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South still trapped in commodity dependence

The world still has a long way to go in breaking commodity dependence, with two-thirds of developing economies remaining commodity dependent during 2021-2023. Such dependence is hindering economic resilience and leaving developing nations vulnerable to price volatility and external shocks, according to UN Trade and Development (UNCTAD).

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Commodity dependence continues to cripple developing nations

Two-thirds of developing countries remain firmly entrenched in commodity dependence, leaving them vulnerable to volatile price fluctuations, fiscal fragility, and delayed structural transformation, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Despite growing recognition that economic resilience depends on diversification and value addition, many countries remain firmly entrenched in commodity dependence, according to UN Trade and Development (UNCTAD).

In "The State of Commodity Dependence 2025" report, UNCTAD said commodity dependence largely affects the most vulnerable groups of countries, with more than 80 per cent of Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs), and roughly 60 per cent of Small Island Developing States (SIDS) considered commodity-dependent.

It suggested that this leaves them vulnerable to volatile price fluctuations, fiscal fragility, and delayed structural transformation.

More broadly, two thirds of developing countries – 95 out of 143 – remained commodity-dependent during 2021 and 2023, said UNCTAD.

It said commodity dependence, where a country makes more than 60% of its merchandise export earnings from commodities, is particularly heightened in the Middle and Western Africa countries, most of which earned over a staggering 80% of their export revenues from primary commodities.

Similar patterns were also observed in Central Asia and South America, where resource wealth plays a central role in trade, it added.

UNCTAD warned that without more efforts to diversify economies and add value, countries risk squandering opportunities to translate their raw material wealth into engines of sustainable and resilient growth.

The report provides a detailed statistical profile of 195 UNCTAD member States, tracking changes in commodity export and import structures from 2012-2014 and 2021-2023.

It said commodities exports represent almost one-third of global trade, but their share of total trade has decreased slightly in the past decade.

Between 2012-2014 and 2021-2023, the total value of merchandise trade experienced substantial growth, while the commodity component expanded at a slower pace, leading to a slight shift in the composition of global trade.

The report said that world merchandise trade increased from US$17,305.2 billion in 2012-2014 to US$21,730.3 billion in 2021-2023, representing a 25.6 per cent growth over the period.

At the same time, commodity trade showed a 15.5 per cent increase from US$6,149.2 billion to US$7,105.4 billion, lagging overall merchandise trade by 10.1 percentage points.

These changes in world trade led to a decline in commodity exports as a share of total merchandise trade in value terms from 35.5 per cent to 32.7 per cent, said the report.

It noted that commodities exports can be broadly categorized into three main groups, namely, energy products, mining products, and agricultural products, the latter of which is further disaggregated into all food items and agricultural raw materials.

Energy commodities continue to dominate global commodity trade, reaching US$3,163 billion in 2021-2023, it said.

This represents 44.5 per cent of total world commodity exports, although it marks a decrease from 52.1 per cent in 2012-2014, when energy exports averaged US$3,203.3 billion.

Such a decline was due to a

combination of factors, including lower oil prices in the latter period and shifts in global energy consumption patterns. In value terms, this reflects a modest 1.3 per cent decrease over the decade, the report suggested.

It said while Western Asia remains a major player in global energy exports, its share has declined by 6.6 per cent since 2012-2014, currently representing 24.7 per cent of world energy exports, with a value of US$781.0 billion in 2021-2023.

Europe is also a large contributor to global energy exports, with 28.9 per cent of the world total in 2021-2023 and an export value of US$914.1 billion.

It said in the same period, world agricultural export value showed robust growth, rising by 34 per cent, to reach US$2,291.9 billion in 2021-2023.

This sector now comprises approximately one-third of global commodity exports, with food items accounting for approximately 87 per cent of the total agricultural export value, it added.

The report said historically, Europe has accounted for the largest share of agricultural products exports in value terms.

Europe has maintained its dominant position in global agricultural exports, with its share holding steady at approximately 42 per cent of world agricultural export value across both time periods.

The report said trade data for Europe also reveals that agricultural exports have become slightly more important within its overall commodity export basket. In fact, this share increased from 35 per cent in 2012-2014 to 40 per cent in 2021-2023.

However, the report said that in the global context, the United States maintains its position as the world's leading agricultural exporting country in value terms.

With average exports valued at US$192 billion and a 17.2 per cent rise between 2012-2014 and 2021-2023, the United States has consistently accounted for approximately 10 per cent of world agricultural trade.

Meanwhile, minerals, ores and metals contributed 23 per cent of world commodity exports in 2021-2023, with an average value of US$1,650.4 billion, said the report.

The mining sector experienced substantial growth with export values increasing by 33.4 per cent between 2012-2014 and 2021-2023, it further said.

According to the report, one of the most notable developments during the period 2012-2014 to 2021-2023 is the transition in market leadership from Europe to Asia and Oceania.

Europe held a dominant position in 2012-2014 with 34.7 per cent of world mining exports. While remaining significant in 2021-2023, Europe's market share declined to 31.9 per cent.

Conversely, Asia and Oceania emerged as the new leader in terms of mining export value, increasing its market share from 33.8 per cent in 2012-2014 to 37.6 per cent in 2021-2023, said the report.

The Asia and Oceania region is the world's largest source of commodity exports, accounting for 37.1 per cent of world commodity exports in 2021-2023, followed by Europe, the Americas (including the Caribbean) and Africa, it further said.

Within Asia and Oceania, a significant share of the commodity exports originates from Western Asian countries, with the United Arab Emirates and Saudi Arabia accounting for roughly 58 per cent of commodity exports from the region in value terms (and 54 per cent in volumes), it added.

However, it said while all regions saw an increase in the value of commodity exports between 2012-2014 and 2021-2023, Africa experienced a notable decline of 5.6 per cent, with commodity exports falling from US$494.2 billion to US$466.6 billion in 2021-2023.

This contraction was mainly driven by a sharp decline in energy exports, which fell by US$107 billion, offsetting gains in agricultural and mining products, it suggested.

It said that the reduction in energy export earnings reflects both a 20 per cent drop in average oil prices over the period and significant declines in the export volumes from Nigeria, Angola, and Algeria, which are Africa's three main oil exporters.

Challenge for South

Commodity dependence remained a significant challenge in global merchandise trade, particularly for developing countries, over the 2012-2014 to 2021-2023 period, said the report.

Although the total number of commodity-dependent countries declined slightly from 106 to 103, this reduction masks a more concerning reality, namely, 99 countries that were commodity-dependent in 2012-2014 remained so in 2021-2023, it added.

Moreover, it said the severity of commodity dependence has persisted, with 73 countries, mostly in Africa and South America, maintaining a share of commodity exports over 80 per cent of their merchandise trade in 2021-2023, compared with 74 countries in the preceding period.

There were both positive and negative transitions in commodity dependence over the period 2012-2014 to 2021-2023, it observed.

Seven countries, namely, the Comoros, Guatemala, Indonesia, the Islamic Republic of Iran, Myanmar, Palau and Trinidad and Tobago saw the share of their commodity exports to merchandise exports fall below the 60 per cent threshold, it noted.

However, the report said four countries fell into commodity export dependence during the same period, namely, Antigua and Barbuda, Panama, South Africa, and Ukraine.

It further said out of 143 developing nations, 95 were commodity-dependent in 2021-2023, while only eight developed economies out of 52 were in this condition.

It pointed out that commodity dependence follows a significant regional pattern, with notable concentrations in Africa, Central Asia, and South America.

Importantly, the report said that the prevalence in Africa is particularly striking, with 46 of 54 countries (85 per cent) showing commodity dependence during 2021-2023.

It said Middle and Western Africa demonstrate particularly extreme commodity dependence, with 100 per cent of countries in both sub-regions affected, it added.

"More concerning is the intensity of this dependence – 80 per cent in Middle Africa and 75 per cent in Western Africa derive over 80 per cent of their merchandise export earnings from commodities."

Eastern Africa presents a similarly challenging picture, with 15 of 18 countries (83 per cent) showing commodity dependence, said the report.

Central Asia and South America also show particularly high levels of economic reliance on commodity exports, it added.

In Central Asia, all five countries demonstrate commodity dependence, suggesting a regional economic structure heavily oriented toward raw material exports, it pointed out.

Similarly, it said South America presents an even more pronounced pattern, with all twelve countries classified as commodity-dependent and eleven of these falling into the high dependence category (above 80 per cent).

Commodity dependence also largely affects the most vulnerable groups of countries, with more than 80 per cent of Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs), and roughly 60 per cent of Small Island Developing States (SIDS) considered commodity-dependent, the report emphasized.

It also said the geographic distribution of energy export dependence shows significant regional concentration.

For example, out of 103 commodity-dependent countries in 2021-2023, 33 nations rely mostly on energy exports.

Within this group, 25 countries demonstrate high commodity dependence, with energy exports constituting over 80 per cent of their merchandise exports.

The report said that Asia emerges as the primary region in terms of energy export dependence, with 14 countries, particularly concentrated in Western and Central Asia.

In both regions, more than 40 per cent of countries depend on energy exports, with a median dependency rate of approximately 75 per cent of total merchandise exports.

