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Global growth to remain subdued amid uncertainties, warns UN

Global economic growth is forecast at 2.8% for 2025 and 2.9% for 2026, remaining below the pace seen before the COVID-19 pandemic, with trade tensions, high debt burdens, and geopolitical risks clouding the outlook ahead, according to a flagship United Nations report.

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- Trump unveils hegemonic "America First Trade policy"
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Global growth to remain subdued amid mounting uncertainties

While the global economy has demonstrated resilience in withstanding a series of mutually reinforcing shocks, growth remains below the pre-Covid-19 pandemic average of 3.2%, constrained by weak investment, sluggish productivity growth, and high debt levels, according to a flagship United Nations report.

by Kanaga Raja

PENANG: Global economic growth is forecast at 2.8 per cent for 2025 and 2.9 per cent for 2026, largely unchanged from the rate of 2.8 per cent recorded in 2023 and estimated for 2024, according to the United Nations.

In its flagship World Economic Situation and Prospects (WESP) 2025 report, the UN said that while the global economy has demonstrated resilience, withstanding a series of mutually reinforcing shocks, growth remains below the pre-Covid-19 pandemic average of 3.2 per cent, constrained by weak investment, sluggish productivity growth, and high debt levels.

Many developing countries are still grappling with the prolonged scarring effects of the pandemic and other recent shocks, it added.

While the green transition and technological advancements hold the potential to boost growth, any benefits that accrue may be disproportionately concentrated in developed economies, it further said.

Meanwhile, it said many developing nations face significant hurdles in mobilizing financing to invest in critical infrastructure, technology, and human capital and in moving up manufacturing and services value chains.

The report noted that lower inflation and ongoing monetary easing in many economies could provide a modest boost to global economic activity in 2025.

However, uncertainty still looms large, with risks stemming from geopolitical conflicts, rising trade tensions and elevated borrowing costs in many parts of the world, it said.

The UN said these challenges are particularly acute for low-income and vulnerable countries, where sub-par and fragile growth threatens to further undermine progress towards the Sustainable Development Goals (SDGs).

"This report shows that the global economy is finally recovering following a sequence of shocks. Inflation is falling and economic growth – while slower than before the pandemic – has stabilized. In response, Central Banks are lowering interest rates, easing borrowing for much needed investments," said Mr Antonio Guterres, United Nations Secretary-General, in the foreword to the report.

"But the world still faces challenges that slow the rate of economic progress and the pursuit of better lives for all."

"Wars, rising geopolitical tensions, and devastating climate impacts all endanger the world economy. And the fruits of recovery are not being shared equally. In many developing economies – particularly Least Developed Countries – incomes have not kept up with prices, drained public finances have not been restored, and debt burdens have spiralled. Little is left for investment in sustainable development, including climate action, as a result," the UN chief added.

"Countries cannot ignore these perils. In our interconnected economy, shocks on one side of the world push up prices on the other. Every country is affected and must be part of the solution – building on progress made," said Mr Guterres.

Last September, countries agreed to the Pact for the Future. That includes bold commitments to reform the global financial architecture, increase the lending capacity of Multilateral Development Banks, improve access to low-cost finance for climate-resilient development and growth, and take effective action on debt, he noted.

He said in 2025, countries must deliver on those promises, particularly at the Fourth International Conference on Financing for Development.

"We've set a path. Now it's time to deliver. Together, let's make 2025 the year we put the world on track for a prosperous, sustainable future for all."

Global outlook

According to the WESP 2025, the world economy has remained resilient through 2024, avoiding a broad-based economic contraction despite years of multiple, mutually reinforcing shocks and the most sustained inflation-driven episode of monetary tightening in recent history.

In the near term, global economic growth is expected to remain stable but subdued. While continued disinflation and monetary easing in a large number of countries are expected to boost aggregate demand, ongoing conflicts and rising geopolitical tensions could exacerbate challenges on the supply side, it said.

"Weakening labour market conditions, a potential increase in protectionist policies, and growing climate risks will weigh on the near-term growth outlook for the global economy."

In addition, it said persistently tight fiscal space and lingering debt challenges in many developing countries will continue to constrain their ability to invest in productive capacities and stimulate economic growth.

Global economic growth is forecast at 2.8 per cent in 2025 and 2.9 per cent in 2026, largely unchanged from the rate of 2.8 per cent recorded in 2023 and estimated for 2024, said the report.

It said the positive but moderately slower growth projected for the two largest economies – China and the United States of America – will likely be complemented by mild recovery in the European Union, Japan, and the United Kingdom of Great Britain and Northern Ireland and strong performance in several large developing economies, notably India and Indonesia.

However, it said the short-term outlook for many low-income and vulnerable countries remains less favourable.

"Growth in the least-developed countries (LDCs) is projected to improve slightly in 2025, but the forecast has been revised downward from mid-2024 projections."

The report said despite continued expansion, the global economy is set to grow at a slower pace than the 2010-2019 (pre-pandemic) average of 3.2 per cent.

This subdued performance reflects ongoing structural challenges such as weak investment, slow productivity growth, high levels of debt, and demographic issues, it added.

Many developing countries are still experiencing prolonged scarring effects from the pandemic and other shocks of the past few years.

While the green transition and technological advancement could boost growth, any benefits that accrue may be disproportionately concentrated in developed economies, it pointed out.

The report also said that many developing countries continue to struggle with mobilising financing to invest in needed infrastructure, technology, and human capital and face challenges in leveraging their abundant workforce to move up the manufacturing and services value chains.

"Risks to the near-term outlook are still largely skewed to the downside, albeit less pronounced than in 2023 owing to positive developments in certain key areas in 2024."

Favourable trends include continuing disinflation across the majority of countries, the continued decline in oil prices despite the conflicts in the Middle East, and the ongoing monetary easing by major developed country central banks (a long-awaited move that has contributed to improving the global financial environment), said the report.

"Developing economies have observed continuing net capital inflows, easing depreciation pressures on their exchange rates."

Declining interest rates in developed economies have rekindled investors' risk appetite for higher-yield bonds; Eurobond issuance by developing countries, which slowed sharply during the period 2021-2023, is expected to rebound, increasing access to international capital, though recent default episodes in Ethiopia, Ghana, and Zambia underscore the potential risks of debt distress for new issuers, said the report.

However, the report said uncertainties continue to cloud the near-term economic outlook. Since 2022, both the Global Economic Policy Uncertainty (GEPU) Index and the Geopolitical Risk Index have been above historic averages, a confluence rarely seen over the past quarter of a century.

The GEPU Index has ticked up again in 2024, reversing the downward trend prevailing since the second half of 2022.

"This reflects concerns about potential shifts in the direction of trade and fiscal policies among newly elected Governments, particularly in the developed economies."

The possibility of higher tariffs and more trade restrictions could disrupt value chains, undermine manufacturing activities, hinder cross-border investments, affect import prices, and reignite inflationary pressures, it said.

While global inflation has eased, the pace of disinflation has slowed, driven by sticky prices in housing and other services sectors in developed economies, the WESP 2025 said.

"Global headline inflation is estimated to be 1.8 percentage points lower in 2024 than in 2023 – smaller than the decline of 2.5 percentage points from 2022 to 2023 and indicative of a slowing trend."

The report said that given the possibility of inflationary pressures returning, central banks, especially in large developed economies, could slow the pace of rate cuts, suggesting that policy rates could converge to levels higher than before the pandemic, when they were at historical lows (around the zero bound).

As central banks continue with quantitative tightening measures, long-term interest rates are expected to rise, it suggested.

For instance, the UN said research indicates that an estimated 1 trillion euro reduction in bond holdings by the European Central Bank may raise long-term risk-free interest rates by about 35 basis points.

"High borrowing costs and debt sustainability challenges are likely to persist, increasing the vulnerability of developing economies that are already in or at high risk of debt distress."

The report said that progress on the Sustainable Development Goals (SDGs) remains insufficient, though some indicators are showing recovery from post-pandemic reversals at the aggregate level.

Notably, it said global extreme poverty has returned to pre-pandemic levels in 2024. The world's prevalence of moderate or severe food insecurity in the total population edged down marginally from 29.1 per cent in 2021 to 28.9 per cent in 2023, remaining higher than the 25 per cent registered in 2019.

In a broad sense, however, challenges continue to impede progress in vulnerable countries, said the report.

Extreme poverty rates in low-income countries have yet to return to pre-pandemic levels. In 2023, the prevalence of food insecurity in LDCs was twice the global level, it noted.

Moreover, it said with climate change continuing unabated – 2024 is expected to be the hottest year on record, capping a ten-year stretch of the warmest years - its adverse impacts are set to grow ever more intense, affecting all regions and continents.

A "mixed" picture

While the global economic outlook is relatively optimistic, prospects across countries present a mixed picture, the report pointed out.

"As conflicts, geopolitical risks, and trade tensions reshape supply chains and the world economy, countries and sectors that previously shared common business cycles may increasingly experience distinct drivers of economic growth."

The report said that in 2025, the key drivers for growth among many developed economies will be gradually loosening monetary policy and real income growth, especially in the European Union and the United Kingdom.

"A projected slowdown in the Russian Federation amid prolonged war in Ukraine is expected to undermine growth prospects for the economies in transition."

Among developing countries, robust momentum in India and modest growth acceleration in Africa, Western Asia, and Latin America and the Caribbean will offset a slight moderation of growth in China.

The report said that with estimated growth of 2.8 per cent in gross domestic product (GDP), the United States economy outperformed expectations again in 2024 thanks to strong consumer spending, public sector spending, and non-residential investments.

"However, growth is expected to moderate to 1.9 per cent in 2025 and recover slightly to 2.1 per cent in 2026 amid weaker labour market performance, modest income growth, and looming public spending cuts."

The imposition of tariffs, as announced by the newly elected administration, would further strain the external balance, the UN pointed out.

It said while interest rate cuts will create a tailwind for the economy, stubborn core inflation (excluding food and energy) will likely keep the Federal Reserve cautious and discourage rapid interest rate cuts.

China is facing the prospect of gradual economic moderation, with growth estimated at 4.9 per cent in 2024 and projected at 4.8 per cent in 2025, said the report.

"Public sector investments and strong export performance are partly offset by subdued consumption growth and lingering weakness in the property sector."

The Chinese authorities have stepped up policy support to lift property markets, address local government debt challenges, and boost domestic demand; the impacts of relevant initiatives are expected to be manifested over time, it added.

However, it said that the shrinking population and rising trade and technology tensions, if unaddressed, could threaten the country's medium-term growth prospects.

It said economic growth in Europe is projected to gradually pick up in 2025 and 2026 after weaker-than-expected performance in 2024.

"In the European Union, GDP growth is forecast to strengthen from an estimated 0.9 per cent in 2024 to 1.3 per cent in 2025 and 1.5 per cent in 2026. Lower inflation, easing financing conditions, and resilient labour markets are expected to support private consumption and investment."

However, likely fiscal consolidation, ongoing geopolitical uncertainties, and long-standing structural challenges such as population ageing and weak productivity growth will constrain the pace of expansion, said the UN.

Japan is poised for economic recovery. Growth is forecast to pick up from an estimated -0.2 per cent in 2024 to 1.0 per cent in 2025 and 1.2 per cent in 2026.

Private consumption growth – having stalled since mid-2023 due to weak wage growth – is projected to recover gradually while investment remains resilient, said the report.

"The Bank of Japan faces a policy dilemma, as excessive monetary tightening could push the economy back into deflation by slowing wage growth, which has only recently begun to accelerate."

In the Commonwealth of Independent States (CIS) and Georgia, growth is projected to moderate to 2.5 per cent in 2025 from 4.2 per cent in 2024, primarily reflecting an anticipated slowdown in the Russian Federation, said the report.

The report said labour shortages and a significant and persistent tightening of monetary policy is likely to bring the economy of the Russian Federation back to a lower but more sustainable growth trajectory in 2025 despite continuing fiscal expansion, especially in military expenditure.

Regional prospects are clouded by numerous risks and uncertainties because of the ongoing war in Ukraine and broader geopolitical tensions, it added.

Economic growth in Africa is projected to strengthen from an estimated 3.4 per cent in 2024 to 3.7 per cent in 2025 and 4.0 per cent in 2026, driven by recovery in the region's largest economies – Egypt, Nigeria, and South Africa.

The report said that while East Africa maintains robust growth, Central Africa lags behind due to stagnating oil production and political instability.

It said despite a somewhat positive outlook, significant challenges persist, including lingering debt burdens, high unemployment (especially among youth), and climate disasters. Inflation remains above 10 per cent in several countries, it added.

The UN said that trade performance has been modest despite advancements in regional integration through the African Continental Free Trade Area (AfCFTA) mechanism, while extreme poverty has been rising in the region amid slow income growth.

In East Asia, economic growth is expected to moderate from an estimated 4.8 per cent in 2024 to 4.7 per cent in 2025 and 4.5 per cent in 2026.

