tax cooperation mechanisms among developing country authorities, for arriving at agreed norms and mutual action at the regional and global levels.

Global Tax Norms and the Process of Agenda Setting Internationally and in the South

In the session on "Global Tax Norms and the Process of Agenda Setting Internationally and in the South", Ms. Kim Jacinto Henares, former Commissioner of the Bureau of Internal Revenue of the Philippines, delineated the challenges and obstacles facing developing country tax authorities in influencing the global agenda on international tax cooperation. Not being member countries of the OECD, developing countries have experienced many difficulties getting their suggestions and innovations recognized under the G20 Base Erosion and Profit Shifting project - even when these are more appropriate to their circumstances. The session highlighted the need for developing country officials to begin to develop standards and rules more suitable to their needs and for cooperative work among developing countries in support of their alternatives.

Managing Tax Competition and Investment Incentives: From National to Collaborative Approaches

Providing tax incentives to attract investment is a sovereign right and can be an important part of an effective industrial development toolkit. However, authorities have to try to ensure that their fiscal costs are justified by the benefits received.

Mr. Astera Primanto Bhakti, Assistant to the Minister of Finance for State Revenue Policy, Indonesia, presented Indonesia's highly selective tax incentive system for foreign investors, taking into account that tax benefits are only one and sometimes not the most important consideration for the investment decision. He also discussed Indonesia's efforts in regard to minimizing harmful tax practices where the decision to relocate an investment is mainly a function of the tax advantages. Mr. Thulani Shongwe, Specialist, Multilateral Cooperation, African Tax Administration Forum (ATAF) presented the features of the ATAF Agreement on Mutual Assistance in Tax Matters (AMATM).

The Taxation of Technical Services in Developing Countries

In a session moderated by Muhsin Syihab, Director for Economic Development and Environmental Affairs, Ministry of Foreign Affairs of Indonesia, Mr. Ignatius Mvula, Assistant Director at the Zambia Revenue Authority, presented (via Skype) the motiva-

tion behind and the main features of the United Nations' Committee of Experts on International Cooperation in Tax Matters' proposed new approach to the taxation of technical services. Developing countries are highly disadvantaged by the conventional treatment that services transacted between related foreign entities do not create a taxable base unless these have the features of a "permanent establishment." The proposed UN approach seeks to amend the tax treatment consistent with the principle that foreign corporations are subject to tax where the economic activity takes place. Because trade in services is an increasingly major component of the international economy, overcoming this development obstacle is urgent.

Mutual Administrative Assistance and Evolving Tax Architecture

Jahanzeb Akhtar, Commissioner of Income Tax, Ministry of Finance of India, presented on the deficiencies, power and technical imbalances, and practical constraints in the area of mutual administrative assistance, exchange of information, and country by country reporting. The role of developing countries in these international efforts have evolved from exclusion to "half-hearted" consultation, to current efforts toward a multilateral system of country-by-country reporting. These proposals are undermined by issues of the legitimacy of a developed country-led project and non-reciprocity in practice. There are also material constraints in the cost developing countries have to absorb in developing a data generation method to participate.

Mr. Abdul Gafur, Head of Section for Exchange of Tax Information, Directorate General of Taxes, Ministry of Finance of Indonesia, discussed the operations of the tax intelligence unit and the interest in the Asian region to set up more practical approaches and mechanisms for sharing tax information.

In the breakout group on the topics, the difficulties experienced by specific developing countries in obtaining timely information from developed countries, the prohibitive cost of setting up computer systems to comply with the OECD information standards, an abiding interest among developing countries to set up standards and



Manuel Montes, Senior Advisor on Finance and Development of the South Centre, at the forum.

mechanisms to exchange information emerged.

Transfer Pricing: How Can Developing Countries Cooperate on the Issue?

Argentine economist Veronica Grondona, Advisor on Tax Justice, Panama Papers Inquiry Committee, European Parliament, reviewed Argentina's record of utilizing an alternative method of examining transfer pricing actions among related companies, including the experiences in applying the standard OECD methods. Argentina's so-called "sixth method" involves using prices observed in commodity markets to set transfer pricing benchmarks as opposed to the OECD method of transaction-by-transaction use of "comparables" as a benchmark.