Africa follows as the second most significant region, with 11 energy-dependent countries. Middle Africa showed a particularly high concentration, with six countries heavily reliant on energy exports, it added.

It said that the dependency levels in the region vary considerably in 2021-2023 from Cameroon (53.7 per cent) to Equatorial Guinea (92.4 per cent).

Regional analysis of world commodity dependence on agriculture shows notable concentration. Africa emerges as a key region, with 15 out of 38 countries dependent on agricultural exports, said the report.

This dependency is particularly pronounced in Eastern Africa (with 7 countries out of 15) and Western Africa (6 countries out of 16), it noted.

South America also shows significant agricultural export dependence, with 5 out of 12 commodity-dependent countries in the region relying primarily on agricultural exports and an average dependence of 63 per cent on agricultural products in the sub-region.

The report pointed out that Oceania presents a notable case of agricultural export dependence, with 8 out of 14 nations in this region depending on agricultural commodity exports, with average dependency rates exceeding 75 per cent.

Africa demonstrates particularly strong dependence on mining exports, with 20 countries classified as mining export-dependent, representing over 60 per cent of all mining export-dependent countries globally, it said.

It said within Africa, Western and Eastern Africa emerge as key regions, together accounting for 75 per cent of the continent's mining export-dependent countries.

It noted that the significance of mining exports in these regions is reflected in their export compositions, with mining products constituting 65 per cent of merchandise exports in Western Africa and 57 per cent in Eastern Africa.

Southern Africa presents a unique case, with three out of five countries classified as commodity dependent - all dependent on mining exports, the report said.

From those three countries, Botswana is the most mining-dependent, with mining products comprising 91.5 per cent of its merchandise export value in 2021-2023, it added. *(SUNS #10267)*

Global hunger declines, but Africa and West Asia see rise

While there has been progress in reducing hunger at the global level, this positive trend contrasts sharply with the steady rise in hunger across Africa and western Asia, including in many countries affected by prolonged food crises, according to a flagship United Nations report.

by Kanaga Raja

PENANG: An estimated 8.2 percent of the global population, or about 673 million people, faced hunger in 2024, down from 8.5 percent in 2023 and 8.7 percent in 2022, according to a new report by five specialized agencies of the United Nations.

In their "The State of Food Security and Nutrition in the World 2025" report, the UN agencies said that the progress seen at the global level is driven by notable improvement in South-eastern Asia and Southern Asia – which reflects new data from India – and in South America.

Unfortunately, this positive trend contrasts with the continuing rise in hunger in most sub-regions of Africa and in Western Asia, they added.

The prevalence of undernourishment (PoU) in Asia fell from 7.9 percent in 2022 to 6.7 percent, or 323 million people, in 2024, said the report.

Additionally, Latin America and the Caribbean as a region saw the PoU fall to 5.1 percent, or 34 million people, in 2024, down from a peak of 6.1 percent in 2020.

However, this positive trend contrasts sharply with the steady rise in hunger across Africa and western Asia, including in many countries affected by prolonged food crises, it said.

The proportion of the population facing hunger in Africa surpassed 20 percent in 2024, affecting 307 million people, while in western Asia an estimated 12.7 percent of the population, or more than 39 million people, may have faced hunger in 2024, it added.

It is projected that 512 million people could be chronically undernourished by 2030. Almost 60 percent of those will be in Africa, highlighting the immense challenge of achieving SDG 2 (Zero Hunger), said the UN agencies.

The flagship report was published by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the UN Children's Fund (UNICEF), the World Food Programme (WFP), and the World Health Organization (WHO).

"While it is encouraging to see a decrease in the global hunger rate, we must recognize that progress is uneven. SOFI 2025 serves as a critical reminder that we need to intensify efforts to ensure that everyone has access to sufficient, safe, and nutritious food," said FAO Director-General, Qu Dongyu.

"To achieve this, we must work collaboratively and innovatively with governments, organizations, and communities to address the specific challenges faced by vulnerable populations, especially in regions where hunger remains persistent," he added.

"In times of rising food prices and disrupted global value chains, we must step up our investments in rural and agricultural transformation. These investments are not only essential for ensuring food and nutrition security – they are also critical for global stability,"said Alvaro Lario, President of IFAD.

"Every child deserves the chance to grow and thrive. Yet, over 190 million children under the age of 5 are affected by under-nutrition, which can have negative consequences for their physical and mental development. This robs them of the chance to live to their fullest potential," said UNICEF Executive Director, Catherine Russell.

"The State of Food Security and Nutrition in the World report for 2025 underscores the need to act urgently for the world's youngest and most vulnerable children, as rising food prices could deepen nutrition insecurity for millions of families," she added.

"We must work in collaboration with governments, the private sector and communities themselves to ensure that vulnerable families have access to food that is affordable and with adequate nutrition for children to develop."

"That includes strengthening social protection programs and teaching parents about locally produced nutritious food for children, including the importance of breastfeeding, which provides the best start to a baby's life," said Ms Russell.

"Hunger remains at alarming levels, yet the funding needed to tackle it is falling. Last year, WFP reached 124 million people with lifesaving food assistance. This year, funding cuts of up to 40 percent mean that tens of millions of people will lose the vital lifeline we provide," said WFP Executive Director, Cindy McCain.

"While the small reduction in overall rates of food insecurity is welcome, the continued failure to provide critical aid to people in desperate need will soon wipe out these hard-won gains, sparking further instability in volatile regions of the world," she added.

"In recent years, the world has made good progress in reducing stunting and supporting exclusive breastfeeding, but there is still much to be done to relieve millions of people from the burdens of food insecurity and malnutrition. This report provides encouraging news, but also shows where the gaps are and who is being left behind, and where we must direct our efforts to ensure that everyone has access to a healthy and nutritious diet," said WHO Director-General, Dr. Tedros Adhanom Ghebreyesus.

According to the report, it is estimated that between 638 and 720 million people (7.8 to 8.8 percent of the global population) faced hunger in 2024.

Considering the point estimate (673 million), this indicates a decrease of 15 million people compared to 2023 and 22 million compared to 2022.

Notwithstanding the progress in recent years, the global estimates for 2024 are still far above pre-pandemic levels and even further above 2015 levels, when the 2030 Agenda was launched, said the report.

About 96 million more people in the world are estimated to have been facing chronic hunger in 2024 compared to 2015, it noted.

The PoU in Africa surpassed 20 percent in 2024. It is estimated that more than one in five people living in Africa are facing chronic hunger, equivalent to nearly 307 million people.

Hunger is on the rise in all sub-regions except Eastern Africa, with the most notable increases in Middle Africa, which had the highest PoU in Africa and the world in 2024 (30.2 percent), and in Northern Africa, where the PoU increased from 7.8 percent in 2022 to 10.7 percent in 2024, said the report.

The PoU also continued to rise in Southern Africa and Western Africa in this period, although at a slower pace, reaching 11.4 and 16.5 percent, respectively.

The number of people facing chronic undernourishment in Africa has increased by 113 million since 2015, when the 2030 Agenda was launched, it added.

It said the most progress towards reducing hunger in recent years has been made in Asia, driven by the above-mentioned notable decrease in Southern Asia, which includes India.

It said that the PoU in Asia decreased from 7.9 percent in 2022 to 7.3 percent in 2023, and further to 6.7 percent (323 million people) in 2024 – a decrease of 52 million people in two years. The PoU of Southern Asia decreased from 13.9 to 11.0 percent in the same period.

However, the report noted that progress in Asia is due to improvements in many countries, as the PoU for Asia excluding India also showed a slight decline from 2022 to 2024.

"Some progress was also made in South-eastern Asia, where the PoU had been gradually declining for several years and reached 4.9 percent in 2024."

No change occurred from 2023 to 2024 in Central Asia, which has the lowest PoU in the region (2.8 percent) except for Eastern Asia, where the PoU has remained below 2.5 percent since 2015, said the report.

On the other hand, it said the situation is very different in Western Asia, which is the only sub-region in Asia where chronic undernourishment has been steadily on the rise since 2015, reaching 12.7 percent in 2024.

According to the report, this sub-region includes some of the countries most affected by persisting crises and for which lack of solid data poses a challenge for estimating the PoU.

Progress towards the Zero Hunger target was also made in Latin America and the Caribbean, where the latest estimates show the PoU decreasing to 5.1 percent in 2024 after peaking at 6.1 percent in 2020, it said.

There was no improvement in the Caribbean, where for the last three years, around 17.5 percent of the population may have faced hunger, it added.

"This period of stagnation followed a sharp increase in 2022, such that the PoU in the Caribbean in 2024 was more than three times the regional average."

South America, on the other hand, has made progress for several consecutive years, with a steady decline in the PoU from 5.5 percent in 2020 to 3.8 percent in 2024, said the report.

No change occurred in Central America from 2023 to 2024 following a period of gradual improvement during the previous three years.

In 2024, an estimated 7.8 million people in the Caribbean, 9.1 million in Central America and 16.7 million in South America faced chronic hunger, it added.

"The PoU has changed little in recent years in Oceania, where 7.6 percent of the population was estimated to be chronically undernourished in 2024."

According to the current projection, 512 million people, or 6 percent of the global population, may be chronically undernourished in 2030, highlighting the immense challenge of achieving SDG 2 (Zero Hunger), the report said.