"Private consumption has remained the major driver of growth, supported by resilient labour markets and mild inflation in most economies. Increased global demand for electronic products enhanced by artificial intelligence (AI) has buoyed export growth."

However, significant downside risks persist amid intensifying geopolitical risks, escalating trade tensions, and possible worse-than-expected performance among major trading partners, said the report.

It said the near-term outlook for South Asia is expected to remain robust, with growth projected at 5.7 per cent in 2025 and 6.0 per cent in 2026, driven by strong performance in India as well as economic recovery in a few other economies.

GDP in India is forecast to expand by 6.6 per cent in 2025, primarily supported by solid private consumption and investment growth.

Nevertheless, geopolitical tensions, weaker external demand, persistent debt challenges, and social unrest and political turmoil in some economies may undermine the region's outlook, it added.

Growth in Western Asia is set to strengthen to 3.5 per cent in 2025 from an estimated 2.0 per cent in 2024, driven by improved prospects in Saudi Arabia and Turkiye, the region's two largest economies, said the report.

Economic performance in the region's major oil-exporting countries is forecast to improve in 2025 thanks to the easing of oil production cuts by OPEC Plus.

The six country members of the Cooperation Council for the Arab States of the Gulf (GCC) will enjoy relatively low inflation, supported by energy and food subsidies.

In contrast, it said conflicts, persistent high inflation, and tight fiscal space will weigh negatively on the outlook for oil-importing countries in the region.

The report said the economic outlook for Latin America and the Caribbean is moderately positive, with growth projected to rise from an estimated 1.9 per cent in 2024 to 2.5 per cent in 2025, supported by improvements in private consumption, easing monetary policies, and stronger export growth.

"Inflation is gradually declining in the region but remains high in a few economies. Stagnant per capita GDP growth during the past decade has stalled progress in reducing extreme poverty and inequality. The region faces significant downside risks."

On the external front, a sharper slowdown in China and the United States may harm exports, remittances, and capital flows, it said.

On the domestic front, political uncertainties may weaken business confidence, and climate shocks could strain fiscal policies and increase food inflation.

The UN said that economic growth in the least developed countries (LDCs) is forecast at 4.6 per cent in 2025 and 5.1 per cent in 2026, significantly below the 5.4 per cent average growth registered during the decade before the Covid-19 pandemic.

"The 2025 growth forecast for this group is not only lower than the 2010-2019 average, but also 0.7 percentage points lower than predicted in the World Economic Situation and Prospects 2024 mid-year update."

It said that landlocked developing countries (LLDCs) and small island developing States (SIDS) – two groups of similarly vulnerable developing countries – also have a near-term growth outlook that is significantly worse than the average growth for the period 2010-2019.

For landlocked developing countries, the economic growth forecast for 2026 is more than half a percentage point lower than the 2010-2019 average, and the corresponding forecast for SIDS is a full percentage point below the pre-Covid trend.

This augurs ill for sustainable development in the world's most vulnerable countries, the report warned, pointing out that GDP per capita growth projections for 2025 have worsened significantly for the majority of vulnerable countries.

A quarter of these countries can expect more than a percentage point lower GDP per capita growth in 2025 than was forecast a year ago.

Ten countries have such a substantial deterioration in their outlook that their forecasts have been revised downward by over two percentage points.

The worsened outlook is likely to perpetuate or even aggravate the prevalence of extreme poverty, especially in Africa, said the WESP 2025.

"While the causes of the deteriorating growth outlook for vulnerable countries are as diverse as the countries themselves, there are challenges many of them share, including high levels of external debt, growing debt servicing burdens, limited fiscal space, and weak investments."

Of the seventeen countries with downward revisions of more than a percentage point, thirteen are in Africa, said the report.

In contrast, only three of the nine countries with a more than one percentage point improvement in their 2025 outlook are in Africa.

"Downward revisions are most substantial for the LDCs, for which GDP per capita growth is now forecast at only 2.2 per cent for 2025."

It said that along with the macroeconomic factors outlined earlier, conflict and political instability, declining commodity prices, rising trade tensions, and climate change have negatively impacted the growth outlook for vulnerable countries.

Declining commodity prices strongly affect the export revenues and government finances of those economies that depend disproportionately on commodity exports, it noted.

The UN said that the global spillover effects of rising trade tensions between major economies are expected to disrupt global supply chains, hindering market access and growth prospects in the short to medium term, though new arrangements may arise in a longer-term equilibrium.

"The impact of climate change places additional strain on vulnerable economies, which are both more exposed to and less prepared for extreme weather events and natural disasters."

The report said these challenges imperil the sustainable development prospects of the 77 economies classified as LDCs, LLDCs, and/or SIDS, necessitating concerted support from the international community to ensure their resilient prosperity. *(SUNS 10144)*

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International trade rebounds after a slump in 2023, says report

Global trade in volume terms rebounded in 2024, growing by an estimated 3.4%, driven primarily by an improvement in merchandise trade, according to a United Nations report.

by Kanaga Raja

PENANG: Growth in the volume of global trade has rebounded, increasing from 0.9 per cent in 2023 to an estimated 3.4 per cent in 2024, according to the United Nations.

In its flagship World Economic Situation and Prospects (WESP) 2025 report, the UN said that this recovery has primarily been driven by the improvement in merchandise trade, which has increased by around 2.4 per cent in volume terms, up from a 1.0 per cent contraction in 2023.

Key factors driving this rebound include easing inflationary pressures and enhanced export performance in the United States and several Asian economies, particularly China, it added.

"Global trade in services has continued to experience robust expansion, with a year-over-year growth rate of around 6.4 per cent. Travel services have played a crucial role in this growth."

However, the report said as tourism arrivals have largely returned to pre-pandemic levels, growth in this sector is expected to stabilize.

The growth rate for world trade is projected to moderate to 3.2 per cent in 2025, it added.

However, the UN said this forecast is subject to significant uncertainties linked primarily to the geopolitical developments affecting international trade, the outlook for commodity prices, and the potential weakening of services trade.

The report said global merchandise trade volume has rebounded in 2024. Some of this growth can be attributed to the front-loading of orders from China in anticipation of potential trade restrictions.

It said that growth in 2024 has also benefited from low base effects, as trade in 2023 was exceptionally low due to inflationary pressures, the persistent impact of high energy prices, and a continuous downturn in commodity demand.

According to the World Trade Organization, global trade in fuels and mining products fell by 18 per cent year-over-year in 2023.

This downturn was further exacerbated by a broad-based contraction in imports and exports to and from Europe, said the report.

The UN said that among developed economies, the euro area and the United Kingdom have experienced broad weaknesses in their export performance in 2024, while the United States has demonstrated robust export growth, particularly in categories such as heavy machinery and aircraft.

On the import front, the United States has seen a rebound, primarily due to increased electronics imports, while the euro area has continued its prolonged decline, significantly affected by decreasing oil imports.

At the aggregate level, developing economies have outperformed developed economies in merchandise exports and imports, said the report.

"China and developing countries in Asia experienced the most significant export growth in early 2024, largely driven by electronics exports; in contrast, exports from Africa and Latin America fell during this period, mostly due to weakening commodity prices."

The 9 per cent decline in the value of iron and steel and 7 per cent decline in the value of fuels (year-over-year) largely contributed to the lack of overall growth in the value of world merchandise trade in the first half of 2024.

The value of trade in office and telecommunications equipment exhibited the fastest growth during this period, increasing by 6 per cent, likely owing to the expansion of trade in semiconductors linked to the rapid growth of AI technologies, the UN pointed out.

According to the Semiconductor Industry Association, over the first three quarters of 2024, global revenues from semiconductor sales grew by almost 20 per cent year-over-year.

Merchandise trade has encountered serious obstacles in 2024. The attacks by Houthi rebels on ships in the Red Sea led to a sharp decline in traffic through the Suez Canal and the rerouting of ships, notably through the Cape of Good Hope, said the WESP 2025.

"As a consequence, the cost of shipping, especially to and from China, increased sharply in January and July 2024."

The subsequent decline in prices is attributed to the diminishing intensity of Red Sea disruptions as well as the increase in shipping supply.

However, these challenges may have contributed to the muted growth of trade in 2024, and their lagged impact may continue to affect trade dynamism, it added.

The report also said commodity trade in 2024 has been marked by a decline in prices, influenced by geopolitical tensions, supply dynamics, and overall economic conditions.

The World Bank estimates a 3 per cent decrease in the commodity price index for 2024 and projects a 5 per cent decrease in 2025 and further declines in subsequent years, it noted.

The expected price declines in agricultural commodities are not likely to translate into lower food prices for final buyers, the report suggested.

Conversely, gold prices have trended upward through most of 2024 due to high levels of geopolitical uncertainty, and copper prices have been rising due to increased market demand.

The report said trade in services has grown at an estimated rate of 6.4 per cent in 2024. According to the United Nations Conference on Trade and Development, services trade presently accounts for almost 25 per cent of world trade.

The WESP 2025 said the United States remains the largest exporter of commercial services, accounting for 13 per cent of global services exports in 2023.

However, it pointed out that services trade remains affected by the pandemic-related contraction and recovery.

"Trade in transport services levelled off in 2024 following a post-pandemic expansion. Similarly, the growth rate for tourism services is slowly receding as tourism approaches its pre-pandemic levels in most countries."

Provisional estimates from the United Nations World Tourism Organization indicate that international tourist arrivals (overnight visitors) have grown to 1.4 billion globally – an increase of 11 per cent from 2023 to 2024 and an almost complete recovery of the pre-pandemic level.

"Strong travel demand across most world regions, together with increased air connectivity and visa facilitation, has fuelled growth in 2024. The recovery of destinations in Asia and the Pacific, which were slower to reopen, has contributed to this recovery."

In the first nine months of 2024, Europe surpassed its pre-pandemic arrival numbers by 1 per cent, while the respective recovery rates for the Americas and Asia and the Pacific were 97 and 85 per cent, said the report.

The Middle East and Africa remained the strongest performers, with international arrivals respectively climbing to 29 and 6 per cent above 2019 levels during the period through September 2024.

International tourism receipts are estimated to have reached $1.6 trillion in 2024 – about 4 per cent higher than in 2019 (in real terms) and 3 per cent higher than in 2023.

Most destinations have reported strong earnings in 2024, with growth in tourism receipts often exceeding growth in arrivals.

The report said higher average spending per trip explains the faster recovery in receipts than in arrival numbers globally.

Total export revenues from tourism, including receipts and passenger transport fares, have been estimated at $1.9 trillion for 2024, 3 per cent higher than in 2019 in real terms.

Preliminary forecasts for 2025 point to 3-5 per cent annual growth in international arrivals over 2023 (1-3 per cent above 2019 levels).

Overall, the report said the outlook for international trade remains highly uncertain given the ongoing escalation of global geopolitical tensions and the potential impacts of new trade restrictions.

"Trade tensions between China and the United States, Canada and the European Union have intensified in 2024, as the latter group of countries has introduced new, high tariffs on industrial goods such as electric vehicles from China."

The report said a few categories of trade remedial measures have reached new highs among the Group of Twenty (G20) countries, with the number of new anti-dumping measures doubling in the first half of 2024 in comparison with the year before, and the number of countervailing measures tripling over the same period.

Several studies have analysed the potential impact and cost of further trade fragmentation, highlighting the costly nature of measures restricting and impeding global trade, the report said. *(SUNS 10144)*

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Trump unveils hegemonic "America First Trade Policy"

United States President Donald Trump on 20 January unveiled his "America First Trade Policy", with its stated aim of promoting investment and productivity, enhancing the US' industrial and technological advantages, and defending its economic and national security.

by D. Ravi Kanth

COCHIN: The President of the United States, Donald Trump, on 20 January unveiled a hegemonic "America First Trade Policy", which seeks to impose unilateral tariffs while making the US the center for trade, investment, and industrial policies by extracting a hefty price from all countries to bring their tariffs below the US levels.

"I am establishing a robust and reinvigorated trade policy that promotes investment and productivity, enhances our Nation's industrial and technological advantages, defends our economic and national security, and – above all – benefits American workers, manufacturers, farmers, ranchers, entrepreneurs, and businesses."

The new Trump administration, however, remained silent on what it intends to do with the World Trade Organization, while announcing its withdrawal from the Paris Agreement on climate change and the World Health Organization.

The WTO was mentioned only once in President Trump's "America First Trade Policy", mainly concerning the plurilateral Agreement on Government Procurement, suggesting that the global trade body is a low priority since Washington can impose punitive tariffs and other restrictive trade policies on its major trading partners.

Launching an assault on the existing international arrangements to address climate change, the World Health Organization and international trade, Trump called on countries to pay a hefty price to "Make America Great Again", according to the statements issued by the White House on 20 January.

Issuing an executive order immediately after taking the oath of office on 20 January, President Trump said that Washington would withdraw from the landmark Paris Agreement on climate change.

