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Global economy landing on "wrong runway"

UN Trade and Development (UNCTAD) has warned of the emergence of a new "low normal" in global economic growth, with rates projected to remain at just 2.7% for 2024 and 2025. The developing countries are likely to face its harshest impacts, as this "low normal" growth will be insufficient to tackle pressing development challenges or help ease widespread discontent amidst a global cost-of-living crisis, according to UNCTAD's flagship Trade and Development Report 2024.

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Global economy landing on "wrong runway", says UNCTAD head

Launching its latest flagship Trade and Development Report, the head of UN Trade and Development (UNCTAD) has projected a "soft landing" for the global economy, characterized by slow growth, persistently high debt levels and weak investment, as well as facing the risk of a fragmentation of global trade.

by D. Ravi Kanth

GENEVA: The global economy is inching towards a "soft landing" but is landing "on the wrong runway", with slow growth, high debt, weak investment, and the risk of fragmented trade, said the Secretary-General of UN Trade and Development (formerly known as UNCTAD), during the launch on 29 October of its flagship Trade and Development Report (TDR) 2024.

The report, in line with the projections made recently by the International Monetary Fund (IMF) and the World Trade Organization, projects "global growth in gross domestic product of 2.7 percent for 2024 and 2025", marking three consecutive years below the 3 percent pre-pandemic growth trend.

According to the UNCTAD Secretary-General, Ms Rebeca Grynspan of Costa Rica, the report contains five chapters.

She said that Chapters 1 and 2 of the report present "our analysis of major economic trends, and capital flows", while Chapters 3 and 4 "discuss the current pivot of globalization, marked by the changing structure of global trade, technological innovations and the rise of South-South trade".

The final Chapter 5 "advocates concrete ideas for a fairer international tax system and a global financial architecture that gives developing countries the policy space they need to adapt and thrive in this area."

Over the years, the TDR has become the fundamental policy document for developing countries to address the continued asymmetries, biases, and spillovers of policy choices made by the developed countries, particularly the United States, the world's largest economy, as well as the policies prescribed by the multilateral financial institutions, as well as the World Trade Organization, among others.

Since its inception in 1964, UNCTAD has not only stood vigorously on the side of the developing countries but also "showed the mirror" to the repeated failed policies stemming from the Washington Consensus, said people familiar with the TDR.

Against this backdrop, this year's TDR, titled "Rethinking Development in the Age of Discontent", touches on several challenges confronting the developing countries, while placing its hopes on the proposed UN framework convention on international tax cooperation, which it underlined, "has strong potential to overcome current gaps in global trade and financial governance."

The report said the new proposed tax framework "opens an important opportunity to reduce disparities in the international financial architecture and to embed mechanisms for domestic revenue mobilization in the economies of developing countries."

However, if Donald Trump wins the US Presidential elections this November, then, one of the first things he has reportedly pledged to do is to end the double taxation of Americans living overseas, as per the Financial Times report of 9 October.

While the current US leadership recognizes the new proposed tax agreement, its Senate is already divided over joining the agreement due to the implications that it could have on its tax havens in Nevada and Denver among others.

It is somewhat unclear why the TDR seems to be campaigning for a tax treaty knowing full well that it is unlikely to be ratified and implemented by the world's largest economy, said a person familiar with the developments in the progress of the tax treaty.

The 190-page TDR, however, does not seem to offer an overarching framework of policy changes needed to correct the growing imbalances in the international financial architecture or a new "paradigm" that is required to move away from the "wreckage left in the wake of a half century of shared bipartisan faith in economic neoliberalism - the doctrine that unrestricted free trade market forces," as argued by a US Democratic Senator, Chris Murphy, in his article in the Financial Times on 29 October.

UNCTAD's TDR

At a press conference during the launch of the TDR on 29 October, the UNCTAD SG suggested four points that revolve around the need for reform of the international financial architecture, to revive the financial and investment and trade dynamism for developing countries, and to strengthen multilateralism.

The report, she points out, "outlines clearly the risks, but also the opportunities" for the developing countries, in the short-, medium-, and long-term.

"The global South, we think, has a unique chance to lead in the energy transition, in the digital economy, and in the reshaping of global trade for the future," she stressed.

"Global growth is at a new low normal, with developing nations facing the hardest and harshest impacts," she said, adding that "the global economy is projected to grow at just 2.7% for 2024 and 2025."

Compared to the pre-pandemic global growth rate of 3%, the new normal now is around 2.7%, she suggested.

Even the 3% global growth rate was lower than the pre-financial crash of 2008 when the global economy was growing at a rate of 4.4%, she said.

Faced with numerous constraints, the developing countries will have to grow much more than the current anaemic growth to address their development challenges.

The UNCTAD SG acknowledged that "developing countries are taking a big impact after the pandemic and the cascading crisis" that followed in its aftermath.

The second point, Ms Grynspan said, is low growth accompanied by growing high debt (levels) for developing countries, which "has surged by over 70 percent from 2010 to 2023."

Much of this increase, which is estimated at 15.7 percent, has come since the COVID-19 pandemic, she argued.

Further, the high-interest rate regime that followed the pandemic and inflation exacerbated the debt levels of developing countries.

"Rising debt has left many developing nations with very limited fiscal space, making structural reforms to boost productivity and resilience more difficult, further weakening their growth prospects," she said.

She said developing countries face impossible choices between the need to service debt on the one side, and the need to invest for economic development, on the other.

"Our second message of the report," she said, "is that trade is changing", as it is now "growing less than global GDP" and "global growth."

Trade is no longer "the engine of growth that (it) was before", since 2008, and now faces the double whammy of "geopolitics" and "rising protectionism".

"Trade as a share of GDP reached 60% in 2008, but has stagnated since then," the UNCTAD SG maintained.

"Geopolitical tensions, as I said, protectionism on the rise and policy uncertainty are dampening hopes for a strong trade revival. As we have said before, trade will recover in 2024 but will continue to grow below global GDP and at very low rates for the moment at around 2%."

She said that another structural factor in trade that the TDR emphasizes is "the growing importance of services in trade. Services alone now make up nearly 25% of global trade and are projected to grow further."

However, she did not mention the urgent need to implement Mode 4 policies in services that focus on the short- term movement of services providers, which seem to be drying up and under threat due to inward-looking trade policies.

The third point mentioned by the UNCTAD SG revolves around a "soft-landing, but on a wrong runway."

However, Ms Grynspan did not suggest what would be involved in changing "the runway".

"With respect to investment, I think that it's important to emphasize three aspects that we see relevant," she said, pointing out that "there is the growing importance of intangible assets in investment: Brands, software, data, patented technologies."

The UNCTAD SG said that these intangible assets "are increasingly important in global supply chains, but intangible assets in investment have grown three times faster than physical assets", leaving developing countries "at a disadvantage."

She said that "investment in critical minerals has gone up considerably - 20% in 2021, 30% in 2022," but the processing still remains very concentrated.

"So here, there is an opportunity for developing countries, but ... we won't be able to take advantage of it, if we don't go up the value-added chain and the supply chain(s)," she said.

The fourth message, she said, "is with respect to a characteristic of trade that is usually not brought to the center of the discussion. That is that South-South trade is growing much faster than global trade."

"So, South-South trade, together with the energy transition and the digital economy, are clear opportunities for developing countries to achieve sustainable economic development," Ms Grynspan emphasized.

She said that "we are making a call to rethink economic development."

"Some of the policy recommendations include the support to fiscal reform and modern tax policies to create space for structural changes that promote growth."

The TDR also called "for curbing anti-competitive practices and the need for better regulatory frameworks to manage inflation in key sectors."

Ms Grynspan said "regional trade agreements are an opportunity", adding that "the African Continental Free Trade Agreement is a huge opportunity for Africa, and we must support multilateral agreements in trade, which also benefit developing countries," avoiding defragmentation of rules and regulations, representing an obstacle and a barrier to trade in the developing world.

On the international financial architecture, she said, "we have proposed the scale-up of development financing with appropriate conditions for the developing world, long-term and affordable rates, the debt restructuring architecture to be reformed, and here we are in sync with the Pact for the Future that was agreed on in the last General Assembly meetings in New York."

She also praised the IMF, suggesting

that "we believe that the capacity of the IMF to support growth and development in the developing world is important."

"We have already seen a step forward in this direction taken in the IMF board before the Fall meeting," she said, suggesting that "we could go in the right direction, and I think that we can reform the system to resume dynamic, inclusive, and sustainable growth for us."

When asked by this writer as to why this year's TDR seemingly failed to address the asymmetries and the biases as well as the spillovers that make the life of developing country policy makers very difficult in achieving the development objectives, as was addressed in the previous TDRs, the UNCTAD SG disagreed with the question and went on to defend the TDR 2024 by saying that it does indeed address the asymmetries.

She said, "let me say something, Ravi, here, because you know that you and I disagree on this point. This is not the first time that many of the issues that have been discussed in the Pact for the Future, in the framework of the UN, and many of the reforms that are also being considered today that benefit developing countries in the international financial architecture."

"And we feel very proud of our voice in defending the developing countries in this direction, because we really think that the reform of the international financial architecture is not something new," she said.

Ms Grynspan maintained that "we discussed the difficulties and asymmetries, especially in current accounts and trade balances, that developing countries face on the way from the trade system into more complex financial arrangements." *(SUNS 10108)*

Global growth at new "low normal", South facing harshest impacts

In its flagship Trade and Development Report, UN Trade and Development (UNCTAD) has projected global economic growth to stagnate at 2.7 per cent in 2024 and 2025, with this new "low normal" growth being insufficient to tackle the pressing development challenges being faced by the South.

by Kanaga Raja

PENANG: Global economic growth is projected to stagnate at 2.7 per cent in 2024 and 2025, marking a sustained drop from the 3 per cent annual average seen between 2011 and 2019 and well below the 4.4 per cent average in the years before the 2008 financial crisis, according to UN Trade and Development (formerly known as UNCTAD).

In its flagship Trade and Development Report (TDR) 2024, released on 29 October, UNCTAD said this new "low normal" growth is insufficient to tackle pressing development and climate goals or help ease widespread discontent amidst a global cost-of-living crisis that has left many households in vulnerable positions.

It said while the global South experienced robust annual growth rates of 6.6 per cent between 2003 and 2013, that figure has fallen to 4.1 per cent over the past decade, making it harder for nations to expand social services, cover rising energy transition costs and manage mounting public debt.

Excluding China, the economies of the global South have grown at 2.8 per cent on average for the past decade, it noted.

UNCTAD further said high interest rates in advanced economies and depreciating currencies in developing countries are driving up the cost of foreign debt, forcing many governments to redirect export earnings away from development and toward debt payments.

Despite these challenges, UNCTAD highlighted growing South-South trade and the energy transition as key opportunities for developing countries.

South-South trade has more than doubled between 2007 and 2023, from \$2.3 trillion in 2007 to \$5.6 trillion in 2023, offering developing countries a chance to reduce dependence on traditional trade partners and strengthen regional economic integration, it suggested.

Depressed global growth

According to the TDR 2024, as stimulus measures to respond to the COVID-19 pandemic were phased out, the primary concern of macroeconomic policy globally became restoring inflation to central bank target ranges.

Global output subsequently decelerated from 3.1 per cent in 2022 to 2.7 per cent in 2023, it said.

UNCTAD expects the world economy to maintain the same subdued growth rate of 2.7 per cent in 2024 and 2025, marking three years of stable but stagnating growth amid gradual global disinflation.

"To put the current situation into historical perspective, the global financial crisis also bore witness to a brief spike in inflation in 2008, albeit of a much smaller magnitude. It led the governments of the largest advanced economies to pursue a "growth-friendly" fiscal consolidation based on the "expansionary fiscal contraction" hypothesis."

As a result, fiscal stimulus fell far short of what was necessary to compensate for the shortfall in demand. At the same time, inflation remained below the typical 2 per cent annual target rates in advanced economies.

Given these circumstances, monetary authorities stepped in to stimulate demand through a drastic loosening of monetary policy.

Yet, despite negative real interest rates in many economies after the global financial crisis, global growth did not recover to levels necessary to diminish government debt levels sufficiently in relation to GDP, said the report.

"Twelve years later, as fallout from the COVID-19 pandemic pushed the global economy into another deep recession, the policy response by advanced economies differed substantially from that seen in the aftermath of the global financial crisis."

Very low or negative interest rates and the expansion of liquidity in capital markets through quantitative easing allowed Governments to offer relatively cheap fiscal support to households and firms.

Particularly in advanced economies, Governments implemented a far more significant budgetary stimulus, said the report.