"It is projected that by 2030, the number of undernourished people will have fallen by only 65 million – from 577 million to 512 million – since the 2030 Agenda was launched in 2015."

While improvements are expected in all regions over the next five years, significant differences remain, it noted.

It said by 2030, 60 percent of the undernourished people in the world will be in Africa, where 17.6 percent of the population will be facing chronic hunger.

Meanwhile, it said in Asia, as well as in Latin America and the Caribbean, the prevalence of undernourishment will fall below 5 percent. *(SUNS #10272)*

2.3 billion people facing food insecurity in 2024, says report

About 2.3 billion people in the world were moderately or severely food insecure in 2024, with an estimated 828 million of these people being severely food insecure, according to a United Nations report.

by Kanaga Raja

PENANG: About 2.3 billion people in the world were moderately or severely food insecure in 2024, according to a new report by five specialized agencies of the United Nations.

According to "The State of Food Security and Nutrition in the World 2025" report, this is still 335 million more than in 2019, before the COVID-19 pandemic, and 683 million more compared to 2015, when the 2030 Agenda for Sustainable Development was launched.

It said of the approximately 2.3 billion people in the world facing moderate or severe food insecurity in 2024, an estimated 828 million were severely food insecure.

The prevalence of severe food insecurity decreased marginally from 10.4 percent in 2023 to 10.1 percent in 2024, it added.

Trends at the regional level differ notably, with food insecurity on the rise in Africa, falling in Latin America and the Caribbean, and decreasing gradually in Asia for several consecutive years, while in Oceania and in Northern America and Europe, new estimates point to a slight decline from 2023 to 2024 following a several-year rise, the report said.

The prevalence of moderate or severe food insecurity in Africa appears to have risen from 57.5 percent in 2023 to 58.9 percent in 2024 – an increase of nearly 41 million people in one year, it added.

It said an estimated 893 million people in Africa were moderately or severely food insecure in 2024; of these, 337 million were possibly facing food insecurity at severe levels.

The rise in food insecurity in Africa from 2023 to 2024 is due to the combined effect of marginal increases in all sub-regions of Africa, it suggested.

The report said that in 2024, moderate or severe food insecurity may have affected more than one-quarter of the population in Southern Africa, more than one-third in Northern Africa (although the estimates do not include an update for the Sudan), nearly two-thirds in Eastern and Western Africa, and more than three-quarters in Middle Africa.

"Food insecurity levels continued to decrease slightly in Asia, with estimates of the prevalence of moderate or severe food insecurity declining from 24.3 percent in 2023 to 23.3 percent in 2024, equivalent to a decrease of about 38 million people in one year."

It is estimated that about 1.1 billion people in Asia were facing moderate or severe food insecurity in 2024; of these, 418 million (8.7 percent of the population of the region) may have been severely food insecure, it added.

"The region as a whole has been making gradual progress since 2020. All sub-regions of Asia showed signs of improvement from 2023 to 2024."

Southern Asia and Western Asia had the highest estimated prevalence of moderate or severe food insecurity (both around 38 percent) in 2024, although Southern Asia saw the largest decrease from 2023 to 2024 (nearly 2 percentage points). Eastern Asia revealed the lowest prevalence, estimated at 6.2 percent of the population.

The most improvement occurred in Latin America and the Caribbean, where steady progress has been made since 2021, said the report.

The number of people affected by moderate or severe food insecurity may have fallen by nearly 9 million in one year, from about 176 million to 167 million, with estimates dropping from 26.7 percent of the population in 2023 to 25.2 percent in 2024, driven mainly by progress in South America, it added.

The most recent trends in the estimates reveal that food security appears to be improving in all sub-regions of Latin America and the Caribbean, but most significantly in South America, where the estimated prevalence of moderate or severe food insecurity was nearly 10 percentage points lower in 2024 than in 2021, a difference that is equivalent to a reduction of more than 40 million people experiencing food insecurity, said the report.

More than half the covered population of the Caribbean was estimated to be moderately or severely food insecure in 2024, compared to approximately one-quarter of the population in both Central America and South America.

The report said the proportion of the total food-insecure population in the Caribbean that is facing food insecurity at severe levels is also larger - nearly half.

The report said that food insecurity improved marginally in Oceania. However, over 26 percent of the region's population (about 12 million people) may still have faced moderate or severe food insecurity in 2024, including 9.6 percent (4.4 million) who may have been severely food insecure.

This points to possible signs of a positive turnaround in the trend for the region, where food insecurity had been increasing since 2020, it suggested.

"There were also signs of a positive turnaround in Northern America and Europe, where a marginal improvement was seen from 2023 to 2024."

It said current estimates point to slightly over 8 percent of the population (92 million people) being moderately or severely food insecure in 2024, and 1.5 percent (17.4 million people) possibly facing severe food insecurity.

"The situation is the result of different trends in the two regions, with the estimated prevalence of moderate or severe food insecurity decreasing in Europe, from 7.5 percent in 2023 to 6.8 percent in 2024, but marginally increasing in Northern America, from 10.4 percent to 10.7 percent."

Nearly half of the total number of moderately or severely food-insecure people in the world live in Asia, given its very large population, even though the prevalence of people who are food insecure is much higher in Africa, said the report.

It said that in Africa, Asia and Oceania, between 36 and 38 percent of the total number of food-insecure people are severely food insecure, compared to 31 percent in Latin America and the Caribbean and only 19 percent in Northern America and Europe.

The report also said that globally and in every region of the world except Northern America and Europe, people living in rural areas tend to be more food insecure than those living in urban areas, while the relative situation of peri-urban populations differs among the regions.

"About 32.0 percent of people living in rural areas in the world were moderately or severely food insecure in 2024, compared to about 28.6 percent in peri-urban areas and 23.9 percent in urban areas."

It said focusing specifically on severe food insecurity only, a similar pattern emerges: around 11.5 percent of the rural population in the world is severely food insecure compared to 11.0 percent of the peri-urban population and 8.1 percent of the urban population.

"The pattern of decreasing food insecurity with increasing degree of urbanization is clear in Africa, where an estimated 62.8 percent of people living in rural areas were moderately or severely food insecure, compared to 58.6 percent in peri-urban areas and 55.7 percent in urban areas."

Rural populations are notably more food insecure than urban populations in Asia and Latin America and the Caribbean as well, but the relative situation of peri-urban populations differs from that in Africa, said the report.

It said in Asia and Latin America and the Caribbean, there is virtually no difference between rural and peri-urban populations for moderate or severe food insecurity, and for severe food insecurity, there are even signs of slightly higher levels in peri-urban areas.

The report said that the only region where there are indications that food insecurity may increase slightly with increasing urbanization is Northern America and Europe.

Gender gap

Persistent inequalities between men and women are also evident, with food insecurity still more prevalent among adult women than men in every region of the world, said the UN agencies.

The gender gap widened

considerably at the global level in the wake of the COVID-19 pandemic, most notably in 2021; it then grew smaller for two consecutive years. But new estimates point to a widening of the gap at the global level between 2023 and 2024, said the report.

It said during this period, the difference in the prevalence of moderate or severe food insecurity between women and men increased from 1.3 to 1.9 percentage points, and for severe food insecurity, from 0.6 to 0.8 percentage points.

"After these fluctuations over the past nine years, the gender gap in 2024 was about the same as it was in 2015, when the 2030 Agenda was launched."

For moderate or severe food insecurity, the increase in the gender gap from 2023 to 2024 was driven mostly by Asia, where the difference in the prevalence between men and women grew from 1.0 to 1.9 percentage points, and by Northern America and Europe, where the gap increased from 1.2 to 1.6 percentage points, the report said.

For severe food insecurity, however, the increase is mostly due to Africa, where a worrisome increase was seen in the gender gap, from 0.7 percentage points in 2023 to 1.3 percentage points in 2024, it added.

"The gender gap in food insecurity changed little in Latin America and the Caribbean between 2023 and 2024."

However, this remains the region with the largest differences in the prevalence of food insecurity between men and women in the world – 5.3 percentage points at moderate or severe level, and 1.3 percentage points at severe level, in 2024, the report concluded. *(SUNS #10270)*

Poor nations bearing the brunt of rising food prices, says report

Global food price inflation has significantly outpaced headline inflation since 2020, with low-income countries being particularly hit hard by rising food prices, according to a United Nations report.

by Kanaga Raja

PENANG: Global food price inflation has significantly outpaced headline inflation since 2020, peaking at 13.6 percent in January 2023, 5.1 percentage points above the headline inflation rate of 8.5 percent, according to a new report by five specialized agencies of the United Nations.

In their "The State of Food Security and Nutrition in the World 2025" report, the UN agencies said low-income countries have been particularly hit hard by rising food prices.

While median global food price inflation increased from 2.3 percent in December 2020 to 13.6 percent in early 2023, it climbed even higher in low-income countries, peaking at 30 percent in May 2023, they added.

Although both food price inflation and headline inflation rates were beginning to show signs of a downward trend by mid-2023, they remained elevated throughout the rest of the year. By 2024, food price inflation had reached its pre-COVID levels of 2019, said the report.