Being the world's second largest emitter of carbon dioxide, which is regarded as being historically responsible for global warming and climate change, the US has decided to renege on its outstanding financial commitments to vulnerable countries under the Paris Agreement.

Trump reportedly said the Paris Agreement is among a number of international agreements that don't reflect US values and "steer American taxpayer dollars to countries that do not require, or merit, financial assistance in the interests of the American people."

With global temperatures having seemingly crossed the tipping point of 1.5 degrees Celsius above pre-industrial levels, the vulnerable countries are expected to be hard-hit by the policies of the new US President.

In a rather lengthy speech after taking the oath of office as the 47th US President on 20 January, Trump charged his immediate predecessor for ruining the country during the last four years, while announcing that he is heralding a "golden age".

Unveiling his "America First Trade Policy", Trump said that he intends to impose tariffs to the tune of 25% on Canada and Mexico from 1 February on account of alleged "unlawful migration" and the supply of illegal drugs.

"We're thinking in terms of 25 percent on Mexico and Canada, because they're allowing vast numbers of people to come in, and fentanyl to come in," Trump said.

Trump held back on his initial threats to impose punitive tariffs on China, while suggesting that tariffs on China could depend on a proposed deal over the ownership of TikTok.

He said the US should get 50 percent ownership of TikTok if the app wants to continue operating in the US beyond 75 days, failing which he would impose tariffs on China if it rejected a deal.

"Ultimately [Beijing] would approve it because we'd put tariffs on China," he said, adding that "I'm not saying I would, but you certainly could do that."

Earlier, Trump had threatened to impose 60% tariffs on China, which he seems to have dropped for some inexplicable reasons.

In order to ensure that import revenue is efficiently collected from countries, the new US President announced the creation of an External Revenue Service, akin to the existing Internal Revenue Service.

"For far too long, we have relied on taxing our Great People using the Internal Revenue Service (IRS). Through soft and pathetically weak Trade agreements, the American Economy has delivered growth and prosperity to the World, while taxing ourselves. It is time for that to change," he said earlier.

Meanwhile, in the memorandum issued on "America First Trade Policy", President Trump states: "In 2017, my Administration pursued trade and economic policies that put the American economy, the American worker, and our national security first. This spurred an American revitalization marked by stable supply chains, massive economic growth, historically low inflation, a substantial increase in real wages and real median household wealth, and a path toward eliminating destructive trade deficits."

Notwithstanding that some of these claims which were fact-checked by the Guardian newspaper on 20 January were proven to be false, President Trump announced that he is "establishing a robust and reinvigorated trade policy that promotes investment and productivity, enhances our Nation's industrial and technological advantages, defends our economic and national security, and - above all – benefits American workers, manufacturers, farmers, ranchers, entrepreneurs, and businesses."

In Section 2 of the "America First Trade Policy" regime, the Trump administration sought to address "Unfair and Unbalanced Trade."

There would be consultations between the Secretary of Commerce, the Secretary of the Treasury and the United States Trade Representative, to "investigate the causes of our country's large and persistent annual trade deficits in goods, as well as the economic and national security implications and risks resulting from such deficits, and recommend appropriate measures, such as a global supplemental tariff or other policies, to remedy such deficits."

According to the memorandum, "the Secretary of the Treasury, in consultation with the Secretary of Commerce and the Secretary of Homeland Security, shall investigate the feasibility of establishing and recommend the best methods for designing, building, and implementing an External Revenue Service (ERS) to collect tariffs, duties, and other foreign trade-related revenues."

Further, the USTR "in consultation with the Secretary of the Treasury, the Secretary of Commerce, and the Senior Counselor for Trade and Manufacturing, shall undertake a review of, and identify, any unfair trade practices by other countries and recommend appropriate actions to remedy such practices under applicable authorities, including, but not limited to, the Constitution of the United States; sections 71 through 75 of title 15, United States Code; sections 1337, 1338, 2252, 2253, and 2411 of title 19, United States Code; section 1701 of title 50, United States Code; and trade agreement implementing acts."

The new USTR "shall commence the public consultation process set out in section 4611(b) of title 19, United States Code, with respect to the United States-Mexico-Canada Agreement (USMCA) in preparation for the July 2026 review of the USMCA."

Another important aspect of the memorandum suggests that "the Secretary of the Treasury shall review and assess the policies and practices of major United States trading partners with respect to the rate of exchange between their currencies and the United States dollar pursuant to section 4421 of title 19, United States Code, and section 5305 of title 22, United States Code."

It authorizes the Secretary of the Treasury to "recommend appropriate measures to counter currency manipulation or misalignment that prevents effective balance of payments adjustments or that provides trading partners with an unfair competitive advantage in international trade, and shall identify any countries that he believes should be designated as currency manipulators."

The above policy proposal seems to be directed against the BRICS (Brazil, Russia, India, China, South Africa and other countries) arriving at a BRICS trading arrangement to move away from US dollar-denominated global trade.

The "America First Trade Policy" authorizes the USTR to "review existing United States trade agreements and sectoral trade agreements and recommend any revisions that may be necessary or appropriate to achieve or maintain the general level of reciprocal and mutually advantageous concessions with respect to free trade agreement partner countries."

In this regard, it empowers the USTR to "identify countries with which the United States can negotiate agreements on a bilateral or sector-specific basis to obtain export market access for American workers, farmers, ranchers, service providers, and other businesses and shall make recommendations regarding such potential agreements."

Surprisingly, the US use of the "zeroing" methodology in calculating anti-dumping margins, which was denounced by the WTO's Appellate Body, appears to have been brought back, with the Secretary of Commerce to "review policies and regulations regarding the application of antidumping and countervailing duty (AD/CVD) laws, including with regard to transnational subsidies, cost adjustments, affiliations, and "zeroing"."

The memorandum also states that "the United States Trade Representative, in consultation with the Senior Counselor for Trade and Manufacturing, shall review the impact of all trade agreements - including the World Trade Organization Agreement on Government Procurement - on the volume of Federal procurement covered by Executive Order 13788 of April 18, 2017 (Buy American and Hire American), and shall make recommendations to ensure that such agreements are being implemented in a manner that favors domestic workers and manufacturers, not foreign nations."

Significantly, the USTR "shall review the Economic and Trade Agreement Between the Government of the United States of America and the Government of the People's Republic of China to determine whether the PRC is acting in accordance with this agreement, and shall recommend appropriate actions to be taken based upon the findings of this review, up to and including the imposition of tariffs or other measures as needed."

In short, the global trading system is likely to be replaced by a trading system dictated by Washington where none of the previous multilateral trade agreements are likely to be followed or implemented.

The US "America First Trade Policy" could push countries into a global disadvantage resulting in a kind of American "trade fascism" based on the notion of "might is right" or "my way or the highway". *(SUNS 10149)*

Labour markets under pressure as economic recovery loses steam

While global employment expanded in 2024 in line with a growing labour force, its growth remained too weak to have a significant impact on persistent decent work deficits around the world, according to the International Labour Organization.

by Kanaga Raja

PENANG: Global employment expanded in 2024 in line with a growing labour force, keeping the global unemployment rate steady at 5 per cent, similar to that of 2023, the International Labour Organization (ILO) has said.

In its flagship World Employment and Social Outlook 2025 report, the ILO said at the same time, employment growth remained too weak to have a significant impact on persistent decent work deficits around the world.

Young people, especially, continue to face much higher unemployment rates – around 12.6 per cent – with few signs of improvements, it added.

"With the return to pre-pandemic levels of informality and working poverty, the job recovery has lost much of its ability to generate further improvements and close the gap with the targets of the Sustainable Development Goals (SDGs)."

As the economic and social outlook remains highly uncertain – with geopolitical frictions, rising costs of climate change, and unresolved sovereign debt risks – the resilience of labour markets is being tested, said the ILO.

Low-income countries appear to be particularly vulnerable, since progress in decent work creation has been slowest in these countries, it noted.

According to the ILO report, the global economy continues to expand but is losing steam. This is slowing down improvements in labour markets and testing their resilience.

Global growth rates remain stable, hovering around 3.2 per cent in 2024 and 2025, but are expected to slide over the medium term, said the report.

Inflation rates have come down from 6.7 per cent in 2023 to 5.9 per cent in 2024 and are expected to decelerate further to hit target rates over the medium term.

"This seems to bode well for restoring purchasing power and consumer demand, but above-average inflation in services is slowing down progress on disinflation," said the report.

It also said although global trade is expected to grow faster than gross domestic product (GDP) in the coming year, manufacturing remains subdued and a surge in cross-border trade restrictions is weighing down the sector.

These trends will likely slow down the improvements labour markets witnessed after the pandemic, it suggested.

Economic uncertainty remains high in an environment of stern geopolitical conflict and ongoing threats to supply chains, discouraging investors.

Consequently, investment rates in 2024 remained below those a year earlier but continued to lie above those observed during the previous decade, said the report.

In the euro area, investment has failed to catch up with pre-pandemic trends because companies are reluctant to invest when they face difficulties in filling their vacancies in times of protracted labour shortages that have eased but not completely disappeared.

In addition, the report said the energy price shock that has hit industrialized countries over the past two years has weighed heavily on manufacturing production, a capital- and investment-intensive sector of the economy.

It said with notable exceptions such as India, growth is stable in developing and emerging countries.

Especially in Africa, however, growth remains too low to achieve significant convergence of living standards with global averages.

Economic growth in developing countries suffers from rising levels of geopolitical fragmentation, high food prices and high sovereign debt burdens. These factors exacerbate an uncertain outlook for labour markets, the report said.

"Growth in many of these countries is insufficient to provide enough productive, quality jobs for the large and growing populations of young people entering the labour market."

On the upside, the report said monetary policy has proved to be successful in bringing down inflation without causing a recession, unlike previous episodes in which inflation ran high.

Nevertheless, price levels remain elevated and inflation rates have yet to return below target rates in much of the developed world, it added.

Fiscal policy remains supportive in many parts of the world, but policymakers are increasingly worried about the long-term implications of rising sovereign debt levels.

The ILO said some governments among the G20 countries have taken drastic action or are pursuing conservative fiscal policies imposed by fiscal rules such as the "debt brake" in Germany and Switzerland.

Others are seeing their countries' long-term fiscal position gradually deteriorating, with rising long-term interest rates despite declines in short-term rates or downgrading of sovereign debt ratings.

Over the medium term, stricter fiscal rectitude is to be expected in many parts of the world, which will further weigh upon the economic outlook with potentially damaging long-term effects, the ILO cautioned.

Yet, it said that underlying a gradual normalization of the macroeconomic policy mix are long-standing structural weaknesses that have become apparent again.

Profound transformations – climate change, advancing technology, demographic transitions, geopolitical tensions and conflict – are compounding these weaknesses, exacerbating an already highly uncertain outlook, the report said, adding that the most vulnerable, including women and youth, are the most adversely affected.

"Progress towards achieving the Sustainable Development Goals by 2030 has stalled; many social indicators have shown few signs of improvement since 2015."

The world economy is entering a period of a new normal in which labour market resilience will be tested, said the report.

Though many countries have reclaimed their economic strength, returning to pre-pandemic levels of economic activity, their capacity to address structural weaknesses has been severely restricted by past economic actions, it added.

Structural vulnerabilities

Ongoing economic expansion is continuing to generate employment, keeping the global employment rate stable, said the report.

It said unchanged labour force participation and unemployment rates suggest that there are jobs, but the rate of employment growth is moderating and improvements in job quality and productivity are slowing down. At the same time, employment growth is not strong enough to offer decent work opportunities for everybody.

"Informal employment, especially in low-income countries, remains high and absorbs many of the new entrants into the labour force."

The global labour force participation rate remained at 61.0 per cent in 2024, temporarily halting a long-term decline in participation, said the report.

Yet, underneath this globally stable rate there hides significant cross-regional variation. Low-income countries saw a modest decline in their labour force participation rates.

Upper-middle-income and high-income countries also saw a decline owing mostly to their ageing populations.

The ILO said that lower-middle-income countries saw an increase, largely a result of the growth in rural female labour force participation in India.

Over the past decade, the labour force participation rate has fallen by 0.8 percentage points, mainly driven by structural declines in low-income and upper-middle-income countries and by ageing populations in high-income and some upper-middle-income countries, it noted.

It said in contrast to the global trend, high-income countries and women in lower-middle-income countries have experienced a rise in participation.

"Indeed, the global labour force participation rate would have risen by 0.4 percentage points over the past decade had it not been for the demographic shift."

Women have also experienced a sizable increase in their participation rates in middle-income countries, at least in some age groups.

On the other hand, the participation rates of young men have dropped significantly more than the global average, suggesting they are facing greater obstacles to integrating into the labour market, said the report.

Despite accelerating population ageing, high-income countries have seen a sizable increase in their labour force participation rates over the last decade.