By providing massive and temporary income transfers, they attenuated the sudden stop of their economies in 2020 and helped to propel the recovery in 2021, it noted.

As proof of the effectiveness of fiscal policy when it is both concerted and of sufficient magnitude, the global economy bounced back strongly in 2021.

In a context of tightening fiscal and already very restrictive monetary stances, however, global output growth from 2023 through projections for 2025 shows signs of stabilizing at rates below those registered in the years prior to the pandemic for both developed and developing economies.

UNCTAD said that even the pre-pandemic global growth trajectory was far from satisfactory, at over a full percentage point lower than before the global financial crisis.

Growth was and continues to be insufficient to meet current global development challenges and goals, it added.

The situation is particularly concerning for the 46 least developed countries.

Total output growth for them is expected to average 3.9 per cent annually from 2023 to 2025, a rate woefully short of the "at least 7 per cent annual growth" set for these countries in the Sustainable Development Goals. Only one, Rwanda, is expected to attain this growth rate, it said.

"The stagnation in global growth reflects the trajectories of the world's principal economic regions, with ongoing depressed growth in the United States and European Union, and a marked deceleration of the economy of China that began after the global financial crisis".

In China, the slowdown partly reflects a reversion to the mean; as the economy grows larger, the same amount of additional real spending results in a lower GDP growth rate.

The deceleration, however, also results from the exhaustion of the construction boom, in both infrastructure and housing, which had substituted for net exports as the main driver of growth in China during the last decade.

Looking ahead, the report said it is unlikely that the main drivers of growth in China over the last two decades – the export sector and a debt-financed construction boom – will continue to provide the same economic impetus.

The relatively high (by local standards) debt-to-GDP ratio of Chinese families (at 62 per cent), along with the increasing leverage of non-financial corporations after the Evergrande Group adjustment of 2021-2022 and the continuous growth in the public debt ratio since the outbreak of COVID-19, suggest that current financial conditions are not conducive for a debt-led domestic construction boom that could act as the main growth driver of the economy, said the report.

"Although net exports have accelerated recently, there is nevertheless heightened uncertainty around the viability of another export-led boom."

It said on the international side, the price policy of Chinese firms has prompted anti-dumping measures in many economies. On the domestic side, despite rising export quantities, Chinese firms have not registered high profits and are, instead, increasing their debt levels.

"In terms of the global economy, its near paralysis in 2020 and bounce back in 2021 created numerous supply bottlenecks, with significant but temporary inflationary pressures in global value chains."

It said that these supply pressures were exacerbated by transitory shifts in consumption patterns towards durable goods, as well as a surge in commodity prices.

Monetary authorities across the financially advanced economies reacted to the up-tick in inflation with a sharp increase in policy rates that saw real interest rates move back to positive values in these countries.

Nearly five years after the pandemic, monetarist worries about a "great post-pandemic inflation" seem misplaced, said the report, adding that the acceleration in prices has proven to be chiefly a supply issue – a sellers' instead of a buyers' inflation.

Along with other contributing factors, firms adapted to structural changes in relative prices and used their market power to transfer cost increases to consumers.

As of mid-2024, the upward trajectory in prices has slowed across the globe. This disinflationary process is taking place amid significantly diverging growth trajectories, however, including among the economies of the Group of 20, it further said.

In numbers, the United States is set for a relatively soft landing in 2024 as the economy settles on a 2 per cent growth trend.

China continues to decelerate to a still uncertain trend growth rate. Japan seems to be on the path to a stable 1 per cent growth rate, while Germany continues to struggle to reach the same, a fairly meagre 1 per cent rate after being hit hard by the twin shocks of the pandemic and the war in Ukraine.

The economies of Brazil, the Russian Federation, India, China and South Africa (BRICS), apart from China, also saw a post-pandemic spike in inflation but with very different growth and price trajectories.

Specifically, after a decade of stagnation, Brazil seems to be converging to a 2 per cent growth rate and a 3 per cent inflation rate.

In contrast, the economy of the Russian Federation appears to be converging to a 4 per cent inflation rate.

Much uncertainty persists regarding its GDP growth due to a "W" growth pattern caused by shocks from the COVID-19 pandemic and the impact of the war in Ukraine on Russian trade and investment.

The GDP growth of India appears stable at 6 per cent, with an accompanying inflation rate of 4 per cent, while South Africa is struggling to reach a 2 per cent growth rate and a 4 per cent inflation rate by 2025.

Discontent

The TDR 2024 said that the post-COVID-19 recovery and disinflation have been accompanied by widespread discontent across countries.

The sharp increase in the cost of credit – a result of hiking interest rates - has hit households particularly hard amid high household debt levels. Consequently, far too many households have had to cut spending as their disposable income shrinks.

Similarly, the trajectory of consumer prices, which despite the disinflation of recent years has not returned to its pre-pandemic trend, has significantly eroded household purchasing power.

Consumer prices are 11 and 14 per cent higher for advanced and developing countries, respectively, than the levels indicated by the pre-pandemic trend.

These price dynamics and the accompanying reduction in consumer purchasing power have, in some countries, led to a stagnation and, in others – particularly where fiscal support for households during the pandemic was more restrained – a decline in household per capita real consumption spending relative to before the pandemic.

UNCTAD said a key feature of economic activity in the post-pandemic period concerns policy responses to the up-tick in inflation that began in 2021.

"As outlined by UNCTAD in recent editions of the Trade and Development Report, the post-pandemic spike in inflation was not simply a result of overheating economies in which too much money was chasing too few goods and services."

According to the TDR 2024, it was instead the product of a combination of factors, including transitory supply bottlenecks, shifting consumption patterns, surging commodity prices, heightened market concentration and the pricing behaviour of large corporations in certain sectors, most notably agrifood and energy.

"The structure of inflation – with many supply-side issues unresolved to this day – raises questions about the efficacy of the monetary stance."

Excessive reliance on sharp and prolonged monetary tightening as the sole policy tool to bring inflation down to target rates in the major advanced economies is destined to be only partially effective, just as the loosening of monetary policy in the deflationary period after the global financial crisis was unable to push inflation up to target rates, said the report.

UNCTAD said at the same time, monetary tightening has been costly as a major factor in restricting economic activity; increasing financing costs for households, firms and Governments; exacerbating financial instability risks; adding pressure on currencies; and amplifying debt burdens across developing countries.

A more balanced policy mix that addresses the different forces driving inflationary pressures would be more effective and entail less "collateral damage", it suggested.

"Such a mix would include concerted actions to rein in anti-competitive practices, abuses of dominant market positions and corporate concentration in key sectors. It would comprise price stabilization tools and revisions to the existing regulatory framework for commodity-trading activities to curb excessive financial speculation, and put a stronger focus in monetary policy on financial stability and liquidity management in the financial system."

Rising debt levels

The largest economies of the Group of 20 responded to the COVID-19 shock with fiscal stimuli of very different sizes.

In the United States, the primary balance fell from a deficit of 3.5 per cent of GDP in 2019 to almost 12 per cent of GDP in 2020. The fiscal consolidation taking place since then is expected to bring fiscal accounts back to a primary deficit of 4 per cent of GDP in 2024, said the TDR 2024.

The euro area's fiscal response to the global financial crisis and the COVID-19 shock was also a stimulus but of a smaller magnitude and with a faster budgetary consolidation than in the United States.

In recent years, the primary balance has fallen from a surplus of 0.7 per cent of GDP in 2019 to a deficit of approximately 6 per cent in 2020. Fiscal consolidation started in 2021 and is expected to bring the euro area to a deficit of roughly 1 per cent of GDP in 2024, said the report.

In Asia, Japan responded to both the global financial crisis and COVID-19 shock with a similar fiscal impulse, a 5-percentage-point increase in the ratio of the primary deficit to GDP.

In contrast, China became much more fiscally active after the pandemic compared to the global financial crisis.

In 2009, China had a temporary and small primary deficit, followed by an almost balanced primary budget in 2010-2014. The situation started to change in 2015, when the primary deficit started to increase.

By 2019, the deficit had reached 5 per cent of GDP; the COVID-19 shock saw it deepen to almost 9 per cent of GDP in 2020. For 2024-2025, the expectation is for the primary deficit to stabilize at approximately 6 per cent of GDP.

The report said as expected after a recession, the COVID-19 shock raised public debt in almost all Group of 20 economies.

The exceptions were Brazil and Turkiye, for idiosyncratic reasons. In Brazil, there was already a large public debt build-up before the crisis, and the Government was in the middle of fiscal restructuring when the pandemic hit.

In Turkiye, high inflation, fast growth and low real interest rates attenuated the impact of the COVID-19 shock on debt dynamics.

In the remaining Group of 20 countries, the most significant debt expansion happened in Argentina, mostly in 2023, due to the maxi-depreciation of the peso that year.

Since most government debt is indexed to the United States dollar, the Argentine stabilization strategy had an outsized negative impact on fiscal solvency.

The report said that the second largest public debt build-up was registered in China (up 23 percentage points of GDP) but it had a relatively low debt ratio before the pandemic.

It noted that in most of the largest advanced economies, the pandemic increased gross public debt by about 13 to 17 percentage points of GDP, while in the remaining developing economies, the most significant debt increase happened in South Africa, with a rise of 18 percentage points of GDP.

The report said that the burden of increased debt levels in terms of the quantity of public resources that have to be dedicated to servicing these liabilities is further aggravated by tight international financial conditions and depreciating currencies.

"A greater proportion of public funds have to be channelled to debt servicing instead of much needed public services and investments in areas key to achieving development and climate goals."

The report underscored that while some proponents of fiscal consolidation point to increased deficits and public debt stocks as evidence of the need for Governments to restrict spending, this policy prescription does nothing to address shortfalls in needed public outlays to tackle development challenges facing developing economies.

In fact, it said it worsens these challenges. Addressing the adverse effects of fiscal imbalances and resulting debt dynamics while simultaneously maintaining sufficient public investment in closing developmental gaps requires a far more proactive response, it added.

"On the fiscal side, a key factor in responding to fiscal imbalances and heightened government debt liabilities entails making sure that fiscal revenues adequately reflect the economic and financial gains reaped by larger corporations and top earners."

UNCTAD said that corporations use myriad tools to avoid tax obligations, draining public coffers and severely hindering government capacities to mobilize resources for essential public services and investments.

It said that progress in redressing these practices requires a coordinated clamping down on corporate arbitrage practices, tax havens and conduit jurisdictions, but also a multilateral mechanism that can enable developing countries to reverse asymmetries in negotiating positions over double taxation agreements.

"Greater access to affordable, reliable and longer-term financing options - particularly for the most vulnerable developing countries – is another key factor in ensuring adequate public outlays towards development goals."

The report said that important policy actions on the international sphere include increased concessional finance through the capitalization of multilateral and regional banks, the issuance of new and the reallocation of existing special drawing rights, the use of innovative financial instruments (e.g. sustainable development bonds and resilience bonds), and the expansion of currency swap facilities, pioneered by the Federal Reserve, to facilitate borrowing in domestic currency over foreign currency.

On the monetary side, rather than focusing exclusively on inflation targets in determining policy, monetary authorities – particularly those in major advanced economies – should consider the wider impacts of their decisions, it suggested.

"Factors to deliberate include the impacts of monetary decisions on debt trajectories and servicing costs, the financing of critically needed investments, financial sustainability and gaps in capital provision."

Changes in the criteria and functioning of policymaking cannot be ad hoc. They need to be embedded in the mandates of monetary institutions, said the report.

The quantitative easing response to the global financial crisis demonstrated that monetary policy is most effective when used for financial stabilization rather than simply for regulating inflation and the business cycle, where the lags and uncertain functioning of monetary transmission mechanisms weaken policy effectiveness, it added. *(SUNS 10109)*

Merchandise trade to rebound by 2% in 2024 amid geopolitical turmoil

UN Trade and Development (UNCTAD) has projected international trade in goods and services to rebound by 2 to 3 per cent in real terms in 2024, mainly driven by a revival of merchandise trade, following its contraction in the previous year.

by Kanaga Raja

PENANG: After stagnating in 2023, international trade in goods and services is expected to rebound by 2 to 3 per cent in real terms in 2024, mainly driven by a revival of merchandise trade that accounts for 75% of global commerce in value, according to UN Trade and Development (formerly known as UNCTAD).

In its Trade and Development Report 2024, UNCTAD said that merchandise trade, which contracted 1.2 per cent in real terms in 2023, was the main cause for the poor performance of the broad aggregate in 2023.

Another key issue highlighted by UNCTAD is trade's stalling growth relative to GDP.