It said the effects of two major shocks, the COVID-19 pandemic and the war in Ukraine, combined with extreme weather events, led to a sharp increase in the price of global agricultural commodities, which reached its peak in March 2022, and fuelled also by concurrent energy price shocks.

"The combination of these shocks with unprecedented fiscal spending and relaxed monetary policies created a perfect storm, setting the stage for high food price inflation," it underlined.

Unlike previous high inflation episodes, this one began with demand-driven factors and later evolved into supply-driven inflation, it noted.

The flagship report was published by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the UN Children's Fund (UNICEF), the World Food Programme (WFP), and the World Health Organization (WHO).

The report examines the causes and consequences of the 2021-2023 food price surge and its impact on food security and nutrition.

The report said since late 2020, domestic food retail prices have risen significantly across most countries, posing considerable challenges for both consumers and policymakers.

"Year-on-year global average food price inflation surged from 5.8 percent in December 2020 to a staggering 23.3 percent in December 2022."

It said these figures are heavily influenced by countries that experienced hyperinflation, such as Lebanon, South Sudan, the Bolivarian Republic of Venezuela and Zimbabwe, where year-on-year inflation peaks reached levels well above 350 percent.

As a result, the report said it used the median to provide a more accurate reflection of global inflation levels: median food price inflation increased sharply from 2.3 percent in December 2020 to 13.6 percent in January 2023.

Global food price inflation has significantly outpaced headline inflation since 2020, reflecting the heightened volatility and persistent pressures within agricultural and food markets, it added.

At the onset of the COVID-19 pandemic in early 2020, overall inflation remained relatively low. Though still modest, food price inflation was significantly higher than headline inflation.

As governments began to relax stay-at-home restrictions and the global economy started the process of recovery from the pandemic, overall inflation was picking up by mid-2021.

Subsequently, the eruption of the war in Ukraine in February 2022 led to increased prices of vital farm inputs (such as fertilizers), affected the global supply of agricultural commodities, and disrupted energy markets, said the report.

"This translated into higher overall prices, with major effects on food prices. At its peak in January 2023, food price inflation was 5.1 percentage points higher than headline inflation (13.6 percent vs 8.5 percent)."

Throughout 2023, both inflation rates remained at high levels but started showing a decreasing trend, it added.

Between 2021 and 2023, food prices rose substantially faster than prices for other consumer goods and services, placing a disproportionate burden on households that spend a large share of their income on food, underscoring how food became increasingly less affordable for households relative to other goods in the economy, it said.

According to the report, after a protracted and intense period of inflation, both headline and food price indices showed signs of stabilization followed by a gradual decline in 2023.

However, it said food price inflation has been particularly acute in low-income countries.

Most households, even those that depend on agriculture for their livelihoods, rely on markets for their food supplies.

Market-based food sourcing leaves households vulnerable to sharp price increases, exacerbating food insecurity and limiting access to and consumption of healthy diets, it added.

Smallholder farmers and agricultural labourers are often net food buyers, so rising food prices typically outweigh any income gains they receive from selling their produce.

As a result, rising food prices not only strain household budgets, but also challenge rural livelihoods, undermining progress towards poverty reduction and food security and nutrition, said the report.

It said low-income countries experienced the most severe and sustained increases in food price inflation, with a pronounced peak between mid-2022 and mid-2023, when food price inflation rates were as high as 30 percent.

"During this period, headline inflation also spiked but remained significantly lower than food price inflation, indicating that food prices were the primary driver of cost-of-living increases."

Even as inflationary pressures began to ease in 2024, this pervasive disparity emphasizes the challenges faced by households in low-income countries (LICs), which continue to grapple with food affordability issues, the report added.

Furthermore, lower-middle-income countries (LMICs) and upper-middle-income countries (UMICs) also saw substantial surges in food price inflation, albeit less pronounced than in LICs.

In LMICs, food price inflation peaked at around 16 percent in September 2022 before gradually declining, while UMICs saw a similar pattern with peak food price inflation nearing 20 percent in October 2022, said the report.

It said despite reductions, food price inflation remained significantly higher than headline inflation throughout the period, reflecting structural vulnerabilities in food supply chains and market dynamics in these countries.

In contrast, high-income countries (HICs) experienced relatively low levels of food price inflation, particularly before mid-2022. However, food price inflation peaked at around 14 percent in November 2022.

Although food price inflation increased during global shocks, it remained more controlled and closer to headline inflation rates in HICs compared to lower income groups, the UN agencies noted.

Recent average food price inflation (January 2024 to December 2024) stabilized at 2.7 percent, slightly above the January 2019 to January 2021 average rate of 2.1 percent.

The report said out of 203 countries, 139 experienced cumulative food price inflation exceeding 25 percent. In 49 of these, inflation surpassed 50 percent, and in 25 countries, it exceeded 100 percent.

The report cautioned that such prolonged food price pressures risk undermining household coping capacities and worsening food insecurity.

Diverse factors

The report pointed out that the global policy response to the COVID pandemic was unprecedented, with massive fiscal and monetary interventions critical to averting economic collapse, while also laying the groundwork for the inflationary pressures that followed.

Governments mobilized around USD 17 trillion in fiscal support, with HICs deploying the bulk of this stimulus to protect jobs, sustain demand and stabilize markets.

This support was equivalent to nearly 10 percent of global gross domestic product over two years, it said.

"At the same time, central banks reduced interest rates, launched large-scale bond purchases, and provided emergency liquidity to keep financial systems functioning. These actions softened the economic blow of the pandemic."

However, the report noted that as supply chains remained strained and global demand rebounded sharply, the expansive policy environment contributed to rising inflation.

Central banks eventually shifted course, tightening monetary policy to curb price surges.

The war in Ukraine, amplified by multiple extreme weather events, marked a second major global shock to food markets, disrupting trade routes, amplifying uncertainty, and reinforcing inflationary pressures set in motion by the pandemic, it further said.

"As major exporters of wheat, maize, and sunflower oil, Ukraine and the Russian Federation jointly accounted for roughly 12 percent of globally traded calories in 2021."

Hostilities in the Black Sea region – along with additional disruptions in the Red Sea – curtailed exports of grains and fertilizers, particularly affecting LICs and middle-income countries (MICs) reliant on global cereal markets, the report said.

These geopolitical shocks compounded the inflationary effects of earlier pandemic-era disruptions, generating two distinct but reinforcing waves of agricultural commodity price surges in 2020, it emphasized.

Initial price pressures on agricultural and energy commodities stemmed from fears of supply chain breakdowns, labour shortages, and precautionary trade measures at the onset of the pandemic, pushing prices up by about 15 percentage points.

"This first surge was briefly tempered by a collapse in global demand, but resumed as economies reopened and fiscal and monetary stimuli took effect. The second, more acute price surge – adding another 18 percentage points – was triggered by the outbreak of the war in Ukraine, which disrupted critical trade flows and curtailed fertilizer exports."

Simultaneously, energy markets, destabilized by sanctions on the Russian Federation and shifting trade patterns, saw sharp price increases that fed through to agriculture, as fuel and fertilizers became more expensive, the UN agencies said.

They noted that agricultural and energy commodity prices were key contributors to recent food price inflation.

The rapid increase in food and energy commodity prices after 2020 directly contributed to higher food price inflation, the report said, noting that food prices in 2022 and 2023 rose well above their historical trend.

"The exogenous effects of agricultural and energy shocks contributed 14 percent and 18 percent to an increase in food prices in the United States of America and the euro area, respectively, at the inflation peak (in United States the inflation peak was in the third quarter of 2022 and in the euro area it was in the first quarter of 2023)."

Broader macroeconomic conditions amplified the impact on food price inflation.

When accounting for additional pressures from broader macroeconomic developments, such as commodity input costs for food producers and retailers, the estimated contribution of commodity price dynamics accounts for 47 percent and 35 percent of food price inflation in the United States of America and the euro area, respectively, said the report.

These figures underscore the significant pass-through of agricultural and energy commodity price increases to retail food prices during 2022 to 2023, it underlined.

However, commodity-driven inflation does not fully explain the extent of the price pressures observed.

Actual peaks in food price inflation reached 10.6 percent in the United States of America and 15.7 percent in the euro area, pointing to other contributing factors such as rising labour costs, exchange rate fluctuations and potential increases in profit margins along the supply chain, it said.

These factors significantly contributed to food price inflation. In the United States, 53 percent of the increase was driven by markets unrelated to agricultural and energy commodities, compared to 65 percent in the euro area, the report observed.

Rising food prices

The report highlighted that food price inflation is associated with higher food insecurity and worse nutritional outcomes.

It noted that the recent surge in global inflation (2021 to 2023) has had substantial adverse effects on living conditions.

The report said that global real wages decreased by 0.9 percent in 2022 as inflationary pressures intensified – consistent with evidence that large-scale economic shocks can lead to surges in inflation and a consequent decline in real wages.

It said that countries such as Myanmar and Sri Lanka have recently experienced severe socioeconomic crises.

In Sri Lanka, during the major macroeconomic crisis of 2022, poverty rates doubled from 13 percent (2021) to 26 percent (2022).

Similarly, in Myanmar, the economic contraction following the 2021 military coup resulted in increases in poverty rates of 19 percent and 32 percent in urban and rural areas, respectively.