This has allowed people of all age groups, especially women and those aged 55 to 64 years, to return to the labour force, it added.

The report said that the strong rise in labour force participation rates across age groups has more than countered the effect of demographic shift – the fact that the rising share of older people tends to lower the aggregate labour force participation rate of all those aged 15 years and above.

The report said that had the labour force participation rate not expanded so strongly across all age groups, and in particular among women, high-income countries would have experienced a decline of 2.5 percentage points in the aggregate labour force participation rate, owing to ageing populations, instead of the observed increase of 0.9 percentage points.

Between 2019 and 2024, labour force and employment growth slowed down in high-income countries, it added.

"The effective stagnation in the aggregate labour force participation rate was because of a reduced rise in the labour force participation rate across all groups, coupled with an increasing impact of the demographic shift. In this period, women saw their labour force participation rate increase, while that of men fell."

The global unemployment rate remains constant. At 5 per cent in 2024, global unemployment remains below historic averages, said the report.

However, it said the global unemployment rate hides large regional and country variations and fails to account for significant decent work deficits, especially among vulnerable groups.

Several European countries have seen over the last decade a large improvement in the unemployment rate, which fell below 8 per cent in 2024 after hitting more than 12 per cent in the early 2010s.

On the other hand, it said in South Africa, unemployment remains stubbornly high, above 30 per cent in 2024 and showing very little improvement.

Youth unemployment did not benefit from the economic recovery to the same extent as total unemployment and remained at 12.6 per cent in 2024, said the report.

"Youth unemployment continues to be significantly higher than the adult unemployment rate, in some countries three to four times as high."

The report said upper-middle-income countries' progress in youth unemployment has stagnated; their rates of youth unemployment have not returned to the pre-COVID-19 levels of 2019.

Moreover, many young people have either never entered the labour market or dropped out without pursuing education or training.

The share of young people not in education, employment or training (NEET) stood at 20.4 per cent in 2024, with significant gender differences.

At 28.2 per cent, the share of young women who are NEET is much higher than that of their male counterparts (13.1 per cent).

The consistently high NEET rates are indicative of the ongoing labour market exclusion of young people as well as a missed opportunity to build human capital, the report emphasized.

The "jobs gap", ILO's summary estimate for the overall number of jobs missing, stood at around 402.4 million in 2024, an increase of approximately 2.3 million from the previous year. This includes people who have stopped searching for a job, for instance, because of discouragement.

The job gap includes about 186 million who are unemployed, 137 million who are part of the potential labour force, and around 79 million who are willing non-seekers.

A significant difference exists in the jobs gap rate between men and women, almost 4.5 percentage points.

The lowest job gap rates are found in

high-income countries, where the rate for men is estimated to be 7.1 per cent and for women 9.3 per cent, said the ILO.

Conversely, in developing and emerging economies, the jobs gap is significantly higher, especially for women.

In low-income countries, the job gap rate for women is notably high, 22.5 per cent, compared with 15.2 per cent for men.

Middle-income countries show an intermediate situation, women experiencing considerably higher job gap rates than men.

Large gender gaps in labour force participation rate, unemployment, NEET and the jobs gap are manifestations of deep structural barriers that women confront when entering the labour market and of the lack of productive opportunities for them, said the report.

The ILO said those barriers are often rooted in prevailing gender stereotypes and social norms and may include discrimination, fragmented and segregated labour markets, the unequal distribution of unpaid care work and care responsibilities, and gender-based violence and harassment.

In summary, the report said a stable labour force participation rate, unemployment rate and employment-to-population ratio, as well as a historically low jobs gap, underscore the fact that jobs have recovered since the COVID-19 pandemic but employment growth is slowing down.

Going from a high of 2.4 per cent in 2022 to 1.3 per cent in 2024, the decline in employment growth is, in part, a result of the normalization after the post-pandemic surge. Meanwhile, projections suggest a continued decline to 1.1 per cent in 2026, it added.

With unemployment and the jobs gap falling to historically low levels, real wages have managed to rebound quickly after a sharp decline in 2022.

However, not all losses in disposable income have been recouped yet, since real wages have not fully caught up with labour productivity developments since 2020, said the report.

It said that as growth in formal employment has stalled, informality and working poverty have continued to affect significant portions of the global labour force.

Informal employment affects approximately three in five workers, and working poverty affects almost one in five, it added.

"Progress has stalled over the last five years, during which especially the most vulnerable groups and countries have not seen further progress."

As growth in formal employment fell by half a percentage point between 2023 and 2024, 23 million informal workers were added to the global workforce, and they were highly concentrated in low-income countries.

Extreme forms of working poverty remain a challenge. While moderate working poverty has declined by more than 5 percentage points since 2015, and fell to an even lower level during the pandemic, the most extreme forms of working poverty have persisted in low-income countries, said the ILO.

They affect around 7 per cent of the global workforce, more than 240 million workers worldwide, it noted.

Uncertain outlook

In its return to pre-pandemic growth and employment levels, the global economy has proved to be resilient, but, further ahead, deep structural challenges threaten sustainable progress and so give rise to economic uncertainty, said the report.

With uncertainty remaining stubbornly high, global growth is not expected to accelerate. Major economic hubs in Europe and Eastern Asia are struggling to regain a faster rate of economic expansion.

The report said that this is weighing down economic activity among their trading partners in Africa and Latin America and the Caribbean.

Global sovereign debt has reached an all-time high, exacerbating uncertainty and raising the risk of a major debt crisis in vulnerable countries. There is limited room for additional fiscal stimulus in these countries.

Moreover, countries in which a demographic transition towards an older population is underway need to mobilize larger fiscal resources to bolster their social security systems, which leaves little room for short-term adjustments and stimulus, said the report.

"As we go forward, labour force participation may come down," it added.

The ILO said that the increase in the labour force participation rate of some demographic groups, most notably women and those aged 55-64 in advanced economies, will likely become smaller owing to ageing populations.

This could exacerbate labour shortages in certain sectors, it cautioned.

Unemployment is likely to remain flat even though employment growth is expected to decelerate. The long-term downward trend in employment generation since the turn of the twenty-first century is particularly worrying, the report pointed out.

"Global growth is expected to remain too shallow to have much effect in reducing the jobs gap or improving working conditions."

The structural transformation of the global economy is too slow to accelerate productivity growth sufficiently to allow the growing global labour force to find productive employment outside a small number of interconnected hubs, it said.

Labour shortages in advanced economies add to these problems precisely because they reduce the capacity of affected countries to grow faster and invest more heavily in innovative capacity.

In other words, population ageing and falling fertility rates reduce the speed at which the global economy can achieve the Sustainable Development Goals, the report observed.

"Over the medium term and despite weak growth, labour shortages are likely to return, especially if the recovery continues. Indeed, as major central banks continue to lower their interest rates, economic activity is expected to accelerate."

The report said migration is unlikely to provide much relief for either sending or recipient countries.

Political resistance is high and it will be some time before the agreements on skills partnerships signed over the past several years will enable a significant number of jobs to be filled with suitable candidates.

"For most sending countries, the partnership agreements will provide only limited relief for the labour markets. What can be hoped for is an increase in remittances that will help to alleviate poverty."

Major transformations such as the green transition and the continuing advance of technology, including artificial intelligence (AI), will increasingly require the global workforce to adjust to large-scale disruptions, said the ILO.

The global economy faces significant challenges. Numerous countries are grappling with fiscal distress, and this is limiting their ability to provide essential services and infrastructure, it added.

High interest rates have pushed government debt to unsustainable levels, particularly in developing nations; 70 countries are at risk of debt distress.

Post-pandemic spending cuts and tax hikes, combined with under-taxation of capital in the digital economy, are exacerbating these issues.

Climate-vulnerable nations are especially exposed to debt problems, and geopolitical instability is hindering international financial support.

These debt burdens impact on governments' capacity to address climate-, energy- and AI-related job displacement, potentially intensifying global economic slowdowns.

The report said the vulnerability of global food production systems to various shocks, including extreme weather and geopolitical tensions, further complicates matters.

Since the COVID-19 pandemic, multiple crises have pushed an additional 122 million people into hunger, it said.

These challenges point to the fact that, despite the resilience that countries have displayed in the aftermath of the pandemic, there is a pressing need for structural improvement to enable sustainable economic growth, the report said.

It said this will entail prioritizing job creation but also enhancing human capital formation through investment in education and skills training, adding that effective social protection systems can create jobs while also helping workers transition in the face of disruptions.

The capacity of governments to navigate the large-scale transformations and to equip their populations to engage productively in labour markets will play a key role in progress towards the Sustainable Development Goals in the period up to 2030, it concluded. *(SUNS 10146)*

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

Jessica Dempsey
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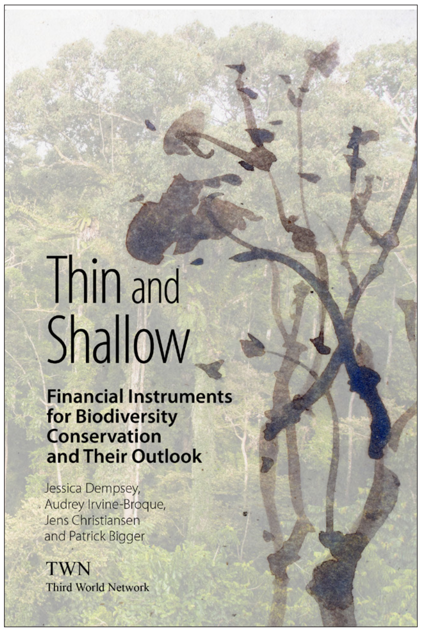
Patrick Bigger

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

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



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Global FDI at a crossroads, falling by 8% in 2024, says UNCTAD

Global foreign direct investment (FDI) fell by 8% in 2024, with moderate growth envisaged for 2025. However, significant downside risks and investor uncertainty cloud the outlook, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global foreign direct investment (FDI) rose by 11% to reach $1.4 trillion in 2024 but fell by 8% when excluding flows through European conduit economies, according to UN Trade and Development (UNCTAD).

In its Global Investment Trends Monitor (No. 48), released on 20 January, UNCTAD said that FDI in developing countries fell for a second year (-2%), with declines in Central and West Asia and South America.

However, FDI increased marginally in ASEAN and more significantly in Africa, South Asia (India), and central America and the Caribbean, it added.

Greenfield investment announcements and international project finance deals showed declines in both project numbers and values, said UNCTAD.

"Project finance was especially weak, suffering from difficult financing conditions and with investors holding out due to expected interest rate cuts."

Prospects for global FDI in 2025 are for moderate growth due to improved financing conditions and an expected increase in M&A (mergers & acquisitions) activity.

However, significant downside risks and investor uncertainty remain, said UNCTAD.

Global trends

According to UNCTAD, global foreign direct investment (FDI) declined by 8% in 2024, excluding financial flows through European conduit economies, which often serve as transfer points for investments before they reach their final destination.

Including these economies, global FDI reached an estimated $1.4 trillion, an 11% increase from 2023, it added.

Greenfield project announcements, primarily in industrial sectors, saw a moderate decline of 8% in number and 7% in value.

It said that despite the drop, the value of greenfield projects remained high, second only to the record reached in 2023, driven by large-scale investments in semiconductor manufacturing and AI technologies.

International project finance, mainly concentrated in infrastructure sectors, continued its downward trend with the number of deals falling by 26% and their value declining by nearly a third.

Cross-border M&A activity (the number of deals) fell by 13%, but total values increased by 2%, with high-value deals propping up FDI flows in several developed countries, said the UNCTAD report.

It said the global investment environment remains challenging for sectors critical to achieving the Sustainable Development Goals (SDGs) in developing countries, which rely especially on international project finance.

The number of SDG-related investments fell by 11% in 2024. While there has been some growth in renewable energy and health and education, three sectors – infrastructure, agrifood systems, and water and sanitation – saw fewer internationally financed projects in 2024 than in 2015, when the SDGs were adopted, it added.

According to UNCTAD, developed economies experienced sharp contrasts.

It said that transactions by multinational enterprises (MNEs) in conduit economies continue to affect FDI flows in developed countries. Excluding conduit economies, FDI in Europe fell by 45%.

In the European Union, flows declined in 18 of the 27 member States. The largest economies and FDI recipients all experienced lower inflows, with Germany and Poland down 60%, Italy 35%, and Spain and France 13% and 6%, respectively.

In contrast, FDI rose 13% in North America, with a 10% increase in the United States caused mostly by higher M&A values, said the report.

Cross-border M&A activity, which typically accounts for a large share of FDI in developed countries, rose by 19% to $364 billion, largely due to an 80% surge of M&A sales in the United States.

It said large deals in developed countries included a group of investors acquiring the fixed network business of Telecom Italia SpA (Italy) for $24 billion, Aon PLC (Ireland) purchasing insurance company NFP Corp (United States) for $13 billion, and Carrier Global Corp (United States) buying Viessmann Climate Solutions SE (Germany) for $13 billion.