Between 1995 and 2007, trade grew at twice the rate of global GDP, but since the 2008 global financial crisis, that momentum has stalled.

It said that in 2023, for the first time in history, merchandise trade contracted (-1.2%) despite global economic growth.

Meanwhile, services are emerging as a potential growth engine, expanding at 5% annually and now accounting for 25% of global trade by 2022, it added.

While this shift brings promise, it also carries risks for global inequalities. Developing countries account for less than 30% of global services export revenues, UNCTAD further said.

The uneven playing field is clear in the creative services sector, valued at $1.4 trillion in 2022, where advanced economies account for 80% of exports.

The growing importance of intangible assets like brands, software, data and patented technologies in global supply chains heighten the risks further. In 2023, investment in intangible assets grew three times faster than physical assets, reaching $6.9 trillion, it added.

Trade revival in 2024

After stagnating in 2023, international trade in goods and services is expected to rebound by 2 to 3 per cent in real terms in 2024.

Merchandise trade, which contracted 1.2 per cent in real terms in 2023, was the main cause for the poor performance of the broad aggregate in 2023. This is because gross flows of goods still account for more than 75 per cent of global trade in aggregate, said the report.

It said that the drop reflected a mixture of trade tensions, subdued global demand, changes in inventories and high base effects relating to the temporary shift in expenditure towards durable goods during the COVID-19 pandemic.

As a result, the elasticity of global merchandise trade vis-a-vis economic output plunged into negative territory.

"That change was unprecedented in recent history. Apart from 2023, global trade had contracted only twice on an annual basis in more than four decades, in 2009 and 2020. On both occasions, however, world gross product also shrank in parallel. Hence, the elasticity – which refers to the ratio of the percentage change in trade volume to the percentage change in world gross product - remained positive. What made 2023 extraordinary was the fact that merchandise trade contracted while global economic activity was still growing," said the report.

Beyond these arithmetic considerations, this development highlights the structural slowdown that merchandise trade has experienced since the global financial crisis. In contrast, trade in services has been more dynamic, it added.

It said that in 2023, global trade in services grew by about 5 per cent in real terms, highlighting the mounting importance of international trade in services.

These elements explain why global trade supporters have recently put more emphasis on international services.

"As the share of services in global trade reached almost 25 per cent in 2023 and is projected to grow further, expectations are high in some policy and academic communities for international services to become the new growth engine."

However, the report said that there is no consensus that trade in services can be the new principal developmental lever in developing countries.

"Rather, there is a growing recognition, shared by leading academics, that strengthening productivity and the creation of quality jobs in labour-absorbing sectors such as care, retail, education and other personal services, which tend not to be internationally traded, should be the cornerstones of future development strategies. This seems to be the only remaining way to ensure that a large part of the currently underemployed labour force can register increased real wages over time."

It said growth prospects for world merchandise trade for 2024 have returned to positive numbers.

The UNCTAD nowcast model predicts that export revenues will reach almost $32 trillion in 2024.

Yet, regional developments have been uneven. Although revenues from world trade are growing again, they are unlikely to surpass their record level of 2022.

This is primarily because, in real terms, exports in most developed countries have either stagnated or even declined recently, but also because key international commodity prices have also receded.

Overall, signs of weaker prospects for merchandise trade in the quarters ahead had already appeared in several leading indicators.

The July release of the global manufacturing Purchasing Managers' Index data, for instance, depicted a second consecutive monthly contraction for the new export orders component.

The UNCTAD trade nowcast of September pointed to a growth deceleration from the second quarter of 2024 onwards.

In line with earlier dynamics, the outlook for trade in services remains comparatively better than for merchandise trade in 2024.

Data for the first quarter show that world services exports in dollar terms increased by 9 per cent on a quarter-on-quarter, seasonally adjusted annualized-rate basis, said report.

It said high carbon emissions-intensive services grew most rapidly: travel expanded 18 per cent, while transport increased 15 per cent. All other commercial services grew 5 per cent.

Regionally, preliminary data for the first quarter of 2024 suggests growth in services exports as a whole in Asia and Oceania, North America and Europe, at around 8 to 10 per cent on a quarter-on-quarter, seasonally adjusted annualized-rate basis.

In Latin America and the Caribbean, growth reached 19 per cent on the back of robust performance in international transport services from Mexico.

It said that for the rest of 2024, from the second quarter onwards, UNCTAD nowcast data for trade in services in dollar terms points to a continued expansion, ranging from 2 to 5 per cent on a quarter-on-quarter, seasonally adjusted annualized-rate basis, significantly below the rate during the first quarter.

Forecasts point to an annual expansion of revenues of services exports of almost 6 per cent, while for merchandise, the corresponding figure will be just slightly more than 2 per cent.

Transport revenues are expected to rebound sharply over the course of 2024 due to significant price increases, particularly for container freight rates.

This is due primarily to firmer demand as well as the disrupted routes in the Red Sea, and to a lesser extent to delays at the Panama Canal earlier in 2024, said the report.

Regarding travel, about 790 million international tourists were registered between January and July 2024, some 11 per cent more than in 2023, though 4 per cent less than in 2019.

Strong demand in Europe and the reopening of several markets in Asia and the Pacific supported this catch-up. Data show a strong start to the year, followed by a more modest second quarter.

In total, other commercial services are expected to grow roughly in line with trade in services in 2024.

This diverse grouping of activities is dominated by business services, telecommunications and computer services, intellectual property, and insurance and financial services, and further comprises construction and personal, cultural and recreational services.

Among these, telecommunications and computer services as well as financial services have experienced relatively faster growth.

Looking ahead, the report said that beyond the rebound in world trade and its expected deceleration during 2024, the prioritization of domestic issues and the pressing need to fulfil climate commitments are prompting shifts in trade and industrial policies.

The report said higher reliance on trade restrictions and inward-focused industrial strategies, especially by the largest economies, are expected to prevent a smooth functioning of international trade in general and some key sectors in particular, such as aluminium, semiconductors and steel.

Sectoral slowdowns, however, do not always correspond with reduced trade flows globally, as the expected eight-year record high of steel exports from China in 2024 illustrates, it added.

"The long-term slowdown of world merchandise trade and its ongoing re-configuration as well as significant breakthroughs in information and communications and digital technologies prompt a rethink of development pathways."

Once preferred strategies for development in low- and middle-income nations - centred around manufacturing export-led growth to absorb a sizeable portion of unskilled workers, boost productivity and ultimately stimulate economic transformation – appear to be increasingly unable to deliver simultaneously on these fronts.

This calls for a wider consideration of key components of development strategies today, the report suggested.

Manufacturing losing steam?

The report said that in the aftermath of the global financial crisis, which made clear that previous global growth patterns were unsustainable, drastic changes occurred.

Less than 20 per cent of middle-income countries still registered manufacturing-led export growth during 2008-2020, while almost 70 per cent of lower-middle-income countries and 90 per cent of upper-middle-income ones recorded services-led growth within these years.

Interestingly, among high-income countries, the percentages registering manufacturing- and/or services-led growth have remained more stable, despite a slight decrease in manufacturing-led growth episodes and an up-tick in services-led ones between the two time spans.

This supports the view that manufacturing-led export growth is somehow losing steam while services-led growth is booming, said the report.

"Trade in services alone faces several limitations and can scarcely be expected to become a realistic alternative to manufacturing-led development. It hardly fulfils the dual mandate of enhancing productivity gains and creating many jobs for unskilled workers, not to mention the growing negative environmental footprint of some activities," the report emphasized.

On the one hand, tradable services that are productively dynamic – such as banking, information technology and business-process outsourcing – provide limited scope to generate widespread employment for unskilled workers, for the same reason that manufacturing nowadays is unable to generate sufficient jobs for the unskilled labour force.

In short, these sectors often rely primarily on high-level skills and automated processes.

On the other hand, more labour-intensive sectors such as tourism and construction do not generate significant productivity enhancements given limited possibilities for achieving meaningful economies of scale and creating backward and forward linkages.

Furthermore, information and communications technology-enabled services, or even trade in services in general, usually remain primarily dominated by developed countries. Recent trade data show a low number of non-high-income developing economies in the top 30 economies in world services exports in 2023.

This contrasts with merchandise trade, for which the figure is larger. In aggregate, developing economies accounted for less than 30 per cent of world services export revenues; the figure for merchandise exports is 44 per cent, said UNCTAD.

Intangible assets

The report said the growing role of intangible assets adds to these concerns. It pointed out that according to the Asian Development Bank (ADB) et al: "Conventional trade statistics do not capture exports in the services of intangibles via [global value chains and therefore they] substantially underestimate the actual exports of developed economies and distort the trade balance between them and developing economies".

Yet intangible assets, such as brands, unique designs, patented technologies and the knowledge of supply chain management, rather than tangible assets (i.e. manufacturing production), are increasingly determining the ability of firms to lead and benefit from global value chains, said UNCTAD.

In the extreme, this may lead to "factory-less" production in which firms that design and market manufactured products own none of the production process.

As a result, an important part of modern global value chains consists of innovator countries exporting the services of their intellectual property in return for manufactured goods.

UNCTAD said according to the World Intellectual Property Organization (WIPO) and Luiss Business School, investment in intangible assets such as brands, designs, data and software has grown three times faster over the past 15 years than investment in physical assets such as factories and machinery.

It said that France, Sweden and the United States have seen the most intensive activity, and India is trending upward. In 2023, aggregate intangible investment touched $6.9 trillion, more than doubling from $2.9 trillion in 1995. Tangible investment rose to $4.7 trillion in 2023.

Besides concerns relating to intangible assets, issues about market concentration, such as in the creative services trade, also show how developed economies continue to lead in an area that is often portrayed as a plausible multi-faceted engine for economic development, it added.

"While the value of this sector rose to $1.4 trillion in 2022, developed economies still accounted for 80 per cent of exports in 2022. This contrasts with the size of developed countries in the world economy, which is less than 60 per cent."

High concentration is also reflected in the geography of headquarters of large multinational enterprises providing international services, said the report, noting that 70 per cent of headquarters activities in international trade in services are in the advanced regions, compared to only 10 per cent for the rest of the developing world outside China, including Hong Kong Special Administrative Region (SAR).

This figure was derived from the financial statements of a group of almost 1,000 multinational enterprises, both publicly traded and not, that each recorded more than $10 billion in revenues in 2022.

Arguably, these are key players in international services with their revenues, albeit also from domestic activities, collectively accounting for almost $35 trillion in 2022, more than five times the value of trade in services that year, it said.

It said that although interesting export promotion initiatives have emerged recently in trade in services, tradable services will remain insufficient to absorb a major part of the labour force in developing countries.

More broadly, asymmetries in exports among country groups - together with issues of market concentration and competition-related concerns as recently reassessed by UNCTAD – explain why it seems difficult to envisage that international services could supersede what manufacturing-led development successfully achieved in some parts of the developing world in the past, it added.

Policy mix needed

The report noted that recognizing the inability of trade in services to provide enough quality jobs to the majority of underemployed people in developing countries, Rodrik and Stiglitz (2024) recently proposed a more radical policy shift centred on the green transition and the promotion of labour-absorbing services activities, mostly in the non-tradable sectors.

It said they advocate a three-pronged strategy based on: encouraging lower-skill job creation by larger firms in non-tradable services; providing public inputs and access to productivity-enhancing investments for smaller enterprises; and investing in technologies that complement rather than replace low-skilled workers in services sectors.

"This strategy argues for more inclusive and equitable growth strategies even if growth is lower. In short, it is about quality rather than quantity. The core idea is to deliver direct income gains for poorer segments of society through better jobs and, thus, to build a middle class, rather than wait for a "trickle-down" from the export champions and largest firms."

New studies have been advancing a vision for services-led economic development in more practical terms, even if there is still a long way to go before understanding well how to raise productivity in labour-absorbing services.

Effective strategies for expanding employment opportunities in the services sector must be selective, targeting firms and sub-sectors with higher chances of success. Experimentation is essential and more likely to work when decentralized, the report stressed.

"This is because local governments, such as municipalities and sub-national authorities, are often more aware of specific local conditions. Hence, they may be best suited to conduct and implement pilot programmes."

An important dimension is to enhance employment prospects for those at the lower end of income distribution. This is likely to boost the middle class and further stimulate domestic demand, which could support a virtuous cycle reinforcing economic growth, social inclusion and job creation, said the report.

It said as policymakers embark on the challenging journey of critically reviewing, assessing and plausibly re-calibrating development pathways for the decades to come, the discussions above can provide some valuable food for thought.