The report pointed out that previous inflationary episodes offer important lessons on recovery patterns.

During the food crises of 2007 to 2008 and 2011 to 2012, in Ethiopia, real food wages – i.e. wages adjusted for food price inflation – fell by 22 percent, worsening food insecurity and economic vulnerability.

As the economy stabilized, however, wage growth outpaced inflation, leading to a 60 percent increase in real food wages between 2013 and 2018.

A similar pattern is emerging today, with real wages beginning to recover after a sharp decline in 2022. Global real wages rose by 1.8 percent in 2023 and 2.7 percent in 2024, said the report.

However, it said many countries are experiencing sustained declines in real earnings, making it more challenging for households to meet basic food needs.

For instance, the report said that in Egypt, the heavy reliance on wheat imports from the Russian Federation and Ukraine, compounded by a severe shortage of foreign currency, has caused food prices to increase significantly faster than earnings since mid-2022.

Meanwhile, in Peru, food prices surged markedly from early 2020 to late 2023. By late 2023, workers' earnings had increased by only 6.6 percent, while food prices had risen by 34.5 percent relative to their pre-COVID-19 pandemic (2020 Q1) levels.

Overall, the evidence underscores the fact that the recent inflationary period has placed households' food budgets under heavy strain in some countries, the report said.

The report also said that food price increases can potentially affect households' food security. Between 2014 and 2024, countries at different income levels experienced varying degrees of food insecurity, with notable increases coinciding with periods of food price spikes.

It said low-income countries experiencing the highest rates of food price inflation also face large increases in the prevalence of food insecurity.

This relationship has been particularly pronounced since the beginning of the current period of inflation, as food prices have risen sharply since 2020, coinciding with an accelerated increase in the prevalence of food insecurity.

It said between 2019 and 2024, the prevalence of moderate or severe food insecurity increased by 6.7 percentage points, and the prevalence of severe food insecurity by 3.5 percentage points.

The report said from a policy perspective, this trend is especially concerning as the majority of households in LICs are those most vulnerable to shocks, including sharp spikes in food prices.

"Lower-middle-income countries also experienced substantial increases in food insecurity. Although food price inflation in this group averaged 7 percent annually from 2019 to 2024 – less than the 11 percent seen in LICs – the prevalence of moderate or severe food insecurity rose by 5.6 percentage points, and of severe food insecurity by 1.6 percentage points."

The report said that this sharp rise likely reflects the impact of conflict in several countries in this group (such as Lebanon and Myanmar), alongside broader economic pressures.

Large populations in other countries affected by conflict (such as Nigeria and Pakistan) also contribute to the group's overall rates, highlighting the complex and interlinked drivers of food insecurity across contexts.

In contrast, the report said food insecurity remained relatively unchanged in UMICs and HICs.

The prevalence of moderate or severe food insecurity rose by 0.9 percentage points in HICs and declined by 1.2 percentage points in UMICs.

This could be related to several factors. For example, these countries (especially HICs) have experienced lower inflation rates, and household's purchase capacity to afford their dietary needs has thus not been as eroded as in other regions. Additionally, higher-income countries tend to have lower levels of inequality, it said.

The analysis suggests that food insecurity in less unequal countries is not as responsive to increased food price inflation when compared to countries with high levels of inequality.

Furthermore, wealthier countries tend to have stronger social protection networks and greater resources to aid their populations in times of distress, said the report.

Food price inflation is associated with higher food insecurity. A 10 percent increase in food prices is associated with a 3.5 percent rise in moderate or severe food insecurity and a 1.8 percent increase in severe food insecurity, holding all other factors constant, it added.

It also said that recent food price inflation has heightened the risk of child wasting, underscoring the profound nutritional consequences of price shocks.

A 10 percent increase in food prices is associated with a 2.7 to 4.3 percent rise in wasting prevalence and a 4.8 to 6.1 percent increase in severe wasting among children under five years of age.

The effects remain robust even after controlling for access to essential services, including clean water, sanitation, and public health services, it added.

Furthermore, the report said that the surge in global food price inflation since 2022 has likely exacerbated acute malnutrition, placing millions of children in LICs and LMICs at increased risk.

From January 2022 to January 2023, global food prices rose by 13.6 percent, with inflation reaching 25.2 percent in LICs and 11.8 percent in LMICs, it noted.

It said during this period, over 65 percent of LICs and 61 percent of LMICs – together home to nearly 1.5 billion people – experienced food price inflation above 10 percent.

"These regions also report higher levels of child wasting. By 2024, the prevalence of wasting was 6.4 and 9.5 percent in LICs and MICs, respectively."

The results highlight the widespread and serious risks food price inflation poses to these particularly vulnerable populations, the report concluded. *(SUNS #10273)*

Third World ECONOMICS No. 823-824, 16 July -15 August 2025

"Trump Round" signals push to dismantle WTO-led global trade order

In an op-ed published in the New York Times, United States Trade Representative (USTR), Ambassador Jamieson Greer, declared that the world is entering the "Trump Round" of bilateral negotiations, arguing that the WTO-led global trade order is "untenable and unsustainable."

by D. Ravi Kanth

GENEVA: The United States Trade Representative (USTR), Ambassador Jamieson Greer, has claimed that the world is "now witnessing the Trump Round [of bilateral negotiations]", and that "our current, nameless global order, which is dominated by the World Trade Organization and is notionally designed to pursue economic efficiency and regulate the trade policies of its 166 member countries, is untenable and unsustainable."

In an op-ed published in the New York Times on 7 August, titled, "Why We Remade the Global Order", on the day the Trump administration seemingly imposed modified reciprocal tariffs on scores of countries, Ambassador Greer made a number of claims, especially on the questionable price that Washington seemingly paid in helping to create the WTO in 1995.

The USTR said: "The United States has paid for the system with the loss of industrial jobs and economic security, other countries have been unable to make needed reforms, and the biggest winner has been China, with its state-owned enterprises and five-year plans."

However, Ambassador Greer failed to highlight the gains that the US had made from the previous rounds of trade negotiations, particularly the Uruguay Round that led to the establishment of the WTO in 1995.

The US, for example, reportedly succeeded in introducing two new areas to the global trade order: the TRIPS Agreement and the General Agreement on Trade in Services (GATS).

The principal beneficiary of these two agreements since 1995 has been the US, while several other industrialized countries like the European Union, Switzerland, and Japan also secured some gains, said people familiar with the development.

The argument about "economic efficiency" advanced by Ambassador Greer appears to have been turned upside down by Washington when it brought in the TRIPS Agreement, which does not promote competition and efficiency but rather monopoly rent collection through the protection of intellectual property rights, according to several studies and analyses by international experts.

According to the USTR, at his Turnberry resort on the Scottish coast last week, "President Trump and the European Commission president, Ursula von der Leyen, concluded a historic agreement – one that is fair, balanced and oriented toward serving concrete national interests rather than vague aspirations of multilateral institutions."

"Indeed," he said, "by using a mix of tariffs and deals for foreign market access and investment, the United States has laid the foundation for a new global trading order."

However, the so-called "top-down" new global trade order being imposed by the US on all its trading partners has no prior consensus since countries are being forced to enter into trade negotiations under the threat of tariffs and other extraneous considerations.

During the past eight rounds of global trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), members had engaged in arriving at a negotiating mandate on a multilateral framework, unlike the "my way or the highway" approach that seems to have been followed by the US in laying the foundation for the new global trade order.

Even in the historic US-EU agreement, it is public knowledge that the issues of defense and Ukraine played a significant role in forcing Brussels to agree to a deal with a huge investment component, as well as energy purchases from the US, said people familiar with the development.

In his op-ed, the USTR argued that "the previous system rejected tariffs as a legitimate tool of public policy, meaning that the United States sacrificed tariff protection for critical manufacturing and other sectors."

"Over the past three decades, the United States slashed barriers to our market to allow vast inflows of foreign goods, services, labor and capital," said Ambassador Greer.

"At the same time, other countries kept their markets closed to our goods and deployed a suite of policies - such as subsidies, wage suppression, lax labor and environmental standards, regulatory distortions and currency manipulation - to artificially boost exports to the United States. This approach made the United States and a handful of other economies the consumers of last resort for countries pursuing beggar-thy-neighbor economic policies," he added.

However, the USTR failed to mention how other industrialized countries brought down their tariffs close to the US level, as well as developing countries like India, Brazil, and South Africa that brought their tariffs down to around 17%, said people familiar with the development.

Moreover, the USTR did not comment on the tariff peaks that the US imposes on several products like the 25% tariff on light-duty trucks, said people who asked not to be identified.

As regards subsidies, the US continues to provide tens of billions of dollars' worth of subsidies to sectors ranging from defense to agriculture, said people familiar with the development.

Further, the US has imposed anti-dumping and countervailing duties on many products, which act as a bulwark for protecting its domestic industries.

The US, for example, imposed exorbitant anti-dumping duties on exporters of mattresses, with a duty of over 700% on mattresses imported from Slovenia.

In fact, part of the reason for the US to seemingly paralyze the WTO's Appellate Body has been largely due to the trade body's ruling against the use of the "zeroing" methodology by the US International Trade Commission in calculating dumping margins, said a legal expert who asked not to be quoted.