There were also notable divestments to domestic companies in 2024, including the Royal Bank of Canada's acquisition of HSBC Bank's Canadian operation for $10 billion and the merger of Masmovil Ibercom SA (Masmovil) (Spain) with the Spanish operations of Orange Espagne SA (France) for $8 billion.

The number of greenfield project announcements in developed economies fell by 10%, with approximately 1,000 fewer projects than in 2023. Notable declines were seen in Germany, Poland, and France, said UNCTAD.

However, new greenfield project announcements in North America rose by 20%, it added.

"The overall value of greenfield projects (projected capital expenditures) in developed economies rose by 15%, with higher average values driven to a large extent by mega-projects in semiconductors."

Significant increases in project values were recorded in the United States (+93%, reaching $266 billion), the United Kingdom (+32%, to $85 billion), and Italy (+71%, to $43 billion), said the UNCTAD report.

International project finance deals in developed economies decreased by 29%, continuing the downward trend observed in 2023, it added.

This decline was widespread across all industries and countries with very few exceptions, said UNCTAD.

Following the 6% decline in 2023, FDI flows to developing economies were 2% down again, it further said.

Greenfield investment announcements in developing countries declined by 6% in number and 24% in value.

The increase in the number of manufacturing projects observed in 2023 did not repeat in 2024, it pointed out.

"The biggest declines in greenfield project numbers took place in Africa (almost 200 fewer projects) and Asia (almost 150 fewer projects)."

The report said international project finance dropped by 23% in number and 33% in value, mainly due to fewer deal announcements in Asia.

Several large emerging markets, including Brazil, China, India, Indonesia and Mexico experienced declines in project numbers significantly larger than the global average, it added.

Cross-border M&A values, which account for a relatively small part of FDI in developing countries, were also $50 billion lower than in 2023.

FDI flows to developing Asia – by far the largest recipient region – were 7% lower, said the UNCTAD report.

Among major Asian FDI host economies, FDI in China fell for a second year, by 29%; FDI flows to China are now about 40% lower than at their peak in 2022.

FDI flows increased marginally in ASEAN (+2%) to a new record of an estimated $235 billion.

They rose by 13% in India, where greenfield project announcements also increased in number and value.

FDI inflows to Africa surged, increasing by 84% to an estimated $94 billion, the highest value ever recorded, the report said.

The increase was largely driven by a single international project finance deal in Egypt for the development of the Ras El-Hekma peninsula by ADQ, a UAE-based sovereign investment fund.

It said net of the increase in Egypt, FDI flows to Africa were still up 23%, but they remained modest at about $50 billion.

In Latin America and the Caribbean, FDI flows decreased by 9%, in part due to lower energy prices in 2024. In Brazil, the region's largest recipient, FDI fell by 5%, said UNCTAD.

However, several countries in South America, including Brazil, Argentina and Colombia recorded a rise in the number and value of greenfield project announcements, bucking the global trend and potentially signalling higher inflows ahead, it added.

In Central America, FDI flows increased (inflows to Mexico grew by 11%) but with generally weaker project announcements.

Other key trends

Greenfield project announcements overall fell by 8% in number and 7% in value in 2024. However, with total project capital expenditures at $1.3 trillion, the value of announced projects was still the second highest ever recorded, boosted by a significant number of mega-projects, said the report.

It said after a significant rise in greenfield projects in extractive industries in 2022 and 2023, projected capital expenditures in this sector almost halved in 2024 to $41 billion, returning to the average level of the past decade.

This decline was partly driven by lower energy prices in 2024. Investments in energy and gas supply also fell by 25% in value, largely due to significant decreases in the EU, Asia, and Africa.

Manufacturing of coke and refined petroleum saw a 10% increase, pushed up by the largest greenfield project announced in 2024 in which Petronas (Malaysia) and YPF (Argentina) committed over $30 billion to develop a liquefied natural gas (LNG) plant in Argentina, said UNCTAD.

The number and value of greenfield manufacturing projects declined by 5% and 2%, respectively, in 2024, said the report.

"Values rose in developed economies but fell in developing countries, reversing the trend observed in 2023."

Two countries experienced significant growth in manufacturing projects, reaching new record levels: the United States and India, said the report.

In the United States, the value increase was driven by major semiconductor projects and automotive projects. In India, semiconductor projects and basic metals projects contributed to the rise in manufacturing activity, it said.

Semiconductor projects were also announced elsewhere, including in Italy and Singapore, the report noted.

Greenfield projects in the services sector declined by 6% in value and 11% in number. Along with energy and gas supply, project values also dropped in transport and storage (-25%) and construction (-16%).

In contrast, project values in the ICT sector nearly doubled to $200 billion, primarily driven by investments in data centers and data processing, said UNCTAD.

The report said the growth of the digital economy and the development of artificial intelligence (AI) applications have accelerated investments in data infrastructure and in semiconductor manufacturing – both significantly represented in the list of the largest greenfield announcements – with the latter boosted also by industrial policies aimed at securing the supply of chips and expanding productive capacity in home markets.

According to UNCTAD, in 2024, announcements of greenfield projects and international project finance deals (combined) in infrastructure decreased by 10% in number and 17% in value, primarily due to reduced investment in renewable energy.

International project finance, especially critical for infrastructure development, continued the decline that started in 2023 due to high interest rates. Deals fell by 31% in number and 26% in value, it said.

International project finance performed relatively better than domestic project finance, as the equity participation of an international investor can allow access to more favourable financing conditions, said the report.

Projects led by domestic sponsors saw a 56% decrease in number and a 40% decrease in value, it added.

"International project finance in renewable energy, a major driver of growth in project finance in recent years, further slowed by 16% in both number and value, following the decline in 2023."

As in overall international project finance trends, the decline in domestic project finance for renewables was even steeper, with a reduction of around 60% in both number and value, said UNCTAD.

By region, international project finance in renewable energy generation fell by 22% in North America, 18% in developing Asia, and 14% in Latin America and the Caribbean. Africa was the only region to see an increase of 8%, it added.

Outlook for 2025

The outlook for global FDI in 2025 will hinge on economic, geopolitical, and policy factors. Overall, there is potential for moderate growth in global FDI flows, with significant regional variations, said UNCTAD.

Flows are expected to grow more rapidly in the United States due to strong economic growth prospects, and in the EU, which currently has very low levels of investment, it added.

Regions that are adjacent to or well-connected with major developed markets, such as ASEAN, Eastern Europe, West Asia, North Africa, and parts of Central America, could also benefit from global supply chain restructuring.

The report said key variables that will affect prospects include macro indicators (GDP growth, capital formation, trade, inflation, currency and financial market volatility), technology trends and sectoral shifts, geopolitical dynamics and economic fracturing, policy and regulatory developments, and the evolving role of increasingly important investor groups such as private equity funds and sovereign investors.

It said that the trajectory of global economic growth will significantly shape FDI trends.

"GDP growth is expected to remain stable, with slightly improving projections for capital formation and trade (important for global value chain related investment)."

The interest rate-cutting cycle anticipated in major economies may reduce borrowing costs, encouraging cross-border investments, especially project finance, said the report.

It said market analysts expect strong growth for M&As, although this may not translate into equal growth for cross-border M&As in the current policy environment.

Technological advancements and sectoral shifts will continue to affect the FDI landscape, the report suggested.

"Investments in technology-related sectors, including AI, cloud computing, and cybersecurity, are likely to steer FDI flows as companies modernize and digitize operations."

Data center projects and semiconductor manufacturing are already prevalent among the top investment projects, the report noted.

The energy transition, similarly, is already playing an important role in shaping FDI patterns. Investment projects in renewable energy, green hydrogen, and electric vehicle (EV) supply chains have pushed up project numbers in recent years, although international investments in renewable energy have slowed in the last two years, it said.

UNCTAD said global trade policies, tariffs and industrial policies aimed at attracting manufacturing capacity, strategic industries and security-sensitive sectors will continue to play a pivotal role in directing FDI.

"Global economic fracturing is diverting investments from cross-border to domestic or to more geopolitically aligned locations with the productive capacity, infrastructure and market access needed to take advantage of shifting trade preferences and supply chain risk concerns."

These trends are also expected to push regional FDI flows, the UNCTAD report pointed out.

Divergent trends in policy and regulatory environments will be an important factor. The new United States administration may lead the way in streamlining business regulations and incentivizing investors, followed by other countries and regions, said UNCTAD.

At the same time, it said the drive for enhanced FDI screening and heightened scrutiny in sectors like defense, technology, and critical infrastructure, especially in the United States and the EU, is expected to continue.

Private equity funds and institutional investors have ample "dry powder" at their disposal and are a growing force in international investment, especially given their predilection for technology firms and the current boom caused by AI advances, said the report.

"Private equity firms are expected to drive FDI in emerging markets and growth sectors. Institutional investors, including sovereign ones such as public pension funds and sovereign wealth funds, are showing an increased appetite for long-term, inflation-resistant assets such as infrastructure and digital connectivity projects."

Continuing elevated investor uncertainty will hold back FDI flows. Policy uncertainty, security risks and volatile currency and financial markets will pose risks to FDI attractiveness in certain regions, UNCTAD cautioned.

"Weak trends in the purchasing managers index – as a proxy for confidence levels – across the major capital exporting regions attest to high levels of investor uncertainty."

Regional divergence will persist among investor home regions, with United States investors continuing to focus relatively more on domestic capital expenditures, and Chinese investors looking for opportunities outside their home markets, said the report.

It noted that outward investment from the United States in the last few years declined from a peak of 30% of global greenfield capital expenditure in 2020 to 14% last year, while Chinese outward greenfield investment increased from 4% to 12% of global greenfield capex last year, after several years of deliberate restraint. *(SUNS 10148)*

 Third World ECONOMICS No. 810-811, 1-31 January 2025

Number of ISDS cases more than doubles in the past decade

The number of treaty-based investor-State dispute settlement (ISDS) cases has more than doubled in the past decade, with developing countries facing the majority of these cases, often brought by claimants from developed countries.

by Kanaga Raja

PENANG: The number of treaty-based investor-State dispute settlement (ISDS) cases has more than doubled in the past 10 years, according to UN Trade and Development (UNCTAD).

In its latest IIA Issues Note (No. 3) on facts and figures on ISDS cases, UNCTAD said the total count of ISDS cases brought based on investment treaties reached 1,332, with 60 new arbitrations initiated in 2023.

Developing countries faced the majority of investor-State disputes, often brought by claimants from developed countries, it pointed out.

According to UNCTAD, in 2023, 60 known investor-State dispute settlement (ISDS) cases based on investment treaties were initiated.

As some arbitrations can be kept confidential, the actual number of arbitrations filed in 2023 (and previous years) is likely to be higher, it added.

The total count of ISDS cases brought based on bilateral investment treaties (BITs) and treaties with investment provisions (TIPs) reached 1,332.

In the past 10 years, the total number of ISDS cases has more than doubled. There were fewer than 600 known ISDS cases at the end of 2013, against more than 1,300 at the end of 2023, said the Note.

To date, 132 countries and one economic grouping are known to have been respondents to one or more ISDS claims.

The new cases in 2023 were initiated against 37 countries and one economic grouping (the European Union), said UNCTAD.

About 70 per cent of them were brought against developing countries, including least developed countries (Myanmar, Senegal and the United Republic of Tanzania).

Mexico was the most frequent respondent, with 10 new known cases. Honduras faced five cases, followed by Argentina and the Bolivarian Republic of Venezuela with three cases each.

The largest share of claims was directed at countries in Latin America and the Caribbean, with about half of the 60 cases, said the Note.

It said that developed-country claimants brought most – about 75 per cent - of the 60 known cases in 2023.

The highest numbers of cases were brought by claimants from the United States (13), the United Kingdom (8) and Switzerland (5).

The ISDS cases filed in 2023 involved disputes related to different economic sectors, said the Note, adding that construction, manufacturing and the extractive industries accounted for over half of them, with ten or more cases each.

These sectors often involve lengthy and asset-intensive projects, which can be prone to litigation risk, it pointed out.

About 70 per cent of investor-State arbitrations in 2023 were brought under BITs and TIPs signed in the 1990s or earlier, UNCTAD further said.

It said in combination, the North American Free Trade Agreement (NAFTA) (1992) and the agreement between Canada, the United States and Mexico (USMCA) (2018) were the international investment agreements (IIAs) most frequently invoked in 2023.

They gave rise to 11 cases based on so-called "legacy claims" under the NAFTA.

UNCTAD said five cases were based on the Energy Charter Treaty (ECT) (1994), followed by the Central America-Dominican Republic Free Trade Agreement (FTA) (2004) with three cases and the Association of Southeast Asian Nations-Australia-New Zealand FTA (2009) with two cases.