"At this juncture, it is worth stressing that perhaps the most cautious and promising approach to implementing modern industrial policies involves two aspects in parallel: Addressing the identified problem while minimizing adverse effects on international cooperation and multilateralism."

This new odyssey will not be easy, as was the case for previous attempts to harness the best of globalization.

Boosting productivity in services is known for being complicated. Yet attempts to provide good jobs for most citizens without greater consideration of non-tradable services seem increasingly implausible, the report said. *(SUNS 10109)*

Strengthening multilateralism for a more just global order

The leaders of the expanded BRICS group of countries, at the 16th BRICS Summit in Kazan, the Russian Federation, adopted a declaration in which they amongst others reaffirmed their commitment to multilateralism and upholding international law, as well as the central role of the United Nations in the international system.

by Kanaga Raja

PENANG: The leaders of the expanded BRICS group of countries, meeting in Kazan, the Russian Federation, reaffirmed their commitment to multilateralism and upholding international law, including the purposes and principles enshrined in the United Nations Charter as its indispensable cornerstone, as well as the central role of the UN in the international system.

In their Kazan Declaration, adopted at the end of the 16th BRICS Summit (22-24 October), the leaders noted the emergence of new centres of power, policy decision-making and economic growth, which can pave the way for a more equitable, just, democratic and balanced multipolar world order.

"Multipolarity can expand opportunities for EMDCs (emerging market and developing countries) to unlock their constructive potential and enjoy universally beneficial, inclusive and equitable economic globalization and cooperation. Bearing in mind the need to adapt the current architecture of international relations to better reflect the contemporary realities, we reaffirm our commitment to multilateralism and upholding the international law, including the Purposes and Principles enshrined in the Charter of the United Nations (UN) as its indispensable cornerstone, and the central role of the UN in the international system, in which sovereign states cooperate to maintain international peace and security, advance sustainable development, ensure the promotion and protection of democracy, human rights and fundamental freedoms for all as well as cooperation based on solidarity, mutual respect, justice and equality," they said.

They further emphasized the urgent need to achieve equitable and inclusive geographical representation in the staff composition of the Secretariat of the United Nations and other international organizations in a timely manner.

"We reiterate our commitment to improving global governance by promoting a more agile, effective, efficient, responsive, representative, legitimate, democratic and accountable international and multilateral system. We call for assuring greater and more meaningful participation of EMDCs and least developed countries, especially in Africa and Latin America and the Caribbean, in global decision-making processes and structures and making them better attuned to contemporary realities."

The leaders also called for increasing the role and share of women, especially from EMDCs, at different levels of responsibilities in the international organizations.

"As a positive step in this direction, we acknowledge the G20 Call to Action on Global Governance Reform launched by Brazil during its G20 presidency."

Recognizing the 2023 Johannesburg II Declaration, the leaders reaffirmed their support "for a comprehensive reform of the United Nations, including its Security Council, with a view to making it more democratic, representative, effective and efficient, and to increase the representation of developing countries in the Council's memberships so that it can adequately respond to prevailing global challenges and support the legitimate aspirations of emerging and developing countries from Africa, Asia and Latin America, including BRICS countries, to play a greater role in international affairs, in particular in the United Nations, including its Security Council."

"We recognise the legitimate aspirations of African countries, reflected in the Ezulwini Consensus and Sirte Declaration."

The leaders reaffirmed their support for the rules-based, open, transparent, fair, predictable, inclusive, equitable, non-discriminatory, consensus-based multilateral trading system with the World Trade Organisation (WTO) at its core, with special and differential treatment (S&DT) for developing countries, including Least Developed Countries, and rejected the unilateral trade restrictive measures that are inconsistent with WTO rules.

The leaders welcomed the outcomes of the 13th Ministerial Conference in Abu Dhabi (UAE) and reiterated their commitment to work towards implementation of the decisions and declarations of WTO Ministerial Conferences, noting, however, that there is still a need for further efforts in many outstanding issues.

"We emphasize the importance of reforming the WTO and strengthening the developmental dimension in its work."

"We commit to engage constructively within the WTO to attain the goal to deliver a fully and well-functioning two-tier binding WTO dispute settlement system by 2024 accessible to all, and the selection of new Appellate Body Members without further delay."

The BRICS leaders agreed to enhance their dialogue on multilateral trading system and WTO-related issues and welcomed the establishment of the BRICS Informal Consultative Framework on WTO issues.

"We reiterate the decision under the Strategy for BRICS Economic Partnership 2025 to take actions to support the necessary WTO reform to enhance the WTO's resilience, authority and efficacy, and promote development and inclusivity," they said.

"We are deeply concerned about the disruptive effect of unlawful unilateral coercive measures, including illegal sanctions, on the world economy, international trade, and the achievement of the Sustainable Development Goals."

"Such measures undermine the UN Charter, the multilateral trading system, sustainable development and environmental agreements. They also negatively impact economic growth, energy, health and food security exacerbating poverty and environmental challenges," they said.

The leaders reaffirmed their

commitment to maintaining a strong and effective Global Financial Safety Net with a quota-based and adequately resourced IMF at its center.

"We call for the reform of the Bretton Woods institutions, which includes increased representation of EMDCs in leadership positions to reflect the contribution of EMDCs to the global economy," they said.

"We support a merit-based, inclusive and equitable selection process for the top positions at the Bretton Woods institutions, increased geographical representation and the role and share of women."

The leaders noted the quota increase at the 16th General Review of Quotas (GRQ) and urged members to secure domestic approvals to make quota increase effective.

"We welcome the decision to create a 25th chair at the IMF Executive Board to enhance the voice and representation of Sub-Saharan Africa."

The BRICS leaders acknowledged the urgency and importance of realignment in quota shares to better reflect members' relative positions in the world economy, while protecting the quota shares of EMDCs, in particular, the poorest members.

"We welcome the IMF Executive Board's ongoing work to develop by June 2025 possible approaches as a guide for further quota realignment, including through a new quota formula, under the 17th GRQ. The discussions should result in quota realignment that is fair and transparent, enhances the representation of under-represented IMF members, and transfers quota share from advanced economies to EMDCs."

The BRICS leaders looked forward to the International Bank for Reconstruction and Development (IBRD) 2025 Shareholding Review.

The leaders stressed the universal and inclusive nature of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals, and that implementation should take into account different national circumstances, capacities and levels of development, whilst respecting national policies and priorities and in conformity with national legislation.

The leaders said that they will exert all efforts to achieve sustainable development in its three dimensions and commit to put it at the center of the international cooperation agenda in order to better address imbalances and inadequacies of development.

The leaders condemned the attempts to subject development to discriminatory politically motivated practices, including but not limited to unilateral coercive measures that are incompatible with the principles of the UN Charter, explicit or implied political conditionality of development assistance, activities, aiming at compromising the multiplicity of international development assistance providers.

They underscored the key role of the G20 as the premier global forum for multilateral economic and financial cooperation that provides a platform for dialogue of both developed and emerging economies on an equal and mutually beneficial footing for jointly seeking shared solutions to global challenges.

"We recognise the importance of the continued and productive functioning of the G20, based on consensus with a focus on result-oriented outcomes. We support the Global Alliance against Hunger and Poverty and the work of the Task Force for a Global Mobilization against Climate Change, as well as the landmark Rio de Janeiro Declaration on International Tax Cooperation."

Climate change

The leaders reiterated that the objectives, principles and provisions of the United Nations Framework Convention on Climate Change (UNFCCC), its Kyoto Protocol and its Paris Agreement, including its principles of equity and common but differentiated responsibilities and respective capabilities (CBDR-RC) in the light of different national circumstances, must be honoured.

"We condemn unilateral measures introduced under the pretext of climate and environmental concerns and reiterate our commitment to enhancing coordination on these issues. We will strengthen cooperation on a whole range of solutions and technologies that contribute to the reduction and removal of Greenhouse Gases (GHGs)."

The leaders also noted the role of carbon sinks in absorbing GHGs and mitigating climate change, whilst also highlighting the importance of adaptation and stressing the need for the adequate provision of the means of implementation, namely financial resources, technology transfer and capacity building.

The leaders recalled that the UNFCCC, including the annual Conference of the Parties (COP) sessions, is the primary and legitimate international forum to discuss the issue of climate change in all its dimensions.

"We are deeply concerned with attempts to link security with the climate change agenda," they said.

The leaders commended Egypt for hosting COP27 in Sharm El-Sheikh in 2022, where the Fund for Responding to Loss and Damage was established, and the UAE for hosting COP28 in Dubai in 2023, where the Fund was operationalized.

"We welcome the UAE Consensus achieved at COP28, including the decision entitled "Outcome of the first global stocktake", and the UAE Framework for Global Climate Resilience. We express commitment to a successful COP29 in Azerbaijan, with an expectation of strong outcomes on climate finance to developing countries, as a critical enabler for delivering on the current and future nationally determined actions and ambitions in mitigation, adaptation and loss and damage," they said.

"We support Brazil's leadership in hosting COP30 in 2025 and welcome India's candidacy to host COP33 in 2028."

The BRICS leaders reaffirmed the importance of biodiversity conservation, including the implementation of the Kunming-Montreal Global Biodiversity Framework.

They urged developed countries to ensure the provision of adequate, effective and easily accessible financial resources to developing countries to promote the conservation and sustainable use of biodiversity and highlighted the importance of improving capacity building, development and transfer of technology from developed countries to developing countries for the conservation, sustainable use and fair and equitable sharing of benefits arising from the use of biodiversity.

"We recognise that land degradation, desertification, and drought are posing serious threats to the well-being and livelihoods of people and the environment, and, whilst acknowledging the ongoing efforts in promoting sustainable land management practices, we call for the urgent provision of increased financial resources, strong partnerships, and integrated policies to address the challenges of land degradation, desertification, and drought."

In this regard, the leaders looked forward to the forthcoming sixteenth session of the United Nations Convention to Combat Desertification that will take place in Riyadh, Saudi Arabia, from 2 to 13 December 2024.

Human rights

The BRICS leaders reaffirmed the need for all countries to cooperate in promoting and protecting human rights and fundamental freedoms under the principles of equality and mutual respect.

"We agree to continue to treat all human rights including the right to development in a fair and equal manner, on the same footing and with the same emphasis."

They agreed to strengthen cooperation on issues of common interests both within BRICS and in multilateral fora including the United Nations General Assembly and Human Rights Council, taking into account the necessity to promote, protect and fulfil human rights in a non-selective, non-politicised and constructive manner and without double standards.

The leaders called for the respect of democracy and human rights. "In this regard, we underline that they should be implemented on the level of global governance as well as at national level."

They reaffirmed their commitment to ensuring the promotion and protection of democracy, human rights and fundamental freedoms for all with the aim to build a brighter shared future for the international community based on mutually beneficial cooperation.

The BRICS leaders reiterated that the unilateral coercive measures, inter-alia in the form of unilateral economic sanctions and secondary sanctions that are contrary to international law, have far-reaching implications for the human rights, including the right to development, of the general population of targeted states, disproportionally affecting the poor and people in vulnerable situations, and called for their elimination.

"We recall the 2001 Durban Declaration and Programme of Action (DDPA) and the Outcome Document of the 2009 Durban Review Conference and acknowledge the need to intensify the fight against racism, racial discrimination, xenophobia and related intolerance as well as discrimination based on religion, faith or belief, and all their contemporary forms around the world including the alarming trends of rising hate speech, and acknowledge the annual UNGA resolution on "Combating glorification of Nazism, neo-Nazism, and other practices that contribute to fueling contemporary forms of racism, racial discrimination, xenophobia and related intolerance"." *(SUNS 10106)*

Urgent need for reform of international financial architecture

The leaders of the expanded BRICS group of countries, at the 16th BRICS Summit in Kazan, the Russian Federation, adopted a declaration in which they amongst others underscored the need to reform the international financial architecture, keep supply chains open, develop a fair agricultural trading system, and to enhance international tax cooperation.

by Kanaga Raja

PENANG: The leaders of the expanded BRICS group of countries, meeting in Kazan, the Russian Federation, on 22-24 October, for the 16th BRICS Summit, underscored "the need to reform the current international financial architecture to meet the global financial challenges including global economic governance, to make the international financial architecture more inclusive and just."

In their Kazan Declaration, recalling the 2023 Johannesburg II Declaration, the BRICS leaders reiterated their strong belief that multilateral cooperation is essential to limit the risks stemming from geopolitical and geo- economic fragmentation and commit to intensify efforts in areas of mutual interest, including but not limited to, trade, poverty and hunger reduction, sustainable development, including access to energy, water and food, fuel, fertilizers as well as mitigating and adapting to the impact of climate change, education, and health, including pandemic prevention, preparedness and response.