Over the last six months, the world's largest economy has been reportedly playing the "victim card" for having paid a price for its liberal trade policies, and is now demanding reverse special and differential treatment.

However, a comprehensive study would prove that the US has been a net gainer both through its high tariffs on some goods and its anti-dumping and countervailing duties, the legal expert said.

Notwithstanding the facts on the ground, the USTR seems to be employing alternative facts by suggesting that, "Our trading partners were adept at this game, and elites on Wall Street and in Washington were all too happy to cash in on the global arbitrage by moving production abroad."

"The net result? The bulk of global manufacturing shifted to jurisdictions such as China, Vietnam and Mexico where companies could exploit vulnerable workers or benefit from expansive state support while the United States ran up what in absolute terms is the highest trade deficit in the history of the world," the USTR said.

He pointed out that "this led to extensive and well-documented losses in US industrial capacity and employment as well as reliance on our adversaries for critical supply chains."

"We subordinated our country's economic and national security imperatives to a lowest common denominator of global consensus. This approach harmed American workers, their families and communities by undermining a manufacturing sector that creates high-wage jobs, fosters innovation and catalyzes investment across the economy," said the USTR.

According to Ambassador Greer, "what began at Bretton Woods as a necessary effort to rebuild a global trade system shattered by war evolved, over nine rounds of trade negotiations, into something unrecognizable."

"The measured guidelines for commerce developed in the Kennedy and Tokyo Rounds gave way to our recent experiment in global hyper-integration, embodied in the Uruguay Round, which concluded in 1994 and established the WTO," he said.

However, the USTR did not mention how the US undermined the Doha Round of trade negotiations after "pocketing" the Trade Facilitation Agreement (TFA) while scuttling any outcome in agriculture, said people familiar with the negotiations.

"Trump Round"

In his op-ed, the USTR claimed that "we are now witnessing the Trump Round."

Although the so-called "Trump Round" has little or no resemblance to the previous eight rounds of trade negotiations, the USTR said that on 2 April, "President Trump announced tariffs to address the national emergency posed by the trade deficit. The intense bilateral negotiations that followed were held in diverse locations across the world: Washington, Geneva, Jeju Island, Paris, London, Stockholm and, of course, Turnberry."

More interestingly, Ambassador Greer claimed, "our trading partners had never before shown such interest in opening their markets to the United States, aligning on matters of economic and national security, and rebalancing trade in a more sustainable direction. In a few short months, the United States secured more foreign market access than it had in years of fruitless WTO negotiations."

However, it is common knowledge that countries were forced to open their markets under the threat of tariffs, without any understanding of the respective realities of the specific countries, said several people who asked not to be quoted.

As reported in the SUNS, the US administration is seemingly resorting to the colonial "imperial preferences" of the 19th century.

The Economist magazine, which is widely viewed as the voice of trade liberalization and market fundamental approaches, also reached the same conclusion.

In its leader on 7 August, the Economist wrote: "With every passing day, America's new trading order comes into sharper relief. In place of rules, stability and low tariffs is a system of imperial preference. Duties are not just higher, they are set by presidential whim. Canada and India have irritated Donald Trump, and so they could face tariffs of 35-50%. To ward off threats, the EU, Japan and South Korea have all hurriedly made deals with America. Because Mr Trump regards deficits, bizarrely, as theft, he has imposed "reciprocal" tariffs ranging from 10% to 41% on tens of other trading partners, which went into effect on August 7th."

Ambassador Greer's op-ed offered some clues as to how the US, the EU and other industrialized countries could join forces in reforming the WTO.

"When I joined a critical mass of my fellow trade ministers in June at a meeting of the Organization for Economic Cooperation and Development in Paris, I was struck by how many voiced serious concerns about the danger of macroeconomic imbalances, the threat of nonmarket practices and the sclerotic state of the global trading system – the same issues President Trump has raised for years and now taken emergency action to address. What was long dismissed as heresy by the free-trade fundamentalists in Brussels, Geneva and Washington is now becoming conventional wisdom," he said.

Further, he said, "In announcing the US-European Union deal last week, President von der Leyen echoed the call to refashion global trade to adapt to economic and political realities."

The EU conceded the need for "rebalancing" the trans-Atlantic economic relationship to ensure that it could be "more sustainable."

"Similarly, countries are agreeing to improve resource efficiency and enforcement of environmental laws, including in the most problematic sectors, such as illegal logging, illegal fishing and the illegal wildlife trade," the USTR said.

"The international trade system should not force Americans to compete with those who use our responsible capitalism against us as a competitive advantage," he claimed.

The USTR maintained that the trade agreements and commitments reached in the past three months "are actionable, and the United States will enforce them."

In what appears to be a clear indication that the US could turn its back on the WTO's two-tier dispute settlement system, Ambassador Greer said: "Rather than the drawn-out dispute settlement process favored by the old guard of trade bureaucrats, the new US approach is to closely monitor implementation of the deals and swiftly reimpose a higher tariff rate for noncompliance if needed."

"President Trump uniquely recognizes that the privilege of selling into the world's most lucrative consumer market is a mighty carrot," the USTR said, insisting that "a tariff is a formidable stick."

"The Trump administration's plan seems to be to ratchet things up from Section 301, adopting an ever stronger form of unilateral pressure," according to Simon Lester, a trade policy analyst, in a post on the International Economic Law and Policy (IELP) blog.

The WTO members must now be prepared for "a kangaroo court" in the White House to decide whether a country has properly implemented the non-binding commitments written into the unilateral trade deals, said an analyst, who asked not to be quoted.

The USTR also appears to be indirectly challenging the continuation of the principle of consensus-based decision-making at the WTO.

Ambassador Greer said: "At the World Trade Organization, enacting changes to trade rules requires total consensus among nations. In fact, the last attempt at serious reform, known as the Doha Round, failed because protectionist nations refused to take down their trade barriers to the United States. Moreover, our adversaries relish blocking reform. They prefer a status quo that feeds an exploding US trade deficit, sapping this nation of the industrial might that made it, and keeps it, a superpower."

The USTR said, "but the rules of international trade cannot be a suicide pact. By imposing tariffs to rebalance the trade deficit and negotiating significant reforms that form the basis of a new international system, the United States has shown bold leadership to address what policymakers long considered intractable problems."

Ambassador Greer added: "It took over 50 years from that first meeting at Bretton Woods until the creation of the WTO. It has been 30 years since. Fewer than 130 days from the beginning of the Trump Round, the Turnberry system is by no means complete, but its construction is well underway."

However, there are few takers for the so-called "Trump Round", which appears to be more like an "extortionary round of imperial preferences" by a "declining hegemon" who is determined to redraw the global trade order, said people familiar with the development. *(SUNS #10281)*

The East Asia Plant Variety Protection Forum and UPOV 1991

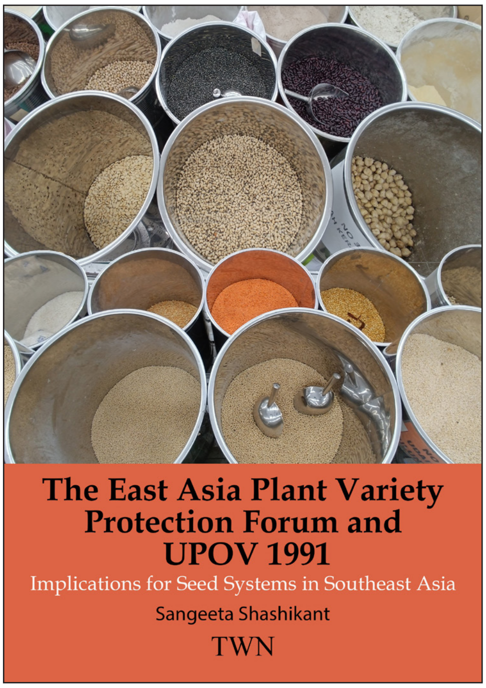
Implications for Seed Systems in Southeast Asia

By Sangeeta Shashikant

THIS paper critically examines the growing pressure on Southeast Asian (SEA) countries to adopt the rigid 1991 Convention of the International Union for the Protection of New Varieties of Plants (UPOV 1991) designed for the commercialized farming structures of industrialized nations.

It reveals how the East Asia Plant Variety Protection Forum, initiated by Japan under the guise of cooperation, has evolved into a key platform for aggressively promoting UPOV 1991 standards, sidelining national agricultural priorities and farmers' rights. Through detailed analysis, the paper exposes the commercial motivations driving this agenda and the pivotal role of developed countries and their allied entities, who stand as the primary beneficiaries of the UPOV system and regional harmonization based on it. It highlights how the Forum's pro-UPOV activities threaten to erode national sovereignty, undermine food security, and entrench a rigid, inappropriate plant variety protection (PVP) system across the region – one designed to serve the commercial interests of Japan and other developed nations, particularly the Netherlands, Germany, France and the United States.

It calls on SEA countries to critically reassess their participation in the Forum, advocate for meaningful reforms to safeguard their policy space, and, if necessary, withdraw to protect their national interests and ensure implementation of a PVP system that is aligned with domestic agricultural needs and that safeguards the interests of farmers and food sovereignty.