Between 1987 and 2023, about 20 per cent of the 1,332 known ISDS cases invoked either the ECT (162 cases) or the NAFTA (92 cases).

On the outcomes of ISDS cases, the Note said in 2023, ISDS tribunals rendered at least 49 known substantive decisions in investor-State disputes, 28 of which were in the public domain at the time of writing.

Ten of the public decisions principally addressed jurisdictional and preliminary objections, it noted.

It said that in four of them, tribunals dismissed such objections (at least in part) and continued the arbitration proceedings.

It said that in six of them, tribunals upheld the objections and ceased the proceedings for lack of jurisdiction or admissibility.

Another 18 public decisions were rendered on the merits, with 9 holding the State liable for IIA breaches and 9 dismissing all investor claims.

In addition, UNCTAD said six publicly available decisions in annulment proceedings at the International Centre for Settlement of Investment Disputes (ICSID) were rendered. In all of them, the ad hoc committees of the ICSID rejected the applications for annulment.

By the end of 2023, at least 958 ISDS proceedings had been concluded. The relative share of case outcomes changed only slightly from that in previous years, said UNCTAD.

The average amount of damages awarded has significantly increased in the past decade. On average, successful claimants were awarded about 35 per cent of the amounts they claimed as damages or compensation, UNCTAD said.

The average amount claimed was $1.1 billion and in cases decided in favour of the investor the average amount awarded was $385 million. This takes into account the principal amounts of damages, excluding interest.

The pre- and post-award interest incurred on the principal amounts can also be substantial. In addition, costs for the legal representation of each party, tribunal costs and administrative fees apply, said the Note.

It said the $200 billion claimed in Zeph v. Australia (I) and the combined $114 billion claimed in the three cases related to the Yukos company (brought by Hulley Enterprises, Veteran Petroleum and Yukos Universal against the Russian Federation) are the highest amounts sought in ISDS proceedings so far.

It said the $50 billion awarded in three Yukos-related cases continue to be the highest damages in the history of investment treaty arbitration.

The Yukos-related ISDS awards have been subject to long-running set-aside proceedings at the seat of the arbitration, it noted.

Excluding these particularly large values as outliers from the calculations, the average amount claimed falls to $753 million and the average amount awarded to $194 million.

Overall, UNCTAD said developing countries faced the majority of investor-State disputes (62%), while most cases were brought by developed-country investors (81%).

Looking at individual respondent States, Argentina (with 65 cases), the Bolivarian Republic of Venezuela (64 cases) and Spain (56 cases) have received the highest number of ISDS cases, it added.

Claimants invoking the IIAs of the United States (232 cases), the Kingdom of the Netherlands (132 cases) and the United Kingdom (109 cases) initiated the most cases.

As for the main economic activities underlying ISDS cases, about one third of ISDS cases involve energy supply and the extractive industries, said the report.

UNCTAD pointed out that these are the most frequent economic activities underlying ISDS cases, followed by manufacturing, construction, and financial activities.

Many treaty-based ISDS cases involve different economic activities related to fossil fuels. By the end of 2023, claimants had filed at least 235 fossil fuel-related cases, accounting for almost 20 per cent of total ISDS cases.

According to the Note, fossil fuel-related cases included in the data encompass the following economic sectors and activities: mining of coal and lignite; extraction of crude petroleum and natural gas; power generation from coal, oil and gas; manufacture of coke and refined petroleum products; and transportation and storage of fossil fuels.

In addition to fossil fuel cases, at least 123 ISDS proceedings arose in relation to the renewable energy sector.

The fair and equitable treatment (FET) provision was invoked by claimants in about 85 per cent of ISDS cases for which information on breaches alleged was available, followed by indirect expropriation with 70 per cent, said UNCTAD.

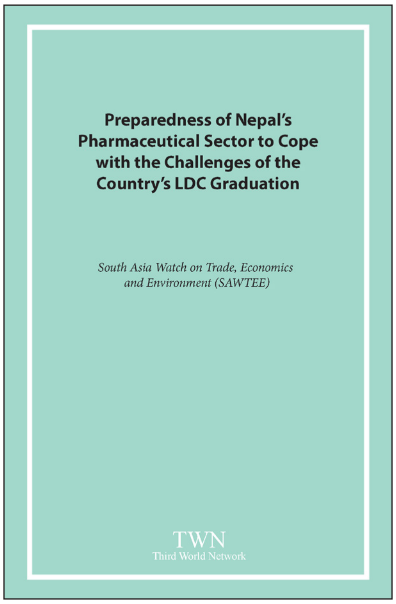
In cases decided in favour of the investor, ISDS tribunals most frequently found breaches of FET (about 65 per cent) and indirect expropriation (about 30 per cent).

It also said about 60 per cent of all known treaty-based ISDS cases have been filed under the ICSID Arbitration Rules (Convention) or the ICSID Additional Facility Rules, and are administered by ICSID.

The Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) were the second most used procedural rules, with cases often being administered by the Permanent Court of Arbitration (PCA), UNCTAD added. *(SUNS 10143)*

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

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



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

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

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

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

Third World ECONOMICS No. 810-811, 1-31 January 2025

Viet Nam set to host UNCTAD-16 in October 2025

Viet Nam will be hosting the UN Trade and Development's 16th quadrennial conference (UNCTAD-16) in October 2025, whose focus will be on driving economic transformation in shaping the future.

by Kanaga Raja

PENANG: The sixteenth session of the UN Conference on Trade and Development (UNCTAD-16) will take place in Viet Nam in October 2025 under the theme "Shaping the future: Driving economic transformation for equitable, inclusive and sustainable development".

The announcement was made by UN Trade and Development (UNCTAD) Secretary-General Rebeca Grynspan at the 33rd special session of the Trade and Development Board on 17 January.

The UNCTAD conference is expected to gather heads of state, government ministers of trade and economy, Nobel Prize-winning economists, leading civil society organizations and leaders of international organizations.

Speaking at the Trade and Development Board on 17 January, Ms Grynspan highlighted the historic significance of UNCTAD-16 and thanked Viet Nam for its generous offer to host the quadrennial conference.

Viet Nam represents not just a development success story, but a testament to how trade and development can work together to transform the lives of the people, she said.

"The numbers tell an extraordinary tale. From one of the world's poorest nations in the 1980s, Viet Nam has achieved average growth rates of 7% per year over the past three decades. The poverty rate has fallen from 70% to less than 5%," said Ms Grynspan.

"This remarkable journey has made Viet Nam one of the most dynamic economies in Southeast Asia and the world," she added.

"What makes Vietnam's success particularly relevant to our work at UNCTAD is how it validates the key areas of focus that have defined our organization's mission for decades. We see in Viet Nam a living example of how our core working areas come together to drive development," said the Secretary-General.

"Look at trade facilitation and logistics. Viet Nam has become a case study in port modernization and trade efficiency. In digital transformation, the country has leveraged e-commerce and digital public infrastructure to accelerate growth and inclusion."

Its approach to structural transformation and industrial policy shows how strategic diversification can look to the future and build economic resilience, said Ms Grynspan.

She said the country's success in attracting and managing foreign investment while building domestic productive capacities exemplifies the balanced approach UNCTAD advocates.

Ms Grynspan said the country's focus on technology transfer and innovation, its investment in human capital and its strategic approach to regional integration all mirror the policy tools and frameworks that UNCTAD also has long promoted.

Particularly important is Viet Nam's commitment to inclusive growth, a key priority for UNCTAD-16, she said.

The Secretary-General said that its development model has focused on creating opportunities across society, with special attention to rural development and poverty reduction.

"The timing and location of UNCTAD-16 could not be more significant. Asia's growing economic weight, its successful regional integration efforts and its diplomatic leadership make it an ideal venue for re-imagining the future of trade and development."

The Secretary-General pointed out that this year will also mark the 70th anniversary of the Bandung Conference - perhaps the first principled declaration for a more inclusive multilateralism, shaped by the voice and aspirations of the developing world, and indeed a precursor to UNCTAD as an institution.

Sixteen actions

At the special session of the Trade and Development Board on 17 January, Ms Grynspan also presented her report to UNCTAD-16.

In her report, the Secretary-General spotlights 16 actions for UNCTAD-16 to help nations better harness trade, investment, finance and technology for sustainable development.

According to UNCTAD, the actions seek to bolster the four areas of transformation, which countries agreed in 2021 through the landmark Bridgetown Covenant, accelerating efforts towards: more diversified economies; more inclusive, sustainable and resilient economies; more abundant and stable finance for development; and more multilateralism in a multi-polar world.

In the report to UNCTAD-16, for more diversified economies, UNCTAD proposed:

"1. Minerals: Positioning ourselves as a global knowledge hub for critical energy transition minerals to support an energy transition within development strategies that are in line with the Paris Agreement and the SDGs. This includes enabling the twin transitions to clean energy and a digital economy while fostering structural change through value addition and domestic processing.

2. Services: Expanding our work on services as a new frontier of economic diversification, ranging from traditional to knowledge-intensive and digital sectors, including creative industries, through data collection, policy analysis, technical assistance and consensus building.

3. Digital technologies: Helping developing countries enhance their readiness to leverage data and digital technologies and capacities, including artificial intelligence capacities, for economic diversification and inclusive development, while reducing environmental impact and ensuring open, fair and safe digital markets. Building on the new Global Digital Compact mandate on data governance and flows."

For more inclusive, sustainable and resilient economies, UNCTAD proposed:

"4. Industrial policy for inclusion and resilience: Elevating our support to developing countries in building resilience and broad-based prosperity through low-carbon structural transformation, enhanced productive capacities and increased economic complexity to address the challenges posed by climate change, inequality, and rapid technological advancements.

5. Development dimension of the triple planetary crisis: Advancing the discourse on the development dimension of climate and environment-related policies to foster international cooperation, climate finance, and help developing countries strengthen the economic and environmental sustainability of food systems and capture emerging business opportunities in the green, blue and circular economies.

6. Inclusive trade: Increasing our work on ensuring a better integration of developing countries and vulnerable economies into the global trading system, including African countries, LDCs, LLDCs and SIDS. Ensuring that trade offers opportunities for all, including vulnerable and disadvantaged consumers, women, persons with disabilities, youth, and micro, small and medium-sized enterprises and agricultural producers, in all regions."

For more abundant and stable finance for development, UNCTAD proposed:

"7. Investment and sustainable finance: Stepping up our support to member States to help them build a sustainable and innovative finance ecosystem, notably by supporting harmonized sustainability standards, updating investment treaties, and promoting investment flows towards developing countries at scale.

8. Debt and development: Supporting countries in their efforts to reform, through multiple international fora, the global debt architecture, develop debt sustainability methodologies and innovate tools, and assisting in debt management and crisis prevention and resolution, including through programs such as the Debt Management and Financial Analysis System (DMFAS). Advocating for broader reforms around the Global Financial Safety Net and development finance to ensure new debt crises do not unfold in the future.

9. Domestic resources: Promoting open and equitable international tax cooperation, helping developing countries to develop data and policies to address the challenges of illicit financial flows in a comprehensive and inclusive manner, and improving their ability to reap their full customs revenue through programs such as the Automated System for Customs Data (ASYCUDA)."

For more multilateralism in a multi-polar world, UNCTAD proposed:

"10. International financial architecture: Investing in consensus building for the reform of the international financial architecture to make it more inclusive and fairer, ensuring it meets the development and climate financing needs of developing countries affordably, at scale, and with a long-term horizon. Stepping up our advocacy efforts in relevant fora, such as ECOSOC and the G20.

11. Multilateral trading system: Expanding support to developing countries in taking a leading role in reforming the multilateral trading system (MTS), helping them navigate tariff and non-tariff measures, trade-restrictive policies, and the proliferation of conflicting standards. Assisting countries in advocating for WTO reform, implementing the obligations of the MTS and better handling outstanding negotiations and WTO accessions, to face growing protectionism through rules-based trade, and future-proof investment and trade policies.

12. Networked multilateralism: Enhancing our capacity to build consensus both within UNCTAD and beyond, including within UN-wide processes as well as other regional, plurinational, and South-South international bodies and frameworks such as the Global System of Trade Preferences among developing countries (GSTP), the AfCFTA, the G20, ASEAN, and others."

The Secretary-General's report also highlighted the following cross-cutting actions:

"13. Crises, shocks and disruptions: Enhancing our capacity to assess the socio-economic impacts of global shocks, disruptions to global supply chains, and crises as well as their potential spillover effects in developing countries, and efficiently and effectively providing assistance to mitigate these challenges.

14. Global cooperation: Strengthening our support for North-South, South-South and triangular cooperation towards sustainable and equitable development.

15. Data: Expanding our data capabilities to harness the data revolution for evidence-based policymaking and the provision of new digital public goods.