Dr. Vinay Kumar Singh, Director of the FT&TR-I, Central Board of Direct Taxation, Dept. of Revenue, Ministry of Finance of India, presented on the principles and their implications in the practice of India's transfer pricing approach. He emphasized that a reliance on an OECD approach involves judgment and discretion on the part of both authorities and taxpayers since methodology does not generate a single price as a benchmark. The application of a functions, assets, and risks (FAR) analysis is inadequate because it ignores demand side factors behind price determination. Dr. Singh proposed that developing countries consider further work toward an internationally accepted method of profit attribution and an

effort toward a broad consensus among them.

Mr. Achmad Amin, Deputy Director for Prevention and Settlement of International Taxation Disputes, Directorate General of Taxes, Ministry of Finance of Indonesia, discussed the challenges Indonesian authorities faced using standard transfer pricing approaches. Particularly in the case of intangibles, the identification of the "comparable uncontrolled price" can be difficult. Mr. Amin explained Indonesia's rule-of-thumb approach in monitoring intellectual property charges. He highlighted the potential and challenges of collaboration among developing countries in transfer pricing methodology with the onset of country-by-country reporting.

Tax Treaties, Allocating Taxing Rights, and E-commerce: A Challenge to South-South Cooperation

Mr. Gunawan Pribadi, Head of International Tax Policy, Centre for Revenue Policy, Fiscal Policy Agency, Ministry of Finance, Indonesia, moderated this session, which started by examining the role of tax treaties. Mr. Alvin Mosioma, Director, Tax Justice Network - Africa highlighted how many developing countries are "giving away" their taxing rights under tax treaties, particularly those that follow OECD principles. This kind of problem would arise even when the treaty is between two developing countries; Mr. Mosioma gave an example of a

court case initiated by his organization which questions whether such treaties should be allowed to come into force if they undermine the public interest.

Mr. Asrifal Hardi Rangkuti, Head of Planning and Evaluating of Intelligence Operation, Directorate General of Taxes, Ministry of Finance of Indonesia presented on the challenges of e-commerce. Developing countries need to invest in upgrading their capabilities, undertake domestic legal reforms, and be active in international discussions to avoid being disadvantaged by the growth of e-commerce. Mr. Rangkuti outlined Indonesia's step-by-step approach to defining the area and the policy changes required. Overall, the challenge of effective taxation consists of three topics: (1) identification of e-commerce players, (2) determination of taxing rights, and (3) design of taxing mechanisms.

Tax Havens and Illicit Financial Flows: From National Efforts to International Cooperation

Mr. Tri Purnajaya, Director of Trade, Industry, Investment, and Intellectual Property Rights, Ministry of Foreign Affairs of Indonesia, moderated a lively session on tax havens and how developing countries can cooperate to become active players in shaping the standards and the rules, instead of leaving it to developed countries.

Mr. Alexandre Akio Lage Martins, Tax Auditor, International Taxation Division Government Unit, Federal Tax Unit, Ministry of Finance, Brazil, presented the long-standing Brazilian system in classifying particular tax jurisdictions as tax havens and treating transactions between Brazil and these jurisdictions differently, including imposing a higher withholding tax. The Brazilian system is a transparent system based on evolving (since 1996) legislation and administrative procedures which draw on Brazilian experience and on international analyses (including the work on harmful tax practices effort in the OECD in the late 1990s). For example, it has an effective definition of "substantial economic activity" of a corporation in its residence jurisdiction when it has the appropriate operational capacity (qualified employees, physical facilities) to fulfill its objectives. The categorization is thus not based on

politics or participation in a forum, such as that involved in determining non-cooperative jurisdictions under the OECD. Developing country participants also expressed the possibility that the current EU intention to create a tax havens list could result in non-EU members being categorized as such while EU members are exempt from evaluation.

Ms. María Carola Iñiguez Zambrano, Undersecretary of International and Subregional Organizations of the Ministry of Foreign Affairs and Human Mobility of Ecuador, responsible for the presentation of the Ecuadorian proposal on tax justice in the multilateral system, spoke about Ecuador's agenda in tax cooperation and efforts in the UN General Assembly. Ecuador will seek the UN's expanded involvement in combatting illicit financial flows and in decision-making on tax cooperation at the intergovernmental level. Ecuador's view is that raising the participation of developing countries and ensuring their access to setting the international agenda in tax cooperation is a matter of good governance and justice in line with achievement of Agenda 2030 and leaving no one behind.

Dra. Lorena Freire Guerrero, Undersecretary for Tax Compliance, Internal Revenue Service, Ministry of Finance, Ecuador, discussed her government's efforts in combatting illicit flows in and out of the country. Ecuador has a well-articulated tax haven regulatory framework, including listing of jurisdictions considered to be tax havens.