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Credit rating agencies – dysfunction and reform emerge as priority at FFD4

At the fourth UN Financing for Development Conference (FFD4) in Seville, panellists at panel events challenged the role of credit rating agencies, arguing that they now shape economic and social outcomes across the Global South. The call was made to move toward deep structural reform that guarantees fair borrowing terms, supports fiscal sovereignty, and upholds the right to development.

by Maria Syed and Bhumika Muchhala

BERLIN/NEW YORK: "Determination is needed where compromise is urgent." These words, echoing the outcome document of the fourth UN Financing for Development Conference (FFD4), captured the mood in Seville - noticeably held without Washington DC's presence.

Across nearly 100 panel and multi-stakeholder roundtables and plenary sessions, one theme persisted: the debt trap constraining the Global South.

From "billions to trillions," the financing gap, estimated at US$4 trillion, underscored calls for systemic overhaul.

The international debt architecture, long denounced as structurally unjust, has come under intense scrutiny since the COVID-19 pandemic amid stark statistics according to an UNCTAD report –3.3 billion people live in countries that spend more on servicing debt than on healthcare, and US$2.1 billion in countries where debt costs surpass education spending.

Instruments of power

The World Bank, in its latest report published just before the conference, had urged "radical debt transparency" for developing countries, in which it wanted the developing countries to disclose more comprehensive details about their borrowing compounded in complex, off-budget deals that have increased amid global financial instability.

However, one of the underlying concerns for African countries like Ghana and Zambia restructuring their sovereign debt in order to achieve debt sustainability is the specter of inviting credit rating downgrades.

This is despite IMF growth projections of 4% and 6.2% and Fitch Ratings downgrading Afreximbank preemptively based on the threat of sovereign defaults driven by creditor pressure.

This defines the oligopolistic nature of the market that has proscribed relative power to the credit rating agencies which determine market confidence and borrowing costs, consequently becoming a question of equity and justice.

The oligopoly power of the "Big Three" credit rating agencies (CRAs), that of Standard and Poor, Moody's, and Fitch Ratings, collectively holding 96% of the global market share of ratings, introduces systemic risk into the international financial architecture.

The dominance of the "Big Three" is rooted in both their acquisition of small rating agencies and financial players, as well as from regulatory barriers to competition in major economies like the US, where being classified as a "Nationally Recognized Statistical Rating Organization" (NRSRO) effectively constrains the creation and entry of new rating agencies.

A Third World Network (TWN) panel event in Seville, featuring Patrick Olonde (African Union), Richard Hunter (Fitch Ratings), Ambassador Ali Naseer Mohamed of the Permanent Mission of Maldives to the UN, Bhumika Muchhala (TWN), and Jason Braganza (AFRODAD), unpacked the deep contradictions within the credit rating architecture and proposed reforms that the UN General Assembly could lead.

They warned how CRAs had shaped fiscal and development policy in countries stripped of monetary sovereignty and trapped in a global bond market bifurcated between "high-risk" Global South issuers and "safe haven" developed markets.

Muchhala highlighted that market perception creates a market force, anchored to investment mandates of asset managers and equity funds which require "investment grade" ratings to purchase sovereign bonds.

Losing investment-grade status traps countries in a cycle of capital flight, higher borrowing costs, debt servicing costs, high cost of living and cuts in social expenditure. The fallout hits hardest along lines of gender, race, class, and caste – deepening existing inequalities.

Therefore, the challenges of monopoly formation, procyclicality and fiscal discipline that leads to an austerity bias, also exclaimed as the "downgrade-austerity vicious-circle" creates an adverse dynamic for development justice.

The COVID-19 pandemic exposed this dynamic in real time: in early 2020 alone, 11 countries were downgraded and 12 placed on negative outlook in response to an exogenous and global health shock that individual nations played no role in creating.

As the Financial Times noted, spending on pandemic response was effectively penalized. Downgrades routinely followed announcements of public investment – from school meals to healthcare expansion – undermining sovereign efforts to meet the Sustainable Development Goals (SDGs).

In Ethiopia, a restructuring aimed at improving debt sustainability was treated as a signal of insolvency, while in Zambia, CRAs framed restructuring as critical rather than a recovery tool.

Meanwhile, Moody's explicitly admitted to factoring climate vulnerability into its scores – meaning countries like Pakistan are downgraded not for mismanagement, but for being climate-vulnerable.

Jason Braganza and Patrick Olonde questioned the credibility of CRAs in the Global South, pointing to their absence on the ground, their disproportionate influence on policy, and their resistance to change.

The UN Secretary-General has publicly criticized them for hampering debt relief, converting liquidity challenges into solvency crises.

Ecuador's case, where a democratic referendum to halt oil drilling led to a downgrade, exemplifies the deeper problem: private agencies increasingly dictate national policy, including environmental sovereignty.

The challenge, then, is not just technical reform but democratic legitimacy. CRAs operate with a gap between their published methodologies and opaque scoring decisions.

Africa, for instance, learning through painful experience, is now pushing for stronger domestic capital markets to buffer against volatility.

On this note, Richard Hunter, Chief Risk and Credit Officer at Fitch Ratings, candidly admitted, "While Fitch Ratings insists its system is not default sensitive", suspending ratings would provoke investor backlash and raise borrowing costs, because there is "no alternative." This reveals that what is marketed as financial neutrality is, in practice, a form of structural power. It is grounded in the self-fulfilling prophecy where the negative credit rating intends to reflect risk, influencing investor behaviour and market conditions that increases the likelihood of a default thereby validating the negative assessment.

The credit rating agencies like Fitch Ratings have a discretion to serve the bond market. While Hunter validates most of the critiques, he also mentioned the record of fewer than 100 investment-grade defaults which is touted as proof of credibility and pension funds seeking only a 3% return impose timelines that clash with the long-term social and ecological imperatives of the Global South.

Hence, CRAs face not only a technical challenge, but a moral one. With momentum growing behind the UN tax convention and calls to embed debt and climate risks into credit assessments, the case for CRA reform has never been clearer.

Fitch Ratings has also issued proposals on how it plans to "refine" its treatment of sovereign debt. Framed as technical clarifications, the proposals include providing specific guidance on how it will rate long-term secured sovereign bonds or those partially backed by third parties – raising questions about how such "guarantees" might distort assessments of real risk.

The agency also aims to formalise its approach to assigning and removing the "Restricted Default" label, claiming this will better reflect evolving credit conditions.

Notably, Fitch seeks to clarify what constitutes a "Distressed Debt Exchange", offering guidance for market participants rather than for the countries struggling under the weight of unjust financial conditions.

As the reform of credit rating agencies becomes an urgent political demand from developing countries, Fitch's proposals underscore the asymmetry at the core of the international financial architecture – where the arbiters of creditworthiness remain largely shielded from democratic oversight, yet wield enormous power over public budgets and development paths.

Politics of credit downgrades

In another event at the Seville Conference, organised by the International Development Economics Associates and the South Centre, the discussion on reforming the international debt architecture highlighted the conflict of interest – emphasising that the interests of global capital are being prioritised, with CRAs particularly serving the needs of global financial markets.

Professor Jayati Ghosh stressed that the methodology of CRAs is structural, not just technical, and the need to push for long-term and scenario-based credit assessments is necessary.

This ascribes weight to the important discussion of the policy space of the Global South states in the context of the international currency hierarchy.

The Jubilee Debt Report, which critiques the systemic dysfunction of current credit rating practices, has also highlighted the flawed logic of sovereign credit assessments, the self-fulfilling nature of downgrades, and the misalignment between credit ratings and the long-term, concessional financing required for the SDGs and climate action.

The report reiterates long-standing critiques of public debt-to-GDP ratios as inadequate indicators – pointing to how CRAs have frequently erred in both medium-term assessments and in evaluating the impacts of pre- and post-pandemic fiscal measures.

One of the most revealing points made was that Low-Income Countries (LICs), despite being among the most fiscally disciplined, refrained from implementing countercyclical measures during the pandemic – not because of macroeconomic constraints, but out of fear of credit downgrades and resulting capital flight of US$300 billion, the lowest level since 2004 by April 2020.

The data reflect this disparity: spreads on LICs surged by 7 to 11 percentage points, whereas spreads on advanced economies increased by only 1 basis point, revealing the extent to which LICs were disproportionately punished by global markets.

An example stated of investments in 15 debt-distressed countries – 7 of which if defaulted – would generate returns five times higher than US Treasury bills, revealing the stark contradiction between perceived and actual risk.

This disparity reflects deeper structural issues like global currency hierarchies and power imbalances, where advanced economies benefit from stronger currencies and lower risk premiums.

Additionally, many countries are compelled to direct investments, such as pension funds, into Triple-A-rated assets, further entrenching investment hierarchies while limiting financial sovereignty for less developed nations.

The debate prompted audience members to share examples from other countries, including the case of the Bahamas between 2016 and 2022, during which multiple credit downgrades – triggered by external shocks – exacerbated debt distress through procyclical effects, constraining available policy options for debt sustainability.

Rethinking CRAs

The outcome document of the Seville Conference makes a vital decision in paragraph 55 to "establish a recurring special high-level meeting on credit ratings under the auspices of ECOSOC for dialogue among Member States, credit rating agencies, regulators, standard setters, long-term investors, and public institutions that publish independent debt sustainability analysis."