16. Gender: Implementing a cohesive trade and gender strategy, to foster a deeper understanding of the trade and women nexus and to provide analysis, tools, and data that support the implementation of inclusive policies." *(SUNS 10147)*

Hunger reaches a new height in Arab region amid deepening crises

Undernourishment has reached a new height in the Arab region, with conflict being the main driver of food insecurity and malnutrition in the Arab States, according to a new report by several United Nations agencies.

by Kanaga Raja

PENANG: Undernourishment in the Arab States has reached a new height, with 66.1 million people, approximately 14 percent of the population in the region, facing hunger in 2023, according to several United Nations agencies.

This key finding was highlighted in a report issued on 18 December by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), the World Health Organization (WHO), and the United Nations Economic and Social Commission for Western Asia (ESCWA).

The report warned that the Arab region remains off-track to meet the food security and nutrition targets of the Sustainable Development Goals (SDGs) by 2030.

The report highlighted that access to adequate food remains elusive for millions. Around 186.5 million people - 39.4 percent of the population - faced moderate or severe food insecurity, an increase of 1.1 percentage points from the previous year.

Alarmingly, 72.7 million people experienced severe food insecurity, it said.

The report further revealed that conflict was the main driver of food insecurity and malnutrition in the region.

Economic challenges, high income inequalities, and climate extremes also played significant roles. Rising food prices have worsened the crisis, it pointed out.

In 2023, undernourishment rates in conflict-affected countries soared to 26.4%, which is four times higher than the 6.6% in non-conflict areas.

Tragically, food security and nutrition indicators are projected to deteriorate further due to ongoing conflicts coupled with persistent droughts across many parts of the region, the report warned.

Key trends

According to the report, world hunger remained unchanged in 2023 from 9.1 percent in 2022. In other words, almost one out of ten of the world's inhabitants regularly go to bed hungry.

It said worryingly, undernourishment in the Arab States continued its growing trend and reached a new height, largely driven by the persistent impacts of conflicts, a sharp deceleration in growth and inflationary pressures, climate change, and global supply chain shocks.

The prevalence of undernourishment (PoU) increased by 0.6 percent in 2023 to reach 14 percent and the number of undernourished people to 66.1 million in 2023, an increase of 4 million from the previous year.

In 2023, only high-income countries and upper-middle-income countries experienced a decline in their PoU, said the report.

In 2023, the PoU was highest in low-income countries, reaching 31.1 percent, higher than the 28.9 percent for the year before.

It said that Arab States LDCs experienced an increase in PoU from 26.7 percent in 2022 to 28.8 percent in 2023, while hunger was less prevalent in high-income countries (2.5 percent), and lower-middle-income countries (7.1 percent).

The increasing number and magnitude of conflicts are significant drivers of food insecurity in the region, said the report.

For this reason, the gap in undernourishment between countries affected by conflict and countries not affected by conflict in the region continued to increase in 2023; in fact, the PoU was four times higher in countries affected by conflict (26.4 percent) than in countries not affected by conflict (6.6 percent).

Hunger in the Arab region reached its lowest level in 2010 and 2013, when 10 percent of the region's population suffered from hunger.

The report said hunger rose by one-third from 2013 until 2023, which can be explained via increases in hunger in upper-middle-income countries and lower-middle-income countries.

Furthermore, there was a 39.7 and 22.6 percent increase in hunger across countries affected by conflict and Arab States LDCs from 2013 until 2023, respectively.

The report said due to conflicts, staple food price shocks in 2007-2008 and 2010-2011, and the socio-political instability caused by the Arab Spring, there was a sharp increase in PoU after 2013, especially in the Arab States LDCs, low-income countries, countries affected by conflict and upper-middle-income countries.

The only exception where the PoU has decreased since 2013 is high-income countries, where the PoU decreased by over half its value.

Recently, the COVID-19 pandemic, the war in Ukraine, the high food price inflation, the increasing debt burden and the slow real GDP growth in 2023 have been posing additional risks to food security, it added.

The number of undernourished people in the Arab States region reached 66.1 million in 2023, a 30.7 million person increase since the year 2000; this increase was largely driven by repeated substantial increases in the number of undernourished people in low-income countries, the report said.

Looking at the different subgroups of the Arab States, 58.2 percent of the Arab population facing hunger resided in low-income countries in 2023.

On the other hand, the report said in the same year, only 2.3 percent of the Arab population facing hunger resided in high-income countries.

The number of hungry people in Arab States LDCs increased by 10.7 percent from 2022 to 2023, from 28 million to 31 million people.

Highlighting the role of conflict in food insecurity, the report said countries not affected by conflict displayed an increase of 2.1 percent between 2022 and 2023 (19.2 to 19.6 million people) while countries affected by conflict displayed an increase of 8.1 percent in the same period (43 to 46.5 million people).

Somalia had the highest PoU among low-income countries, with a PoU of 51.3 percent between 2021-2023, the report noted.

"The Syrian Arab Republic, Yemen and Somalia are all classified as low-income countries and have all been devastated by conflict, climate change, and high food prices."

The Sudan is also classified as a low-income country; however, it exhibited a much lower PoU in 2021-2023 than the other countries (11.4 percent), said the UN agencies.

At the same time, the report said that it is expected that this will change as the conflict in the country escalates, especially as it is now highlighted as one of the hunger hotspots of highest concern with regards to deteriorating acute food insecurity.

Unexpectedly, upper-middle-income countries suffered from higher rates of PoU than lower-middle-income countries in 2021-2023, which could be explained by the fact that two of the countries classified as upper- middle-income – Iraq (16.1 percent) and Libya (11.4 percent) – suffer from persistent conflict and geo-political instability, it added.

On the other hand, countries such as Egypt (8.5 percent), Morocco (6.9 percent) and Tunisia (3.2 percent), which boast relatively large agricultural capacities, are classified as lower-middle-income countries and have not been as plagued with internal instability in recent years, said the report.

Unsurprisingly, high-income countries such as Oman (5.7 percent), Saudi Arabia (3 percent), and the United Arab Emirates (2.7 percent - the lowest in the region) exhibited the lowest PoU in 2021-2023.

The report said this is in no small part thanks to these countries benefitting from high oil export revenues and therefore much more stable economic positioning.

In terms of the prevalence of food insecurity based on the Food Insecurity Experience Scale (FIES), the report found that in 2023, moderate or severe food insecurity in the Arab region reached 39.4 percent, marking a 1.1 percentage points increase from the previous year.

Interestingly, it said that 2022 showed a 1.1 percentage points decrease from the preceding period, yet escalating conflicts in countries like the Sudan and Palestine suggest a likely continuation of this upward trend.

Compared to pre-COVID-19 levels with a prevalence of 33.4 percent in 2019, food insecurity increased by 4.9 percentage points in 2022 (to 38.3 percent).

However, the report said that disparities become apparent when examining the data by subgroups.

It said low-income countries faced the highest rates, with 68.5 percent experiencing moderate or severe food insecurity in 2023, including 29.0 percent facing severe food insecurity, an alarming increase from 50.7 percent and 17.5 percent, respectively, in 2015.

Lower-middle-income countries also witnessed a rise in moderate or severe food insecurity, climbing from 23.4 percent in 2015 to 29.5 percent in 2023.

In contrast, upper-middle-income countries showed a slight decline in moderate or severe food insecurity from 38.8 percent in 2015 to 38.5 percent in 2023.

High-income countries continued their downward trend from 21 percent in 2015 to 16.7 percent in 2023, said the report.

Arab States LDCs experienced a significant increase in food insecurity, rising from 50.8 percent in 2015 to 67.4 percent in 2023, with severe food insecurity increasing from 16.8 percent to 22.6 percent.

"Countries affected by conflict reported a much higher prevalence of food insecurity in 2023 at 58.9 percent compared to countries not affected by conflict at 27.8 percent, highlighting a substantial gap of 31.1 percentage points between them."

In 2023, within the Arab States, 72.7 million people faced severe food insecurity, constituting approximately 8.4 percent of the global total, said the report.

It said that compared to pre-COVID-19 levels in 2019, when 54 million people in the Arab States were severely food insecure, this number reveals a stark 34.6 percent increase by 2023, underscoring vulnerabilities in regional agrifood systems.

Although global severe food insecurity also rose by 22.4 percent during this period, the Arab States experienced a notably higher rate, likely exacerbated by recent regional challenges, said the report.

Breaking down the data by subgroup, the report said that conflict-affected countries housed the largest share of severely food-insecure individuals in 2023, totaling 44.1 million people, which accounts for about 60.7 percent of the regional total.

The only subgroups to see a decrease in severe food insecurity from 2022 to 2023 were lower-middle-income countries (from 22.3 to 21.8 percent) and upper-middle-income countries (from 12.7 to 10.9 percent).

Surprisingly, the report said high-income countries saw an increase from 3.6 million to 4 million people between 2022 and 2023.

It said that compared to 2015, the most significant increase in severe food insecurity occurred in low-income countries, rising by 18.6 million people (an increase of 106.9 percent). Upper-middle-income countries showed the smallest increase of 300,000 people.

Overall, the region saw a rise of 25.9 million severely food-insecure individuals during this period, marking a 55.3 percent increase, said the report.

In 2023, approximately 186.5 million individuals in the Arab States faced moderate or severe food insecurity, making up about 8 percent of the global total (2,325.5 million people).

The report said the significant increase from 147.6 million to 186.5 million people experiencing moderate or severe food insecurity in the Arab States between 2019 and 2023 - a rise of 38.9 million – highlighted a 26.4 percent increase, surpassing the global increase of 19.7 percent during the same period, emphasizing the COVID-19 pandemic's impact on regional agrifood systems, exacerbated by the effects of the war in Ukraine, and, in general, the intensification of major drivers of food insecurity and nutrition.

Throughout the years since 2015, countries affected by conflict consistently accounted for the highest share of the region's total number of moderately or severely food-insecure individuals, comprising 55.7 percent in 2023, the report underlined.

The only two countries that reduced their prevalence of moderate or severe food insecurity between 2014-2016 and 2021-2023 were Algeria (from 22.9 to 18.9 percent) and Kuwait (from 12.6 to 8.7 percent); Kuwait was the country with the lowest prevalence in 2021-2023.

Among subregions, the high-income group was the only one to lower its prevalence, declining from 20.4 to 17 percent, said the report.

Conversely, the low-income group saw the largest increase, rising from 48.1 to 66.2 percent, largely driven by Yemen's increase from 45.7 to 72.5 percent.

Within the lower-middle-income subgroup, the Comoros had the highest prevalence of moderate or severe food insecurity in 2021-2023 (79.7 percent).

However, this subgroup also included countries like Algeria, Tunisia and Egypt which reported relatively lower rates (18.9, 26.7, and 29.8 percent, respectively), said the UN agencies.

In 2023, both globally and within the Arab region, the prevalence of food insecurity was notably higher among women, the report said.

In the Arab region, the gender gap in moderate or severe food insecurity is 4.0 percentage points, while in severe food insecurity it is 1.6 percentage points, with women being more food insecure than men.

Looking at income classification, women are more food insecure than men in all regions, with the exception of high-income countries, where food insecurity is more widespread among men compared to women, it added.

Other key findings

Highlighting other key findings beyond hunger, the report said in 2022, the prevalence of stunting in the Arab region was lower (19.9 percent) than the world average (22.3 percent), although the prevalence in Arab States LDCs was 31.2 percent.

There has been a substantial improvement in the region in stunting, as it decreased from 28.0 percent in 2000 to 19.9 percent in 2022, it noted.

The prevalence of wasting was higher in the Arab region (7.1 percent) than the world average (6.8 percent) in 2022.

Low-income countries in the Arab region had the highest prevalence in 2022 (14.6 percent) compared to the other country income groups.

In 2022, the prevalence of overweight among children under 5 years of age in the Arab region was 9.5 percent, almost double the world average (5.6 percent).

In addition, overweight among children has increased by 8.0 percent since the beginning of this millennium, said the report.

The prevalence of obesity among adults (18 years and older) in the Arab States was 32.1 percent in 2022, more than double the global prevalence of 15.8 percent.

Upper-middle-income countries have the highest prevalence of adult obesity (33.8 percent) compared to the other country income groups.

In addition, it said the increase in the prevalence of obesity is showing an alarming trend in Arab countries in all country income groups.

In 2022, Egypt had the highest prevalence of adult obesity (44.3 percent), followed by Qatar (43.1 percent) and Kuwait (41.4 percent). Djibouti had the lowest prevalence (11.3 percent), in addition to Yemen (13.7 percent) and Somalia (14.6 percent).

The cost of a healthy diet in the Arab States was 3.77 PPP (purchasing power parity) dollars per person per day in 2022, up by 6.8 percent from the year before, the report further said.

Since 2017, the cost of a healthy diet has increased by 28.2 percent, it added.