Expanding South-South Tax Cooperation in the Coming 12 Months

Mr. Toufiq Islam Shatil, Counsellor, Permanent Mission of Bangladesh in Geneva, outlined the challenges in international tax cooperation in discharging commitments from the financing for development outcome and in the work programme of the UNCTAD as articulated in the outcome of UNCTAD XIV in Nairobi.

As Ecuador assumes the presidency of the G77 and China in 2017, Ms. María Carola Iñiguez Zambrano, Undersecretary of International and Subregional Organizations of the

Ministry of Foreign Affairs and Human Mobility of Ecuador called on developing countries to work together and invest time and resources to take the lead in international tax cooperation and to ensure that the more representative body of the UN becomes the venue for this effort.

Closing Session and Major Conclusions

Mr. Arko Hananto Budiadi, Director for Socio-Cultural Affairs and International Organizations of Developing Countries, Ministry of Foreign Affairs, Indonesia and Dr. Manuel Montes of the South Centre moderated the closing session. Among the key aspects of the inaugural forum that were highlighted in the final session were the following:

1. The Forum covered many issues of interest to developing countries but there were other issues, such as the tax treatment of extractive industries and in services, which were not covered in detail. Consideration should be given to collaborative work before the next Forum and the next Forum can be devoted to these issues not adequately covered.

2. For the topics that were actually included in the Forum, there is a need to expand collaboration and cooperation among developing country tax authorities to undertake research and publication (particularly on actual country cases and experience) and in sharing of analyses and practices, possibly through exchange of visits or small meetings at the regional level. The South Centre can facilitate these activities.

3. Experts and officials that were involved and served as presenters in the inaugural Forum could be encouraged and supported to visit other developing countries to share their knowledge and experience. The South Centre can facilitate these activities.

4. There is solid support to continue the Forum as a venue for the inter-governmental discussions of tax policy and cooperation among developing country officials. It should draw on expertise of interest to these officials including from academics and civil society analysts, as was the case in the inaugural Forum.

5. While there was a broad regional representation in the Forum, there is a need to continue to expand and diversify the number of developing country participants and experts.

6. In the future, to save costs, middle income countries could fund their delegations and the funds for the Forum can be for LDC participants.

7. A big debt of gratitude is owed to the Government of Indonesia, including the mission in Geneva, for the extensive support and the investment of staff time in organizing the Forum. A big debt is also owed to the City of Surabaya for generously hosting the welcome dinner and the memorable cultural show.

8. There was a strong spirit of South-South solidarity during the Forum and, as it ended, participants looked forward to expanded cooperation and collaboration.

Manuel F. Montes is Senior Advisor on Finance and Development of the South Centre.



Participants at the forum.

South Centre co-organises retreat for governments on Financing for Development in New York

The South Centre co-organised (with the Friedrich Ebert Stiftung) an interesting retreat and expert meeting on Financing for Development near New York in January 2017. The meeting, attended by 34 governments and many international agencies, discussed the work of a task force that includes UN agencies, the IMF and the World Bank, and gave an opportunity for the UN Member States to dialogue with the task force. Below is a report of the meeting.



Participants at the retreat.

By Manuel F. Montes

More than 50 US-based attendees, augmented by government experts coming from their capitals participated at The South Centre and the Friedrich Ebert Stiftung-organized retreat and expert group meeting on financing for development held in Glen Cove, New York on 12-13 January 2017.

The meeting was to brainstorm on one aspect of the Financing for Development process—to have representatives of countries understand and give inputs into the work of the Inter-agency Task Force (IATF) on Financing for Development.

The IATF is the task force mandated by the Addis Ababa Action Agenda (AAAA), which was adopted by the 3rd UN Conference on Financing for Development held in 2015 in Addis Aba-

ba, to report annually on progress in implementing the financing for development outcomes and the means of implementation of the post-2015 development agenda.

The task force also has the responsibility to advise the intergovernmental follow-up, including the identification of implementation gaps and recommendations for corrective action. Led by the Financing for Development Office (FFDO) of the UN Department of Economic and Social Affairs, the task force includes major institutional stakeholders notably the IMF, UNCTAD, the World Bank, the WTO, and UNDP plus funds, programs and specialized agencies of the UN system. The enthusiastic engagement of the participants provided an opportunity for substantive discussions between the Inter-agency Task

Force and Member States of the UN.