They emphasized the importance of the full implementation of Addis-Ababa Action Agenda adopted at the Third International Conference on Financing for Development in 2015 and the effective participation of developing countries in the Fourth International Conference on Financing for Development, which will be held in Spain from 30 June to 3 July 2025.

"We call on the developed countries to honor their commitment to financing for development and encourage their cooperation with developing countries in different development areas including taxation, debt, trade, official development assistance, technology transfer and reforming of international financial architecture."

The leaders underscored the need to reform the current international financial architecture to meet the global financial challenges including global economic governance to make the international financial architecture more inclusive and just.

"We note that high debt levels in some countries reduce the fiscal space needed to address ongoing development challenges aggravated by spillover effects from external shocks, particularly from fluctuations in financial and monetary policies in some advanced economies as well as the inherent problems with the international financial architecture. High interest rates and tighter financing conditions worsen debt vulnerabilities in many countries."

The leaders believe it is necessary to address the international debt properly and in a holistic manner to support economic recovery and sustainable development, taking into account each nation's laws and internal procedures, accompanied by sustainable external debt and fiscal prudence.

"We recognise the need to

address in an effective, comprehensive and systematic manner the debt vulnerabilities of both low and middle income countries."

The leaders said one of the instruments, amongst others, to collectively address debt vulnerabilities is through predictable, orderly, timely and coordinated implementation of the G20 Common Framework for Debt Treatment with the participation of official bilateral creditors, private creditors and Multilateral Development Banks (MDBs) in line with the principle of joint action and fair burden-sharing.

"We recognise the key role of the New Development Bank (NDB) in promoting infrastructure and sustainable development of its member countries."

In this regard, the leaders supported further development of the NDB and improvement in corporate governance and operational effectiveness towards the fulfillment of the NDB's General Strategy for 2022-2026.

They supported the NDB in continuously expanding local currency financing and strengthening innovation in investment and financing tools.

"We encourage the Bank to follow member-led and demand-driven principles, the employment of innovative financing mechanisms to mobilize financing from diversified sources, and in this regard, we acknowledge the initiative to create new investment platform to leverage the existing institutional infrastructure of the NDB to boost the investment flow into the countries of BRICS and the Global South mechanisms."

The leaders supported the enhancement of capacity building and knowledge exchange, including by building synergies with knowledge sources from developing countries, the assistance of member countries in achieving the SDGs and the further improvement of efficiency and effectiveness to fulfill its mandate, aiming to be a premier multilateral development institution for EMDCs.

"We agree to jointly develop the New Development Bank into a new type of MDB in the 21st century," they said.

The leaders urged the Bank to execute its purpose and functions in accordance with the Articles of Agreement of the New Development Bank in a fair and non-discriminatory manner.

"We support the further expansion of NDB membership and expedited consideration of applications of BRICS countries in line with the NDB General Strategy and related policies."

The leaders welcomed the BRICS Interbank Cooperation Mechanism (ICM) focus on facilitating and expanding innovative financial practices and approaches for projects and programmes, including finding acceptable mechanisms of financing in local currencies.

They also welcomed a continued dialogue between the ICM and the NDB.

"We recognise the important role of BRICS countries working together to deal with risks and challenges to the world economy in achieving global recovery and sustainable development."

In this regard, the leaders reaffirmed their commitment to enhance macro-economic policy coordination, deepen economic cooperation and work to realize strong, sustainable, balanced and inclusive economic recovery.

"We emphasize the importance of continued implementation of the Strategy for BRICS Economic Partnership 2025 in all relevant ministerial tracks and working groups."

The leaders reiterated their commitment to enhancing financial cooperation within BRICS.

"We recognise the widespread benefits of faster, low cost, more efficient, transparent, safe and inclusive cross-border payment instruments built upon the principle of minimizing trade barriers and non-discriminatory access."

The leaders welcomed the use of local currencies in financial transactions between BRICS countries and their trading partners.

"We encourage strengthening of correspondent banking networks within BRICS and enabling settlements in local currencies in line with BRICS Cross-Border Payments Initiative (BCBPI), which is voluntary and non-binding, and look forward to further discussions in this area, including in the BRICS Payment Task Force."

The leaders acknowledged the importance of exploring the feasibility of connecting BRICS countries' financial markets infrastructure.

In this regard, they agreed to discuss and study the feasibility of establishment of an independent cross-border settlement and depositary infrastructure, BRICS Clear, an initiative to complement the existing financial market infrastructure, as well as BRICS independent reinsurance capacity, including BRICS (Re)Insurance Company, with participation on a voluntary basis.

"We task our Finance Ministers and Central Bank Governors, as appropriate, to continue consideration of the issue of local currencies, payment instruments and platforms and report back to us by the next Presidency."

The leaders recognised the BRICS Contingent Reserve Arrangement (CRA) being an important mechanism to forestall short-term balance of payments pressures and further strengthen financial stability.

They expressed their strong support for the CRA mechanism improvement via envisaging alternative eligible currencies and welcomed finalization of the amendments to the CRA documents.

"We acknowledge the successful completion of the 7th CRA Test Run and the fifth edition of the BRICS Economic Bulletin under the title "BRICS Economies in a Higher-rate Environment"."

Open supply chains

The BRICS leaders highlighted that secure, resilient, stable, effective and open supply chains are crucial for sustainable development.

Acknowledging the role of the BRICS Members as the world's largest producers of natural resources, the leaders underscored the importance of strengthening cooperation of the BRICS Members across the entire value chain and agreed to take joint actions with the aim to oppose unilateral protectionist measures that are inconsistent with the existing WTO provisions.

Concerned with the fast-paced digitalization process of all aspects of human life in the 21st century, the BRICS leaders underscored the key role of data for development and the need to intensify the engagement within BRICS to address this issue.

"We highlight that fair, inclusive and equitable governance of data is critical to enable developing countries to harness the benefits of the digital economy and emerging technologies, including artificial intelligence."

The BRICS leaders called for the design of a fair and equitable global framework for data governance, including cross-border data flows, to address the principles of collection, storage, use and transfer of data; ensure the interoperability of data policy frameworks at all levels; and distribute the monetary and non-monetary benefits of data with developing countries.

The leaders emphasized that e-commerce has become an important driver of global economic growth, fostering international trade in goods and services, ensuring foreign investment flows and facilitating innovation.

"We are resolved to further increase trust in e-commerce and ensure full-fledged protection of the rights of e-commerce parties, by intensifying cooperation in the realms of utilizing digital technologies for consumer rights protection, exploring online dispute resolution tools and creating enabling environment for businesses to enter global markets, exchanging views on the issue of small value product trade through the cross-border e-commerce," they said.

They agreed that resilience of supply chains and unimpeded trade in agriculture along with domestic production are crucial for ensuring food security and livelihoods, especially for low-income or resource-poor farmers, as well as for net-food importing developing countries.

"We recognise efforts to support smallholder farmers as an important part of national agriculture system. We welcome the Conference on Food Security and Sustainable Agricultural Development held on 27-28 of June 2024 in Moscow, and look forward to the upcoming Global Food Security Summit that would be held in Abu Dhabi on 26-28 November 2024."

The leaders reaffirmed the need to develop a fair agricultural trading system and implement resilient and sustainable agriculture.

"We commit to minimize disruptions and promote rules-based trade in agriculture and fertilizers with the view to ensure a continuous flow of food and essential inputs for agricultural production which should be exempted from undue restrictive economic measures, inconsistent with WTO rules, including those affecting producers and exporters of agricultural products as well as business services with regard to international shipments."

In this regard, the leaders welcomed the initiative of the Russian side to establish a grain (commodities) trading platform within BRICS (the BRICS Grain Exchange) and to subsequently develop it including expanding it to other agricultural sectors.

The leaders acknowledged that the Partnership for the New Industrial Revolution (PartNIR) serves as a guiding platform for BRICS cooperation within the framework of the New Industrial Revolution to identify interests, challenges, and opportunities in the rapidly evolving industrial landscape and capacity building in the field of industry as well as ensure the continuity of BRICS industrial cooperation in a structured framework for sustained collaboration.

While emphasising the fundamental role of access to energy in achieving SDGs and noting the outlined risks to energy security, the leaders highlighted the need for enhanced cooperation among the BRICS countries as major producers and consumers of energy products and services towards fair, inclusive, sustainable, equitable and just energy transitions.

"We believe that energy security, access and energy transitions are important and need to be balanced taking into consideration full and effective implementation of the UNFCCC and its Paris Agreement."

The leaders reaffirmed their determination to foster free, open, fair, non-discriminatory, transparent, inclusive, and predictable international energy trade and investment environment and agreed to deepen technological cooperation.

"We stress the necessity for resilient global supply chains and stable, predictable energy demand in order to provide universal access to affordable, reliable, sustainable and modern energy sources as well as to ensure national, global and regional energy security."

In this regard, they also strongly condemned all terrorist attacks against critical cross-border energy infrastructure and called for an open and unbiased approach to investigating such incidents.

"We call for allocating adequate, predictable and accessible finance from developed to developing countries for the just energy transitions, in line with the principles of CBDR-RC."

The leaders stressed that new industrial development models associated with energy transitions would require enormous investments in existing and new infrastructure.

"We reject unilateral, punitive and discriminatory protectionist measures, that are not in line with international law, under the pretext of environmental concerns, such as unilateral and discriminatory carbon border adjustment mechanisms (CBAMs), due diligence requirements, taxes and other measures and reconfirm our full support for the call in COP28 related to avoidance of unilateral trade measures based on climate or environment."

The leaders also opposed unilateral protectionist measures, which deliberately disrupt the global supply and production chains and distort competition.

"We underscore the critical need for active climate adaptation projects, moving beyond research and forecasting to the implementation of practical solutions, advancing renewable energy, sustainable financing, low-emission technologies, and sustainable development investments, while highlighting the importance of collective action and international cooperation to address the adverse impacts of climate change and ensure inclusive, equitable climate initiatives," said the leaders.

Public health issues

The BRICS leaders reiterated their support to the central coordinating role of the World Health Organization in the implementation of multilateral international efforts to protect public health from infectious diseases and epidemics and committed to reform and strengthen the international pandemic prevention, preparedness and response system.

They recognised the fundamental role of primary health care as a key foundation for Universal Health Care and health system's resilience, as well as on prevention and response to health emergencies.

"We welcome fostering closer ties among BRICS health institutions responsible for sanitary and epidemiological health and well-being, prevention, preparedness and response to epidemic prone communicable diseases and health impact following disasters and encourage further exploring opportunities for knowledge sharing, exchange of expertise and undertaking joint projects in the health sector."

The BRICS leaders acknowledged that BRICS cooperation on countering

Tuberculosis (TB) and Antimicrobial Resistance (AMR) as well as strengthening capacities in preventing communicable diseases and other health issues such as non-communicable diseases, research and development, experience sharing, including on traditional medicine systems, digital health, nuclear medicine and radiopharmaceutical science, with a particular emphasis on strengthening the radiopharmaceutical supply chain and enhancing isotopes production, alongside fostering the development of advance digital solutions, greatly contributes to relevant international efforts.

"We support the initiatives of the BRICS R&D Vaccine Center, further development of the BRICS Integrated Early Warning System for preventing mass infectious diseases risks and the operations of the BRICS TB Research Network."

The leaders welcomed the outcomes of the 79th United Nations General Assembly (UNGA) High-Level Meeting on AMR, committing to a clear set of targets and actions, including reducing the estimated 4.95 million human deaths associated with bacterial antimicrobial resistance (AMR) annually by 10% by 2030.

"We express concern about the growing threat of AMR to all sectors of the economy, in particular healthcare, and note the timeliness of holding the first BRICS Conference on AMR in May 2024."

Tax cooperation

The BRICS leaders welcomed the UN General Assembly resolution 78/230 on promotion of inclusive and effective international tax cooperation at the United Nations.

"We express our appreciation for the commitment and dedication in developing the Terms of Reference for a United Nations Framework Convention on International Tax Cooperation (UNFCITC) by the UN Ad Hoc Committee."

The leaders recognised the critical importance of developing the UNFCITC with its early Protocols to strengthen international tax cooperation and make it fully inclusive and more effective.

The BRICS leaders expect that the implementation of the UNFCITC will promote an inclusive, fair, transparent, efficient, equitable, and effective international tax system for sustainable development, with a view to enhancing the legitimacy, certainty, resilience, and fairness of international tax rules, while addressing challenges to strengthen domestic resource mobilization.