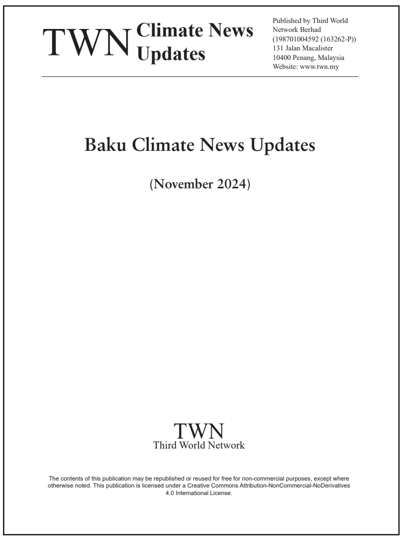
In 2022, 151.3 million people, almost one-third of the region's population (32.6 percent), could not afford a healthy diet in the Arab States.

The subgroup with the highest share of its population unable to afford a healthy diet in 2022 was the group of countries affected by conflict (41.2 percent) and the Arab States LDCs (36.4 percent), it added. *(SUNS 10143)*

Baku Climate News Updates

(November 2024)

This is a compilation of 21 News Updates prepared by the Third World Network for and during the United Nations Climate Change Conference – encompassing the 29th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 29), the 19th session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 19), the 6th session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 6), as well as the 61st sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA 61) and the Subsidiary Body for Implementation (SBI 61) – held in Baku, Azerbaijan, on 11–24 November 2024.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Billionaire wealth surges by $2 trillion in 2024, says Oxfam report

An Oxfam International report has found that an average of almost four new billionaires are being created every week, while the pace at which global poverty is being reduced has slowed to a crawl.

by Kanaga Raja

PENANG: Total billionaire wealth increased by US$2 trillion in 2024 alone, with 204 new billionaires created, an average of almost four new billionaires every week, according to Oxfam International.

In a new report, titled "Takers Not Makers", Oxfam said total billionaire wealth grew three times faster in 2024 than in 2023, with each billionaire seeing their fortunes grow by US$2 million a day on average.

For the richest 10 billionaires, their fortunes grew by US$100 million a day on average, it said, adding that even if they lost 99 percent of their wealth overnight, they would still remain billionaires.

Meanwhile, Oxfam said the number of people living in poverty has barely changed since 1990, according to World Bank data.

Last year, Oxfam predicted the emergence of the first trillionaire within a decade.

However, it said with billionaire wealth accelerating at a faster pace, this projection has expanded dramatically – at current rates, the world is now on track to see at least five trillionaires within that timeframe.

This ever-growing concentration of wealth is enabled by a monopolistic concentration of power, with billionaires increasingly exerting influence over industries and public opinion, it added.

"The capture of our global economy by a privileged few has reached heights once considered unimaginable. The failure to stop billionaires is now spawning soon-to-be trillionaires. Not only has the rate of billionaire wealth accumulation accelerated – by three times - but so too has their power," said Amitabh Behar, Oxfam International Executive Director.

"The crown jewel of this oligarchy is a billionaire president, backed and bought by the world's richest man Elon Musk, running the world's largest economy. We present this report as a stark wake up-call that ordinary people the world over are being crushed by the enormous wealth of a tiny few," Behar added.

According to the Oxfam report, billionaire wealth rose sharply in 2024, with the pace of the increase three times faster than in 2023.

"Trillions are being gifted in inheritance, creating a new aristocratic oligarchy that has immense power in our politics and our economy."

The latest World Bank data reveals that the pace at which global poverty is being reduced has slowed to a crawl.

People living in poverty all over the world continue to face multiple crises. The scars of the pandemic are still with us in the form of unpayable debts, lower wages and far higher food prices. Conflict is also increasing, and the impact of climate breakdown grows each year, said the report.

It said in its most recent report on poverty, the World Bank calculates that if current growth rates continue and inequality does not decrease, it will take more than a century to end poverty.

Conversely, the report shows that if we reduced inequality the world could end poverty three times faster, said Oxfam.

It is clear that tackling high, growing and persistent inequality is absolutely central to the struggle to end poverty and suffering, it added.

The report said while the proportion of humanity living in poverty has fallen, the actual number of people living under the World Bank poverty line of US$6.85 is today the same as it was in 1990: almost 3.6 billion people.

It said today, this represents 44% of humanity. Meanwhile, in perverse symmetry, the richest 1% own almost an identical proportion – 45% – of all wealth.

One in ten women in the world lives in extreme poverty (below US$2.15 a day); 24.3 million more women than men live in extreme poverty.

Poverty is not just about income alone; it is multidimensional and includes access to health, education and clean water, said the report.

For so many people, poverty also means hunger. Today, 733 million people face hunger worldwide - about 152 million more people than in 2019.

The proportion of wealth owned by the richest 1% and the proportion of the world's population living in poverty are almost identical, said Oxfam.

Research by the World Bank has found that only 8% of humanity lives in countries with low levels of inequality.

Oxfam said all countries with the highest levels of inequality bar one are in the Global South. The richest 1% in Africa, Asia and the Middle East receive 20% of all income; this is almost twice the share that the richest 1% in Europe receive.

It's not just people who are getting poorer. Many of these countries are facing bankruptcy and being crippled by debt; they do not have the money to fund the fight against inequality, it emphasized.

"On average, low- and middle-income countries spend 48% of their budgets on debt repayments, often to rich private creditors based in New York and London. This is far more than their spending on education and health combined."

Inequalities also persist along racial and gender lines. The International Labour Organization (ILO) estimates that in 2019, for each US dollar men earned in labour income, women only earned 51 cents, said Oxfam.

In 2024, in the USA, the collective white household wealth was US$129.88 trillion while Black and Hispanic household wealth was US$5.24 and US$3.56 trillion, respectively; while white households comprised 58.4% of the population, they held 84% of the wealth.

In the UK, men have on average 92,762 GBP more in total wealth than women; this is a gap of 35%, said Oxfam.

The gap between the rich world and the rest is incredibly high. This gap exploded during the historical colonial era, it added.

It said at the start of the colonial era in the sixteenth century, there were small economic differences between the Global North and South. These have increased dramatically during the intervening period.

The report said in 1820, the furthest back the data goes, the income of the global richest 10% was 18 times higher than the poorest 50%; in 1980, it was 53 times higher, and in 2020 it had reduced from its peak but was 38 times higher.

The reduction in recent decades was largely because of rapid development in China, which increased the incomes of hundreds of millions of people, it noted.

Persistent economic inequality has a deep human cost. Perhaps the most profound impact is that in the poorest countries, people on average can expect to die a full decade before those in the Global North, said Oxfam.

"Today, the average life expectancy of Africans is still more than 15 years shorter than that of Europeans."

Reducing income inequality would radically increase the speed at which poverty is ended.

The World Bank calculates that if inequality were to decrease by just 2% annually, it would take 20 years, rather than 60, to end extreme poverty, said the report.

Taken, not earned

Oxfam pointed out that the idea that the super-rich are rich primarily because of their own personal endeavour, energies and entrepreneurialism is fiction.

"Using new analysis, we show that 60% of billionaire wealth is either from inheritance, cronyism or reaping the benefits of monopoly power."

It said 36% of billionaire wealth is inherited. The amounts being inherited are at a record high and are set to rise even further.

This inter-generational transmission of extreme wealth is creating a new aristocracy, sustaining and perpetuating a hugely unjust global system, said the report.

It said all of the world's billionaires aged under 30 inherited their wealth. In fact, in the first wave of what has been dubbed "the Great Wealth Transfer", more than 1,000 wealthy people are expected to pass on more than US$5.2 trillion to their heirs over the next two to three decades.

This transfer will be largely untaxed; Oxfam's analysis shows that two-thirds of countries don't tax inheritance to direct descendants at all, and half the world's billionaires live in countries with no inheritance tax on the money they will give to their children when they die.

Latin America is the region with the highest volume of inherited wealth, yet just nine countries in the region tax inheritance, gifts and estates, said the report.

Many billionaires are rich because of cronyism and the commandeering of state power to protect and expand their wealth, it added.

While some cronyism is illegal, and therefore constitutes corruption, much of it operates within legal boundaries, often because laws are shaped to allow it, said Oxfam.

"Cronyism exists when rich elites use their personal influence to capture the power of the state for their own private gain."

Government officials and businesspeople collude to rig the rules for their mutual benefit and at the expense of consumers, taxpayers and other businesses, the report said.

Softer forms of cronyism include lobbying, funding political campaigns and creating revolving doors between the private sector and civil service.

"Cronyism also involves the politicization of the civil service and the media, and the private funding of research and media to sway the political agenda."

The report said family and friendship ties among elites further strengthen their influence.

Oxfam calculated that 6% of the world's billionaire wealth is from crony sources.

The report said that as monopolies tighten their stranglehold on industries, billionaires are seeing their wealth skyrocket to unprecedented levels. Monopoly power is driving up extreme wealth and inequality worldwide.

The combined income of the five biggest corporations in the world is more than the income of the poorest two billion people put together – one-quarter of the world's population, it noted.

"Monopolistic corporations can control markets, set the rules and terms of exchange with other companies and workers, and set higher prices without losing business. These strategies drive up the wealth of their billionaire owners."

Oxfam calculated that 18% of the world's billionaire wealth is from monopoly power.

It said despite the growth in the number of billionaires in the Global South, the vast majority of billionaires and billionaire wealth is still in the rich countries of the Global North.

Most billionaires (68%, who hold 77% of total billionaire wealth) live in the historically rich countries of the Global North, despite these countries being home to just one-fifth of the global population.

"The incredible concentration of wealth today is linked to both historical and modern-day colonial systems of exploiting the work and wealth of ordinary people across the Global South," said the report.

During the period of historical colonialism, many countries in the Global North benefited from colonialism and empire, said Oxfam.

In the UK in 1900, the richest 1% had twice as much income as the poorest half of the population. In 1842, in Manchester, UK, the average age of death for labourers was 17 years.

Men, women and children were worked to death to fuel rapid industrial expansion and grow the fortunes of the owners of this new economy, said the report.

Oxfam calculated that between 1765 and 1900, the richest 10% in the UK extracted wealth from India alone worth US$33.8 trillion in today's money.

This would be enough to carpet the surface area of London in 50 GBP notes almost four times over, it said.

Following the abolition of slavery and its independence from France, Haiti was forced to borrow 150 million francs from France (the equivalent of US$21 billion today) to reimburse slave owners, with 80% of this being paid to the richest enslavers.

This catalysed a cycle of debt and disaster that has continued until the present day, said Oxfam.

Oxfam said that this dynamic of wealth extraction persists today: vast sums of money still flow from the Global South to countries in the Global North and their richest citizens, in what it describes as modern-day colonialism.

Between 1970 and 2023, Global

South governments paid US$3.3 trillion in interest to creditors in the Global North, it said.

Even today, however, Oxfam estimates that for every US$1 that the IMF has encouraged a set of poor countries to spend on public goods, it told them to cut four times more through austerity measures.

Oxfam also said the strong currencies of rich nations give these countries, and the owners of financial assets in them, a huge advantage.

For example, in the first quarter of 2024, central banks globally held around 58.9% of their allocated reserves in US dollars.

It said that this enables them to borrow at a very low cost, and this capital is then channelled into more profitable investments in the Global South.

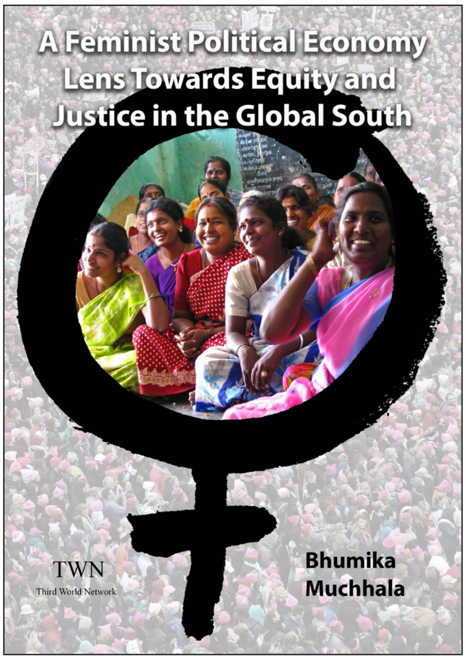
"This imbalance alone leads to a payment of almost US$1 trillion a year from the Global South to the Global North, of which US$30 million an hour is being paid to the richest 1% in rich countries."

"The ultra-rich like to tell us that getting rich takes skill, grit and hard work. But the truth is most wealth is taken, not made. So many of the so-called "self-made" are actually heirs to vast fortunes, handed down through generations of unearned privilege. Untaxed billions of dollars in inheritance is an affront to fairness, perpetuating a new aristocracy where wealth and power stays locked in the hands of a few," said Behar.

"Meanwhile, the money desperately needed in every country to invest in teachers, buy medicines and create good jobs is being siphoned off to the bank accounts of the super-rich. This is not just bad for the economy – it's bad for humanity," he added. *(SUNS 10149)*

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