The meeting was convened to (i) inform Member States on status of preparations of the 2017 Task Force report and its online annex; (ii) present findings from substantive Task Force work streams and thematic work, and (iii) elicit Member States' views on the 2017 report and medium-term work programme for the Task Force, and on how to make the Task Force's findings most useful and relevant to the inter-governmental process.

The meeting was organized around the proposed structure of the Task Force Report, including a session on the global context and its implications for implementation of the agenda, a quick overview of follow-up on the nine chapters of the Addis Ababa Action Agenda, including an introduction to the on-line annex, and a series of break-out sessions on thematic issues.

The IMF, UNCTAD, DESA/DPAD, and WTO presented their respective institutions' views on the current economic environment and its impact on the FfD outcomes and the means of implementation of the SDGs. There was agreement across the four institutions that the international environment has become more challenging, risking derailing progress toward the SDGs. Two issues highlighted by speakers were risks and challenges emanating from the global environment and the potential role of investment in macroeconomic recovery. While the AAAA embodies very strong reliance on the private sector to play a leading role in economic recovery and long-term investments, the evidence, so far, shows weak private investment demand, despite the low levels of interest rates.

Participants at the retreat expressed their strong support for an analytical, evidence-based report as a key input to the success of the ECOSOC Forum on the follow up to Financing for Development (FFD). Many of them requested that the report provide a range of policy options for consideration by Member States. Many also noted that case studies would be useful to highlight what works in which circumstances, which

could be used as a way to frame policy advice.

47 representatives from 34 Member States attended the retreat, including 12 participants from capitals, with developed and developing countries well represented. The Inter-agency Task Force was represented by the major institutional stakeholders of the FfD process, the IMF, the World Bank, UNCTAD, UNDP and WTO, as well as the Financing for Development Office, which coordinates the Task Force. Several other Task Force members and four external experts served as moderators and resource persons.

The IATF also presented progress in constructing the online annex of its report. FFDO staff demonstrated how the website will contain the full set of data and analysis across FFD action areas. Participants made a number of suggestions to make the report and the online annex most useful for Member States. Member States emphasized the potential value of country case studies and ways in which the online data could encourage peer learning. A representative from the Finance Ministry of Ethiopia presented Ethiopia's national development strategy and associated financing plans in response to Agenda 2030 and the AAAA. It provided a useful case study and opened the potential for developing countries to present to the process not only on the scale of financing, but what kind of financing, they would require to meet their development goals.

The breakout thematic sessions included two sessions on cross-cutting

issues (public-private financing of infrastructure and financing of social protection floors), and sessions on illicit financial flows, aligning capital markets with sustainable development, accounting for international public finance and debt and systemic issues. In each session, IATF members and country delegations debated the conceptual issues involved, the practical use of indicators that could be developed, and the possible part these topics could play in the outcome of the next FFD follow up forum.

Participants in the break-out session on infrastructure finance and public-private partnerships discussed a set of "Addis Principles" on PPPs, as well as a framework for analyzing the role of infrastructure in the agenda.

Participants at the session on financing social protection floors noted that a scoping paper on the full landscape of quick disbursing international credit lines would be a useful contribution by the Task Force, and also called for further work on state-contingent debt instruments – building on existing work in other fora such as the G-20 and the IMF – to help countries ensure sustainable financing for social protection.

The discussion on illicit financial flows emphasized the importance of taking action, finding a solution on a definition of the term, and agreed that the Task Force's work on component-by-component estimation and analysis would be useful.

At a break-out session on aligning capital markets with sustainable devel-

opment, participants suggested that the Task Force can deepen the analysis of the incentives in the investment chain, and also noted that discussions on this topic at the FfD Forum could be enhanced by including representatives of the private sector.

The discussion on systemic and debt issues emphasized ongoing work, and called on the Task Force to take stock of what was happening at national levels and to bring that together in a coherent report for Member States.

Finally, at the session on measurement issues in international development cooperation and the proposed measure of Total Official Support for Sustainable Development (TOSSD), the discussion emphasized both potential benefits from additional efforts to increase transparency and comparability of data, but also the political risks and mis-incentives that could be set by new measurement tools. Participants suggested that the Task Force should continue to provide updates on efforts to develop new tools.

At the concluding session, Member States expressed appreciation for the opportunity to have informal dialogues with each other and with Task Force members. They noted that the discussions set a positive tone, and called for follow-up discussions with the Task Force. Task Force representatives promised to keep Member States updated on progress in the Task Force's work, including through briefings and other opportunities for dialogue and engagement.

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DESA