The leaders supported initiatives to enhance tax cooperation and build a more progressive, stable, and effective international tax system, promoting tax transparency and facilitating discussions on effective taxation of high net-worth individuals. *(SUNS 10106)*

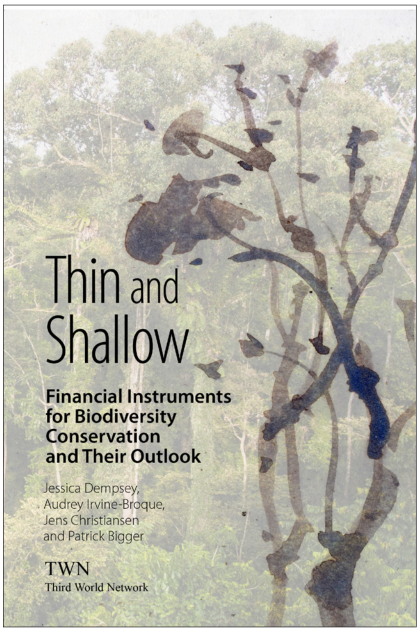
Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

Jessica Dempsey, Audrey Irvine-Broque, MJens Christiansen and *Patrick Bigger*

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

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

Available at: https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf



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Maritime trade sees modest growth in 2024 amid uncertain future

UN Trade and Development (UNCTAD) has forecast maritime trade volume to expand by 2 per cent in 2024. However, the future remains uncertain, with geopolitical tensions, climate impacts, and conflicts threatening the functioning of maritime supply chains.

by Kanaga Raja

PENANG: Maritime trade volume is projected to expand by 2 per cent and containerized trade volume by 3.5 per cent in 2024, but significant risks could still hinder a sustainable recovery in maritime trade, according to UN Trade and Development (formerly known as UNCTAD).

In its flagship Review of Maritime Transport 2024 report, UN Trade and Development said that while maritime trade, which grew by 2.4 per cent in 2023 to reach 12,292 million tons, began to recover after a contraction in 2022, the future remains uncertain.

A combination of geopolitical tensions, climate impacts, and conflicts have shaken global trade, threatening the functioning of maritime supply chains, the report said.

It said the global economy, food security, and energy supplies are at increasing risk due to vulnerabilities at key maritime routes.

Critical chokepoints – such as the Panama Canal (connecting the Pacific and Atlantic Oceans), the Red Sea and the Suez Canal (linking the Mediterranean Sea to the Indian Ocean via the Arabian Peninsula), and the Black Sea (an important hub for grain exports) – are under severe strain, it said.

"Disruptions to international shipping routes and maritime chokepoints create a daunting operating landscape for shipping and trade. They can lead to changes in network configurations and trade patterns," said the report.

Declines in transits and ship arrivals in the disrupted chokepoints have pushed some trade flows onto longer-haul routes, boosting the average distance travelled, it added.

This is the case for bulkers and oil tankers and has led to additional transit times and has impacted freight rates, it further said.

For example, redirecting oil tankers from the port of Ras Tanura, Saudi Arabia, to Rotterdam, Kingdom of the Netherlands, via the Cape of Good Hope, has resulted in a 42 per cent increase in travel time.

A ship travelling from Asia to Europe takes an additional 12 days to re-route around Africa, according to UNCTAD.

In a foreword to the report, Rebeca Grynspan, Secretary-General of UNCTAD, said: "Maritime transport serves as the main artery of global trade. Intricate networks of shipping routes, ports and maritime chokepoints have enabled globalization and strengthened the interconnectedness of the world economy. However, the sector is facing numerous challenges that threaten the efficiency, reliability, resilience and sustainability of maritime transport."

"A key feature of maritime transport is its reliance on chokepoints: strategic, narrow maritime passages such as the Suez Canal and the Panama Canal. These critical waterways provide shortcuts on lengthy intercontinental maritime journeys and reduce time and costs," said Ms Grynspan.

"Yet the essential role of these chokepoints makes them particularly vulnerable to disruptions – whether climatic, economic, geopolitical or operational – leading to severe consequences for global shipping," she added.

Maritime trade flows

Maritime trade volumes reached 12,292 million tons in 2023, marking a 2.4 per cent increase after contracting in 2022, said the report.

It said that this growth was driven by growth in the global economy, which averted a predicted recession and grew by 2.7 per cent despite the most significant monetary tightening in decades. Additionally, inflation eased significantly in 2023.

In 2023, economic growth generally exceeded expectations in several developed and developing economies, it added.

The report said in China, economic recovery was slightly slower than predicted, yet the economy significantly bolstered overall global economic growth, while the economy of the United States of America was resilient, avoiding an anticipated downturn.

"Persistent economic uncertainties prevailed during the year, disrupting supply chains and amplifying market volatility. These included geopolitical tensions and extreme weather events such as unprecedented heatwaves, droughts, wildfires and floods."

Seaborne trade growth in ton-miles, measuring distance-adjusted trade volumes, outpaced growth in tons in 2023, similar to 2022, said the report.

It said total ton-miles reached 62,037 billion in 2023, representing a 4.2 per cent increase over 2022.

Growth was driven by longer-haul voyages across all segments, prompted by disruptions due to the war in Ukraine, the disruptions in the Red Sea and reduced water levels in the Panama Canal, which led to longer ship journeys and distances.

Average distances travelled per ton of cargo have been increasing since 2005, with the average voyage estimated at 4,675 miles in 2000 and 5,186 miles in 2024. This trend began even before recent disruptions, the report said.

UNCTAD forecasts that maritime trade volume will expand at an annual growth rate of 2 per cent in 2024, with containerized trade volume growing by 3.5 per cent.

It said maritime trade volumes are expected to continue increasing into 2025 and beyond, supported by demand in major bulks (iron ore, coal, grain and bauxite), gas, oil and containerized trade.

However, it said that although prospects for maritime trade remain positive, they are dependent on how several downside risks continue to unfold, including the war in Ukraine, heightened geopolitical tensions and economic uncertainties.

It said increased geopolitical tensions may trigger new supply shocks in global commodity markets.

Notably, oil and grain shipping routes in the Suez Canal, the Red Sea and the Black Sea may be affected, leading to potential spikes in energy and food prices.

According to UNCTAD, while food prices have decreased since the March 2022 peak when the Food and Agriculture Organization of the United Nations Food Price Index reached 172 points, they have risen since February 2024, with the index increasing from 126 to 129 in June 2024.

"In addition, technological supply chains involving chips and semiconductors in East Asia are vulnerable to escalating tensions."

The medium-term outlook for seaborne trade is influenced by both downside and upside factors, said the report.

It said downside factors include developments in major global markets that could lead to a sluggish recovery.

For instance, reduced consumer spending and negative net trade impacts in the United States have led to downgraded growth projections for 2025 due to tight fiscal policies and a slowing labour market.

Persistent manufacturing weaknesses in Germany and economic policy uncertainties stemming from the 2024 elections in various countries, escalating trade tensions and inward-looking policies further contribute to these risks, it added.

"High inflation in services and emerging markets could prompt central banks to maintain tight monetary policies, raising further concerns about the cost of living."

On the other hand, the report said upside factors include a projected recovery in global trade, with annual growth rates of 3.1 to 3.4 per cent, driven by a strong export performance in major Asian economies, particularly in the technology sector.

Trade involving developing countries, including South-South trade, is experiencing robust growth, outpacing trade involving developed countries, it noted.

Sectors such as green energy and artificial intelligence-related products are expanding, supporting trade growth, it said.

Potential interest rate cuts in the United States and a depreciating dollar could enhance the competitiveness of United States exports, while a gradual moderation of global inflation and improving economic forecasts may provide a more stable environment for seaborne trade, said the report.

It said in 2023, maritime trade volumes grew by 2.4 per cent, and GDP output grew by 2.7 per cent.

In contrast, the GDP growth rate significantly exceeded that of seaborne trade in 2021 and 2022, a different pattern than the one observed since 2006, when maritime trade generally expanded and declined at a faster rate than global GDP.

The trade-to-GDP ratio, that is, the responsiveness of merchandise trade to changes in GDP, has been declining since 2010, said the report.

"The change in the trade-to-GDP ratio, with merchandise trade growing at a relatively slower rate than GDP, is also observed across maritime trade data, particularly since 2018; in this year, the United States introduced tariffs on exports from China."

UNCTAD said that other cyclical factors have impacted this relationship in recent years, including inflationary pressures, which negatively affected the consumption of trade-intensive goods, particularly in Europe and North America, constraining trade growth, as well as the COVID-19 pandemic and recent disruptions.

It further pointed out that structural factors may also be at play. The changing trade-to-GDP ratio is linked to a slower pace of globalization in trade in goods, in contrast with services trade, it said.

"As global economic growth shifts towards the services sector, which relies less on seaborne trade, the global economy may continue to grow, but seaborne trade volumes may not keep pace."

The report said that an offsetting factor could be seen in the transition to cleaner energy and the path towards sustainable development, which could drive up trade in commodities, such as the minerals used to manufacture green technologies.

Maritime trade may even decline, as production becomes more localized and supply chains are restructured to minimize emissions, it suggested.

The report said this could bring about a scenario of slower trade volume growth with shifting trading patterns and reduced long-haul seaborne trade in favour of shorter, regional routes, adding that this would impact the shipping demand and fleet deployment.

Notwithstanding, the report said some supply chain de-risking strategies could also involve longer distances.

"The changing trade-to-GDP ratio could also be influenced by trends in trade protectionism, regionalization and the reshoring of production (the process of returning manufacturing to a company's original country)."

The report noted that there has been an increase in trade-restrictive and industrial policy measures since 2019.

Such policies emphasize domestic resilience and highlight the role of the State in shaping products and markets, mainly through research and development initiatives, it pointed out.

Governments increasingly focus on protecting strategic trade sectors and manufacturing capabilities, with the aim of building supply chain resilience, by strengthening industrial bases and enhancing domestic production, it said.

The report said one aspect of such "inward-looking" policies is heightened interest in securing supply sources that are more reliable and closer to home.

Noting that this approach often combines industrial policies with efforts to support the green transition, as seen in increased investments in transport and renewable energy sectors, the report said trade restrictions and tensions continue to play a role in this inward shift.

Sector-specific trends

In 2023 and the first half of 2024, geopolitical issues and the energy transition agenda affected maritime trade volumes across cargo types and routes, the report emphasized.

It said in 2023, disruptions to shipping networks caused average hauls (voyages) and distances to expand across most maritime cargo types, with trade in LPG, coal and oil products witnessing the highest ton-mile growth rates (10.7, 7.4 and 7.0 per cent, respectively).

It said in 2023, global ton-mile trade outpaced volume growth for most cargo types, except forest products.

The gap between both growth rates was particularly marked in the case of oil products (tons, 1.5; ton-miles, 7), LPG trade (tons 5.3; ton-miles, 10.7) and crude oil shipments (tons, 2.4; ton-miles, 5.8).

Dry bulk trade in tons and ton-miles increased by 3.4 per cent and 4.5 per cent, respectively, reflecting a rebound in iron ore and coal imports into China in 2023, it added.

In 2024 and 2025, growth is expected to moderate to 2.3 and 1.1 per cent, respectively, and trade in ton-miles is projected to grow by 3.9 and 0.9 per cent. The strong performance of China in 2023 is not likely to be replicated, said the report.

Dry bulk trade is less exposed to the disruptions in the Red Sea and the Suez Canal, with around 6 per cent of global maritime dry bulk trade passing through the Suez Canal, it further said.

"Nevertheless, the disruptions have particularly impacted grain exports from the United States and other dry bulk exports from the North Atlantic to Asia."

Iron ore trade and steel product shipments were also disrupted due to rerouting and increased transit times, said the report.

The situation in the Panama Canal in 2023 caused delays and increased shipment costs that affected the export of grains and minor bulk commodities from the Americas to Asia.

The impacted routes saw a 31 per cent increase in sailing distances for completed journeys, a 25 per cent decrease in cargo volume and a 1 per cent increase in ton- mile demand, said UNCTAD.

Some particular bulk trade segments (iron ore, grain and minor bulk commodities) are expected to show varying performances in 2024 and 2025, it added.

"Continued infrastructure development projects in developing countries and industrial expansion in emerging economies is expected to sustain the demand for bulk materials."

Whether measured in tons or ton-miles, iron ore trade is likely to continue to grow, supported by firm demand from steel producers, particularly in Asia.

Minor bulks, including steel and forest products, are expected to grow steadily, supported by construction and manufacturing activities in developing countries, said the report.

