
The FfD Chronicle

CIVIL SOCIETY FINANCING FOR DEVELOPMENT MECHANISM | APRIL 25, 2024 | YEAR II | ISSUE 10

Unilateral measures harm vulnerable countries and communities

UNILATERAL MEASURES ARE MEASURES WHICH are imposed by a country without invoking the WTO dispute settlement procedures or other multilateral international rules and procedures, and which are based solely upon the wishes of the invoking country. Such measures are implemented mainly by developed countries, to address non-economic objectives such as safeguarding national and economic security, combatting global warming and defending social values. They have also been used to coerce target countries to change their trade laws or practices.

For examples the EU's CBAM (Carbon Border Adjustment Mechanism), or carbon tax, for seven carbon-intensive sectors, will translate into a 20-35 per cent tax on select imports into the EU starting January 1, 2026. This carbon tax, imposed unilaterally by the EU in the guise of environmental protection will have far reaching negative implications on the economies of many developing countries.

Unilateral coercive measures have threatened other areas such as education and access to technology, scientific research

and academic freedom, access to essential goods and services and negatively affecting the enjoyment of human rights. In many instances they also hinder humanitarian organizations' ability to exercise their humanitarian activities and deliver life-saving assistance to affected people and families.

Unilateral measures run counter to the principles of the Charter of the United Nations and International Law, multilateralism and the basic norms of international relations. Addressing the current unprecedented global challenges, which have disproportionately affected poor countries, requires an effective and functional multilateral system based on international solidarity, trust, unity and cooperation.

Therefore, developed countries should refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations that impede the full achievement of economic and social development, particularly in developing countries.

BACK TO THE FUTURE IN ADDIS ABABA ON THE ROAD TO SPAIN 2025

THE PROCESS TOWARDS THE FOURTH Financing for Development Conference will kick off with a one-week preparatory committee session in July in Addis Ababa, Ethiopia, the birth-place of the Addis Ababa Action Agenda (AAAA).

The last time we were in Addis Ababa in 2015 for the 3rd FFD conference, we were disappointed and angry to see G77's fight for a UN intergovernmental tax body be successfully blocked by OECD countries who refused to even negotiate on the issue in Addis Ababa. We are glad to head back to Addis Ababa with an important story to tell on how progress is possible – we now have a UN intergovernmental tax body that is working towards agreeing a UN framework convention on international tax cooperation. It is only apt that this chapter's breakthrough was finally made possible thanks

to Africa Group's impressive leadership.

As the first preparatory committee session of FFD4, it's been discussed as a possible five-days event, initially planned as a stocktake moment on the implementation of the AAAA. We heard it is expected to have a segment on substantive discussion, followed by a three-day Ministerial segment. The FFD Chronicle is excited about the opportunity to see a thriving leadership of the African region, setting the foundations for a transformative agenda centered on a new economic paradigm that prioritizes the wellbeing of people and planet. We wish all the parties auspicious negotiations for betterment of this world, with Lucy – our common ancestor – as our watchful guardian. See you all in Addis Ababa!

Will private investors' magic save the world?

MOBILIZING PRIVATE CAPITAL TO COUNTRIES IN the global south is an idea sold to many governments and international institutions, with FFD4 as a key space to showcase pipelines of profitable infrastructure projects. To this aim different financing mechanisms such as public-private partnerships (PPP), blended finance (using public money to get private ones), guarantees (using public money to subsidize profits) and more recently bonds of different colors, have been intensively promoted – including the EU's Global Gateway initiative, of course!

Institutions dominated by rich countries, like the World Bank, present these as win-win options that will save people and the planet from poverty, inequalities and climate change, while at the same time generate attractive profits for investors.

What's wrong, then? This reflects an illusion on the role of the private sector, which is not even promoted by investors themselves! Just think about the words of the former chief investment officer of Sustainable Investing at BlackRock, the largest asset manager in the world, admitting a couple of years ago that “sustainable investing boils down to little more than marketing hype, PR spin and disingenuous promises from the investment community.”

A development narrative focused on the magical role of private finance is problematic because of its short-term profit-above-all orientation. But also because it misleads us to think that lack of financing is the main obstacle to address the social, economic, and ecological crises.

But let us lift the veil on the illusion: the South is financing the North! There is actually a net flow of resources from South to North through tax evasion and avoidance and Illicit Financial Flows, which is why the UN tax convention process is so important for the FFD agenda. The resources drain through unequal and unfair trade, which far outstrips ODA inflows to the South, is a major driver of global inequality. Today, rich countries and monopolistic corporations leverage geopolitical and commercial power in the world economy to cheapen the prices of resources and labour in the South.

So while there is a need to urgently address the climate emergency and global South countries are owed reparations, the fundamental challenge is systemic. More private finance to fuel a system that is destructive and unfair by design will not resolve the interconnected crises we face.

As Colombian President, Gustavo Petro, mentioned last September at the UN General Assembly: "we cannot expect that the same private actors fueling the crises (notably chimneys of Northern companies) will come and save us all." The oligopolistic firms and Northern states driving the climate crisis are indeed the same ones benefiting from the extractive economic structure.

FFD4 must democratize economic governance. We could do away with the misplaced faith in the wizardry of private finance, to welcome real structural changes. Instead of just bringing in furniture of SDG bonds, PPPs and alike, let's renovate our house, re-do the architecture. Structural change is the real innovation and FFD4 must be a major milestone in this process.

The FFD Forum Awards

MOST QUOTED	<i>Thomas Sankara</i>
BEST IDEA	<i>IMF ED inviting civil society to join IMF Board</i>
WORST IDEA	<i>Most creditors saying Common Framework is working and progressing</i>
MOST ABSURD	<i>Paris Club saying they are inclusive</i>
BIGGEST BLOCKER	<i>EU ... You know why</i>
TEAM PLAYER OF THE YEAR	<i>Africa group leading on UN tax convention</i>