Grain trade will likely see moderate growth, driven by increasing global food demand and population growth, it added.

"The global demand for coal, natural gas and oil is predicted to peak by 2030. However, energy markets continue to be tense and unstable, with increased disruption risks. Energy security remains a top policy priority. Prospects for supply, demand and prices positively impact the outlook for oil and gas trade in 2024 and beyond."

The report said in line with these developments, in 2024 and 2025, maritime gas trade is expected to demonstrate the most growth, while oil trade is set to grow moderately.

In both cases, ton-mile growth will surpass growth in tons in 2024, reflecting the continued rerouting of oil and gas trades due to ongoing disruptions, including in the Panama Canal, the Red Sea and the Suez Canal.

The report said trade in oil and oil products is expected to witness stable market conditions in 2024 and 2025.

"Factors supporting moderate growth include increasing trade involving routes connecting regions across the Atlantic and Asia, as well as increasing demand in Asia, particularly in China and India."

On the supply side, expanded refining capabilities in Asia and new sources of supply emerging in Latin America, such as in Brazil and Guyana are contributing to this trend, said UNCTAD.

The report said gas trade will remain strong in 2024 and 2025, supported by the continued growth of imports to China and exports to the United States, with increased volumes heading towards Asia.

After the historic levels in 2023, coal trade is expected to decline in tons in 2025 and in ton-miles in 2024 and 2025. Coal trade growth prospects remain highly sensitive to developments in China, the world's largest coal producer and buyer, it pointed out.

The report said that domestic policies, economic growth patterns and import needs all impact global coal demand and pricing.

Recent trends indicate continuing high levels of imports due to energy security concerns and limits on domestic production, it suggested.

Supply chain re-configuration

The report also said that improved economic prospects and ship rerouting away from the Red Sea are factors supporting the strong performance of containerized trade in 2024, adding that "this comes after the declining volumes in 2022 and low growth in containerized trade in 2023."

Rerouting vessels has improved the balance between container shipping supply and demand, leading to improved earnings and profits for carriers and increased costs for shippers, it further said.

The main East-West routes generally handle the largest trade flows and, in 2023, represented over 36 per cent of global containerized trade volumes, said the report.

"Trans-Pacific Eastbound (East Asia to North America) and Asia-Europe Westbound (East Asia to Northern Europe and the Mediterranean) are the most important routes."

The performance of South-South routes in 2023 is worth noting, witnessing the highest share increase, 9.3 per cent, during a year characterized by weak overall performance in global containerized trade, said the report.

It said the most dynamic trade routes in 2024 are expected to be those connected to emerging markets, driven by increasing trends to secure reliable supply chains and by trade and industrial policies.

Trade data already shows diversification shifts. For instance, since late 2022, the political proximity (e.g. having similar geopolitical stances) of trade has been on the rise, it noted.

Increasing trade concentration is visible along four major bilateral trade relations, namely, Brazil-China; Russian Federation-China; United Kingdom-European Union; and Viet Nam-China.

Trade from the Far East to developing economies has been a major contributor to containerized trade volume growth in 2024, said the report.

"Current projections for growth (in tons) in 2025 are 3.0 per cent, assuming a continued easing of economic headwinds. Containerized trade sector performance will depend on geopolitical developments, an easing of disruptions in key chokepoints and trends in supply chain re-configuration."

The report said in recent years, supply chain re-configuration has moved into sharp focus, driven by the COVID-19 pandemic, the 2021-2022 crunch in global logistics, heightened geopolitical tensions, rapid technological advancements and growing sustainability demands.

"Geopolitical tensions have led to a strategic emphasis on national resilience, prompting countries to reconsider their dependencies on foreign suppliers and to seek regional trade relationships."

The report said technological advancements, such as automation and digitalization, are reshaping production processes, reducing the need for labour-intensive operations and enabling manufacturing to be located closer to end markets.

"Sustainability demands are behind the push for greener supply chains, encouraging shifts towards renewable energy and environmentally-friendly production methods."

It said this re-configuration also changes trade patterns, as global value chains become less complex and more regionally focused, reducing the reliance on production facilities abroad.

The report said that trade flows are increasingly moving towards regional hubs, creating new trade routes and networks that prioritize trading closer to home and with "friends" over traditional, cost-driven offshoring models.

"As a result, trade patterns are becoming more fragmented, with regions such as Asia and North America seeing increased intra-regional trade at the expense of long-established global trade connections."

This shift could influence containerized trade routes and volumes, potentially reducing long-distance shipping needs and increasing regional trade, the report suggested.

Looking ahead

Looking beyond 2024, UNCTAD projects global maritime trade to grow at an average annual rate of 2.4 per cent between 2025 and 2029, with containerized trade expected to increase by 2.7 per cent during the same period.

This growth will be supported by technological advancements, the transition to cleaner energy and infrastructure developments, it added.

However, the report said that downside risks persist, including "potential disruptions from geopolitical tensions, economic uncertainties, trade-related tensions and environmental challenges."

"The global economy faces numerous challenges that could impact medium-term growth prospects. Persistent inflation, particularly in the services sector, makes it more difficult to normalize monetary policies, with central banks cautious about easing too quickly."

Inflationary pressures are expected to remain high in several regions. Furthermore, geopolitical tensions, such as those involving trade-related and regional tensions, add complexity to the economic landscape, said the report.

The potential for significant swings in economic policy, driven by elections and fiscal constraints, increases the uncertainty around global growth projections, it added.

"High public debt levels in many economies, combined with elevated borrowing costs, constrain fiscal space and limit the ability of Governments to respond to economic shocks."

Conversely, it said upside opportunities include the expansion of green energy and artificial intelligence-related product sectors, as well as potential interest rate cuts in major economies that could boost trade.

"Maintaining a balance between immediate priorities and long-term sustainability and resilience goals will be essential for the continued growth and stability of international maritime trade," the report concluded. *(SUNS 10103)*

Two billion women and girls worldwide lack access to social protection

A report by the United Nations entity dedicated to gender equality has found that while social protection coverage has increased since 2015, gender gaps in such coverage have widened in most developing regions, suggesting that the recent gains have benefited men more than women.

by Kanaga Raja

PENANG: A staggering two billion women and girls worldwide are without access to any form of social protection, according to UN Women, the United Nations entity dedicated to gender equality and the empowerment of women.

In a report published ahead of International Day for the Eradication of Poverty on 17 October, UN Women said while levels of social protection have increased since 2015, gender gaps in such coverage have widened in most developing regions, suggesting that the recent gains have benefited men more than women.

The report painted a rather stark picture of the gendered nature of poverty, saying that women and girls are over-represented among the poor at every stage of life, with the largest gaps during their childbearing years.

Women aged 25-34 are 25 per cent more likely to live in extremely poor households than men in the same age group.

Conflict and climate change exacerbate this inequality. Women in fragile contexts are 7.7 times more likely to live in extreme poverty compared to those in non-fragile environments, said UN Women.

UN Women also said that gender-specific risks and vulnerabilities are often neglected in the aftermath of shocks.

For example, it said very high rates of inflation since 2022, which have led to spiraling food and energy prices, hit women particularly hard.

Yet, out of nearly 1,000 social protection measures adopted by governments across 171 countries in the months that followed, only 18 per cent targeted women's economic security.

On a positive note, the report provided some examples of progress.

It said countries such as Mongolia have extended maternity leave benefits to informal workers, including herders and the self-employed, while also strengthening paternity leave to support gender equality in care-giving responsibilities.

It said in countries like Mexico and Tunisia, steps have been taken to include domestic workers in social security systems.

In Senegal, the National Health Insurance scheme has extended and adapted its services to cater to rural women, with support from UN Women.

In a foreword to the report, Ms Sima Bahous, Executive Director of UN Women and Under-Secretary-General of the United Nations, said: "Our world is living through a moment of repeated shocks. The climate emergency is escalating. Conflicts and tensions have flared, and food, fuel and financial crises have taken a devastating toll on communities around the world. Progress on gender equality has stalled, and poverty has worsened."

She said women and girls bear the brunt of a turbulent, often unjust world. "Fewer economic resources, greater responsibilities for unpaid care and domestic work, and limited voice and agency push many behind."

Ms Bahous said that social protection systems must recognize and address these challenges head-on to reduce poverty among women and girls, increase their resilience to shocks and help transform the norms, structures and institutions that perpetuate their disadvantage.

According to the report, in recent years, repeated shocks have rocked the world, from the COVID-19 pandemic to food, fuel and financial crises. "Violent conflict is a deadly reality for billions of people."

It said that climate-related disasters and environmental crises continue to escalate, taking a disproportionate toll on the poorest countries and the most marginalized women and girls, even as they have contributed least to the problem.

"Destabilizing long-term economic trends exacerbate inequalities within and between countries, with prevailing development models failing to create decent jobs and livelihoods for many people, while concentrating wealth and power among a few."

An ongoing cycle of economic crises, mounting debt and austerity prevents much-needed investment in social protection and public services, said the report.

"The effects include a worsening latent care crisis that leaves millions of children and care-dependent adults without support while imposing hard choices and enormous costs on women and girls."

These events intersect with a larger "epochal crisis" rooted in an economic system that has failed to generate sufficient decent jobs, drives climate change and environmental destruction, and limits public investments in human well-being and sustainable development, it added.

The report said women and girls bear the brunt of all these crises, reflecting inequalities in access to economic resources, greater responsibilities for unpaid care and domestic work, heightened exposure to gender-based violence, and limited voice and agency.

Advancing towards inclusive, comprehensive, gender-responsive social protection systems is essential for putting the Sustainable Development Goals back on track, it emphasized.

It said operating alongside macroeconomic and employment policies, such systems can reduce poverty and help transform economies and societies to be more equitable, sustainable and just.

"Unleashing this potential requires pursuing transformation both as an outcome of social protection and as essential to every stage of policy and delivery processes."

Core elements comprise improving the resilience and empowerment of women and girls in households and communities, making public institutions fully responsive to their rights and needs, and leveraging reforms to rebuild trust between citizens and the State, said UN Women.

Gender gaps

Before COVID-19, extreme poverty had declined significantly, even if the pace of reduction was slowing, said the report.

Extreme poverty fell from 10.9 per cent of households globally in 2015 to 9.6 per cent in 2019. For women and girls, the rate fell from 11.4 per cent in 2015 to 10.1 per cent in 2019.

COVID-19 derailed this progress, with extreme poverty rising to 10.7 per cent in 2020 for all households and to 11.1 per cent for women and girls.

The report said the slow and uneven recovery from the pandemic is evident in the fact that 9.4 per cent of the world's population remained in extreme poverty in 2024.

UN Women's projections for 2024 indicate that nearly 10 per cent of women and girls live in households in extreme poverty compared to just over 9 per cent of men and boys. That translates into 22 million more poor females than males.

It said using the higher international poverty lines of $3.65 and $6.85 per person per day raises these proportions to 25.4 per cent and 47.5, respectively, for females, and 24.7 per cent and 46.8, respectively, for males.

The report said if current trends continue, 8 per cent of women and girls will continue to live in extreme poverty in 2030, compared to 7.6 per cent of men and boys.

In 2023, for the first time, more than half the global population (52.4 per cent) was covered by at least one social protection benefit - an increase of almost 10 percentage points since 2015, said UN Women.

At the same time, the report said that 3.8 billion people remained entirely unprotected, with women and men in low-income countries increasingly left behind.

"While high-income countries have edged closer to universal coverage and middle-income countries have made important strides in closing gaps, coverage in low-income countries was below 10 per cent, with little progress since 2015."

The report said gaps in social protection coverage and adequacy are acute in countries where people experience heightened vulnerabilities, including due to conflict- or climate-related humanitarian crises.

Among conflict-affected countries with data, effective coverage was as low as 7.5 per cent in Afghanistan, 12.6 per cent in Mali (14 per cent among men compared to 10 per cent among women), 6.3 per cent in Myanmar and 7 per cent in Yemen (9.2 per cent among men compared to 4.1 per cent among women).

Similarly, a 2022 review of 122 countries found that among countries with the highest climate risks, less than 10 per cent of people considered vulnerable were covered by social protection programmes, compared to coverage rates of 78 per cent in countries with the lowest climate risks.

UN Women also found that gender gaps in social protection coverage, adequacy and comprehensiveness persist across countries and contexts.

Globally, in 2023, 50.1 per cent of women were covered by at least one social protection benefit (SDG indicator 1.3.1) compared to 54.6 per cent of men.

This translates into 2 billion women and 1.8 billion men without access to any form of social protection, it said, adding that gender coverage gaps are largest in low- and middle-income countries.

It said between 2015 and 2023, these gaps widened across all income groups – with the exception of high-income countries – suggesting that the extension of social protection coverage during that period has benefited men more than women.

In geographic terms, it said coverage is lowest in sub-Saharan Africa, while gender gaps are widest in Central and Southern Asia.

The report also found that according to the latest available data, a mere 28.2 per cent of the world's children (0 to 15 years) are receiving child or family benefits.

It said this is of particular concern given the heightened poverty risk of families with children and the potentially lasting effects of childhood deprivations over lifetimes and even generations.

Shocks and crises deepen risks and vulnerabilities among children in poor households, often with particularly detrimental impacts on girls, it added.

In 2023, only 16.7 per cent of unemployed people received cash benefits with little progress since 2015, said the report.

While legal coverage rates are slightly higher among women compared to men, the implementation gap between legal and effective coverage is likely to be large.

Women often face greater barriers in accessing unemployment benefits due to higher levels of part-time and temporary work as well as more interrupted employment histories.

Young women, migrant women as well as those in self-employment, agriculture and on digital platforms are particularly unlikely to access unemployment benefits when losing their jobs or earnings, said UN Women.

Where robust unemployment protections are absent, public works programmes are sometimes used to provide work and cash benefits to those who are unemployed, under-employed or earning low incomes, it added.

"While such programmes have often been introduced as temporary measures in response to natural disasters or economic crises, some countries have maintained them on a more permanent basis."

For example, the report said that India's National Rural Employment Guarantee Act provided employment opportunities to 76 million rural Indian households in 2020-2021, with women accounting for 53 per cent of workers, an increase of 36 per cent from 2004-2005.

Ethiopia's Productive Safety Nets Programme has evolved into one of the largest and longest-running public works programmes in Africa, reaching nearly 8 million citizens in 2022, it noted.

It also said care-related risks and vulnerabilities faced by women of working age remain inadequately covered.

For example, globally, in 2023, only 36.4 per cent of women with newborns were covered by maternity benefits, with large regional variations, ranging from 94.4 per cent in Australia and New Zealand to a mere 5.9 per cent in sub-Saharan Africa.

It said limited coverage for maternity puts women at a greater risk of poverty during the final stages of pregnancy and after childbirth or forces them to keep working into the very late stages of pregnancy and/or to return to work prematurely, exposing themselves and their children to significant health risks.

"Recent data show that 40.9 per cent of working-age men contribute to an old-age pension scheme; only 29.1 per cent of women do the same," the report further said.

The gender gap in active contributors is particularly pronounced in Central and Southern Asia, where 28.8 per cent of men are active contributors compared to only 9.8 per cent of women.

In sub-Saharan Africa, contribution rates are low for both women and men (4.3 and 8.7 per cent, respectively).

Turning to actual recipients, the report said globally, 77.2 per cent of women above the statutory retirement age receive a contributory or non-contributory old-age pension compared to 82.6 per cent of men.

It said that variations across regions are significant, ranging from close to universal coverage for both women and men in Europe and Northern America to lower levels of coverage with significant gender gaps in Northern Africa and Western Asia, where 48.2 per cent of women compared to 76.7 per cent of men receive an old age pension.

UN Women further found that globally, women's employment is overwhelmingly informal, with limited legal or social protection.

Addressing this gap requires solutions tailored to the heterogenous nature of informal employment and the reality that women often work in the most precarious informal jobs, it said.

Globally, women carry out almost three times as much unpaid care and domestic work as men, amounting to an average of nearly 18 per cent (4.3 hours) of their day compared to 6.5 per cent (1.6 hours) for men, it added.

The report said the COVID-19 pandemic was a warning that social protection systems will increasingly be called upon to address large-scale shocks.

More frequent and protracted crises will exacerbate gender inequality and generate specific risks for women and girls, it added.

"These comprise heightened exposure to different forms of violence, including higher rates of early and child marriage after disasters, livelihood losses, increased care work, more girls dropping out of school, and greater health risks, including through limited access to services."

However, it said policy discussions on "shock-responsive" and "adaptative" social protection have paid scant attention to gender dynamics.

"In challenging, unpredictable contexts, social protection policies and programmes need to be both flexible and adaptable, while also consistently responding to the needs of women and girls. They should protect women and girls against the immediate impacts of shocks and crises and strengthen their long-term resilience."

In conclusion, the report said despite progress towards universal, gender-responsive social protection systems, substantial gaps leave millions of women and girls without adequate support for life course risks.

"This is occurring even as shocks become more frequent and the upheaval of broader structural transformations continues."

To close gaps in coverage, adequacy and comprehensiveness, the report has proposed a twin track approach, where countries advance towards robust gender-responsive social protection systems in the long-term while adapting policies and programmes in the short-term to respond to the rights and needs of women and girls in acute and protracted crisis contexts.

"Specific priorities for systems strengthening include the extension of social protection to women in informal employment and greater recognition of care – both paid and unpaid – as a pillar of social protection systems."

The report said collective financing and risk-sharing, minimum benefit guarantees, progressive benefit formulae, coverage of dependents in health insurance schemes, subsidies for workers with low contributory capacities and compensation for periods without contributions can all be used to make contributory social protection schemes more inclusive.

Strengthening non-contributory schemes, on which women rely disproportionately, is another important priority, it added.

The report said that particularly where poverty is widespread and dynamic due to recurrent shocks, schemes with broad-based coverage are more likely to benefit women than those narrowly targeted to poverty.

Adequate benefit levels, including adjustments for inflation, as well as regular and predictable payments are key to harnessing the positive gender equality impacts of social transfers, it concluded. *(SUNS 10099)*

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Another Nobel for Anglo-centric neo-liberal institutional economics

*Jomo Kwame Sundaram** argues that in awarding this year's Nobel prize in economic sciences to three laureates well known for their influential work on cliometrics, the Nobel Committee is supporting new institutional economic (NIE)'s legitimisation of property/wealth inequality and unequal development.

KUALA LUMPUR: New institutional economics (NIE) has received another so-called Nobel prize, ostensibly for again claiming that good institutions and democratic governance ensure growth, development, equity and democracy.

Daron Acemoglu, Simon Johnson, and James Robinson (AJR) are well known for their influential cliometric work.

AJR have elaborated earlier laureate Douglass North's claim that property rights have been crucial to growth and development.

But the trio ignore North's more nuanced later arguments. For AJR, "good institutions" were transplanted by Anglophone European ("Anglo") settler colonialism.

While perhaps methodologically novel, their approach to economic history is reductionist, skewed and misleading.

NIE caricatures

AJR fetishises property rights as crucial for economic inclusion, growth and democracy.

They ignore and even negate the very different economic analyses of John Stuart Mill, Dadabhai Naoroji, John Hobson and John Maynard Keynes, among other liberals.

Historians and anthropologists are very aware of various claims and rights to economic assets, such as cultivable land, e.g., usufruct. Even property rights are far more varied and complex.

The legal creation of "intellectual property rights" confers monopoly rights by denying other claims.

However, NIE's Anglo-American notion of property rights ignores the history of ideas, sociology of knowledge, and economic history.

More subtle understandings of property, imperialism and globalisation in history are conflated.

AJR barely differentiates among various types of capital accumulation via trade, credit, resource extraction and various modes of production, including slavery, serfdom, peonage, indenture and wage labour.

John Locke, Wikipedia's "father of liberalism", also drafted the constitutions of the two Carolinas, both American slave states.

AJR's treatment of culture, creed and ethnicity is reminiscent of Samuel Huntington's contrived clashing civilisations. Most sociologists and anthropologists would cringe.

Colonial and post-colonial subjects remain passive, incapable of making their own histories. Post-colonial states are treated similarly and regarded as incapable of successfully deploying investment, technology, industrial and developmental policies.

Thorstein Veblen and Karl Polanyi, among others, have long debated institutions in political economy.

But instead of advancing institutional economics, NIE's methodological opportunism and simplifications set it back.

Another NIE Nobel

For AJR, property rights generated and distributed wealth in Anglo-settler colonies, including the US and Britain's dominions.

Their advantage was allegedly due to "inclusive" economic and political institutions due to Anglo property rights.

Variations in economic performance are attributed to successful transplantation and settler political domination of colonies.

More land was available in the thinly populated temperate zone, especially after indigenous populations shrank due to genocide, ethnic cleansing and displacement.

These were far less densely populated for millennia due to poorer "carrying capacity". Land abundance enabled widespread ownership, deemed necessary for economic and political inclusion.

Thus, Anglo-settler colonies "succeeded" in instituting such property rights in land-abundant temperate environments.

Such colonial settlement was far less feasible in the tropics, which had long supported much denser indigenous populations.

Tropical disease also deterred new settlers from temperate areas. Thus, settler life expectancy became both cause and effect of institutional transplantation.

The difference between the "good institutions" of the "West" – including Anglo-settler colonies – and the "bad institutions" of the "Rest" is central to AJR's analysis.

White settlers' lower life expectancy and higher morbidity in the tropics are then blamed on the inability to establish good institutions.

Anglo-settler privilege

However, correct interpretation of statistical findings is crucial. Sanjay Reddy offers a very different understanding of AJR's econometric analysis.

The greater success of Anglo settlers could also be due to colonial ethnic bias in their favour rather than better institutions.

Unsurprisingly, imperial racist Winston Churchill's History of the English-Speaking Peoples celebrates such Anglophone Europeans.

AJR's evidence, criticised as misleading on other counts, does not necessarily support the idea that institutional quality (equated with property rights enforcement) really matters for growth, development and equality.

Reddy notes that international economic circumstances favouring Anglos have shaped growth and development.

British Imperial Preference favoured such settlers over tropical colonies subjected to extractivist exploitation. Settler colonies also received most British investments abroad.

For Reddy, enforcing Anglo-American private property rights has been neither necessary nor sufficient to sustain economic growth.

For instance, East Asian economies have pragmatically used alternative institutional arrangements to incentivise catching up.

He notes that "the authors' inverted approach to concepts" has confused "the property rights-entrenching economies that they favor as "inclusive", by way of contrast to resource-centered "extractive" economies."

AJR's claim that property rights ensure an "inclusive" economy is also far from self-evident.

Reddy notes that a Rawlsian property-owning democracy with widespread ownership contrasts sharply with a plutocratic oligarchy.

Nor does AJR persuasively explain how property rights ensured political inclusion.

Protected by the law, colonial settlers often violently defended their acquired land against "hostile" indigenes, denying indigenous land rights and claiming their property.

"Inclusive" political concessions in the British Empire were mainly limited to the settler-colonial dominions. In other colonies, self-governance and popular franchises were only grudgingly conceded under pressure.

Prior exclusion of indigenous rights and claims enabled such inclusion, especially when surviving "natives" were no longer deemed threatening. Traditional autochthonous rights were circumscribed, if not eliminated, by settler colonists.

Entrenching property rights has also consolidated injustice and inefficiency. Many such rights proponents oppose democracy and other inclusive and participatory political institutions that have often helped mitigate conflicts.

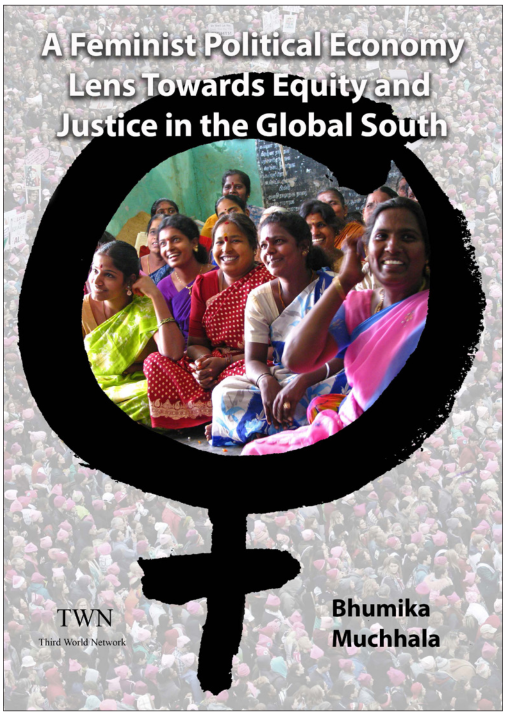
The Nobel committee is supporting NIE's legitimisation of property/wealth inequality and unequal development.

Rewarding AJR also seeks to re-legitimise the neoliberal project at a time when it is being rejected more widely than ever before. *(IPS)*

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

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

By *Bhumika Muchhala*



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

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

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