It is vital that the convenings center the voices and perspectives of borrower nations and communities affected by contractions of national fiscal space as a result of debt burdens.

As stated in the outcome document, the meeting will discuss the use of credit

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assessments, exchange good practices for CRA regulation, and share perspectives on rating methodologies.

Meanwhile, the Civil Society Mechanism on FfD called for an "intergovernmental commission under ECOSOC to regulate, monitor and hold accountable CRAs, given the central role they play in the international financial architecture."

One key rationale for a commission is that it is anchored in the normative power of agenda-setting within intergovernmental processes led by UN Member States and can issue actionable mandates.

While the softer form of a multi-stakeholder dialogue proffered by the outcome document possesses some potential to address the key CRA dysfunctions of methodological bias establishing disproportionately higher borrowing costs for the poorest countries, inaccuracy and pro-cyclicality in ratings, as well as tackle market concentration, dominant position, and conflicts of interest – the political will to tackle core issues cannot be assumed.

Consistent international pressure, as well as trust, cooperation, and mutual reciprocity, will need to be pursued by all involved actors, centering an intergovernmental process among UN Member States.

Some recommendations for the dialogue include, for example, to reform rating methodology in alignment with the SDGs, social and environmental, as well as human rights and gender equality commitments; examine needed international institutional innovations required to correct and avert the adverse impacts of CRAs in the financial architecture; and, importantly, "explore proposals such as the establishment of an international public credit rating agency within the UN to provide more transparent, accurate, and equitable assessments of creditworthiness."

The rationale for mandating the exploration of an international public credit agency at the UN, includes its potential to effectively reform and regulate rating methodologies in order to fully recognize the public interest mandate of the State, therefore providing investors with ratings that reflect greater accuracy and objectivity, and effectively support fair access to and terms of international borrowing, particularly for the goal of achieving sustainable development.

The regulation of information should rely on factors from risk evaluations and the standards used by institutions to classify multilateral development banks, countries, and firms into risk categories.

These regulations could fall under the International Organisation of Securities Commissions (IOSCO), with the IMF assessing whether the standards are met.

Evaluations should also consider whether risk perceptions and credit ratings are fairly applied, rather than overstating the risks faced by low-income countries, especially in sub-Saharan Africa.

Publicly owned and multilateral credit rating agencies that promote global public goods also avoid being both market evaluators and market players simultaneously.

Additionally, historical data can be progressively developed in order to explore the adequacy and accuracy of different rating systems over time as well as their responsiveness to changing circumstances, including crises.

The momentum building on CRA reform makes an explicit point: CRAs are no longer merely technical financial actors, they are agents who determine the conditions for economic and social justice across the Global South.

It is time to go well beyond palliative tinkering and toward structural reform that ensures fair terms for borrowers that enable the right to development as well as fiscal sovereignty in the Global South. *(SUNS #10275)*

Financing for whom?

The outcome document of the recent Fourth International Conference on Financing for Development (FFD4) in Seville was largely a reaffirmation of the status quo, with many critics arguing that the document – dubbed the Compromiso de Sevilla – showed little shift forward – or even regressed - from previous commitments.

by Bhumika Muchhala

NEW YORK: The Fourth International Conference on Financing for Development (FFD4) took place in Sevilla, Spain, from 30 June to 3 July amidst intensifying attacks on multilateralism, unprecedented cuts to global aid and development financing, and regression of decades of progress in the fight against poverty.

Participants at the once-a-decade United Nations conference included some 70 heads of state or government, over 1,000 civil society leaders, and over 400 policymakers from governments around the world, who engaged in over 100 panel events and 50 protest actions.

However, civil society actors experienced an unprecedented wave of restrictions and lack of access, from difficulties obtaining accreditation and discriminatory profiling to chilling of freedom of speech and exclusion from key negotiations.

This led many advocates to organize a protest at the conference's venue on its final day.

The outcome document of FFD4, the Sevilla Commitment or Compromiso de Sevilla, had been adopted by consensus of UN member states on 17 June in New York, making this the first FFD conference where the outcome document was agreed before the meeting began.

This was lamented by many participants as rendering the conference itself a purely symbolic event without the final negotiations taking place.

The adoption of the text was marked by the official withdrawal of the US, which waited until almost a year of intergovernmental negotiations had concluded to withdraw and stated a refusal to participate in Sevilla.

The role of the US in the negotiations has been publicly reported, in terms of aggressively blocking and requesting deletions across entire paragraphs of the document.

Also driving the race to the

bottom during the negotiations were the European Union and other developed-country delegations such as Australia, New Zealand, Canada, Japan and the United Kingdom.

The aggregate effect inflicted dilutions, distortions, and erasure of global economic governance milestones and actionable commitments into a reaffirmation of the status quo, with many critics arguing that the Compromiso de Sevilla shows little shift, or even backsliding, from the outcomes of the previous three FFD conferences in 2015 (Addis Ababa Action Agenda), 2008 (Doha Declaration) and 2002 (Monterrey Consensus).

In fact, lost in the sweeping tide of attention that private financing received at the Sevilla conference (see below), was the political genealogy and systemic origins of FFD.

Its roots lie in the collective initiative of the Non-Aligned Movement (NAM) in the late 1990s to address the systemic asymmetries that characterize the international financial architecture, which had resulted in the boom- bust financial crises experienced by the Global South through the 1980s and 1990s.

The nations of NAM called for a multilateral process that would generate reforms that expand policy and fiscal space for structural transformation towards economic, monetary and financial sovereignty in the South.

The 2002 Monterrey Consensus argued that the systemic drivers of inequalities between nations and regions cannot be resolved on the national terrain alone – international cooperation and democratic global economic governance is critical.

These systemic drivers refer to the scaffolding of unequal economic exchange, US dollar hegemony, deregulated capital flows, market-based exchange rates, financial speculation and dependency, chronic sovereign debt distress, and a trade architecture defined by extractive, value-chain-dependent and low-value-added production structures that are the legacy of colonialism.

Consequently, the Global South experiences international financial subordination, as financial resources flow from South to North while recurrent financial crises and exogenous shocks – from interest rate hikes to the climate crisis – penalize and affect the South disproportionately.

Debt battleground

With debt-servicing costs across the Global South reaching a historic high [$1.4 trillion in 2023 (principal plus interest)], public budgets are being eviscerated, the Sustainable Development Goals (SDGs) derailed, and climate action rendered into a fiscal impossibility.

In this looming context, FFD4 fell far short on delivering meaningful reform of the outdated and imbalanced global debt architecture.

The first iteration of the FFD4 outcome document, an “elements paper” issued in November 2024, included mention of a new multilateral sovereign debt restructuring mechanism.

Calls have also been made for binding responsible lending and borrowing principles, an automatic suspension of debt servicing in the wake of catastrophic external shocks, the establishment of a global debt registry, as well as domestic legislation in creditor countries to enforce private creditor participation in debt restructuring.

At the heart of the debacle of sovereign debt is the absence of a sovereign debt crisis resolution mechanism.

Meanwhile, the creditor profile has shifted over the decades from predominantly official creditors to a five-fold increase in private creditors, who not only refuse to participate in equitable debt restructuring but also impose high and variable interest rates, creating a crisis in the cost of capital for sovereign borrowers.

The global financial regime conditions continued market access and international financial legitimacy on uniformity and continuity of debt servicing.

In turn, the means of debt repayment are enforced through austerity measures which have for decades eroded social equity, economic resilience and the delivery of public services across the Global South.

Such austerity often has a gendered dimension, with women playing the role of “shock absorbers” of austerity’s pernicious effects.

During the FFD4 negotiations, the Alliance of Small Island States, the Africa Group, and countries like Cuba, Brazil and Pakistan called for the creation of a UN Framework Convention on Debt.

Indeed, external debt payments by many countries far exceed aid and other financial transfers, or public expenditures on essential services like health and education, generating a net outflow of financial resources from South to North while simultaneously eroding economic development, social equity and well-being.

Supported and campaigned for by global civil society, the Convention would encompass a global consensus on the rules, principles and structures of the various stages of the debt cycle.

By locating deliberations in the UN General Assembly’s one-state-one-vote system, the Convention would facilitate fairness and transparency of debt resolution mechanisms.

Civil society advocates clarified that it would democratize the global debt architecture, shifting the discussions from exclusive and creditor-dominated Group of 20 (G20) and International Monetary Fund (IMF) forums.

However, the staunch opposition of most creditor countries, in particular the US and the EU, led to the deletion of language on the Convention and an insistence on relegating debt issues to the G20 Common Framework.

Critics in civil society and academia have consistently argued that the G20 status quo has failed to resolve debt distress and create fiscal space, is unable to ensure equitable participation of private creditors (e.g., comparability of treatment), enables a lack of transparency in debt contracts, and blocks rules on responsible lending and borrowing.

Unsurprisingly, debt crises are reproduced while any resulting fiscal space is devoted to paying off private creditors, generating a “kicking the can down the road” scenario that simply extends debt purgatory.

The final text in paragraph 50(f) of the Compromiso de Sevilla states that member states “will initiate an intergovernmental process at the UN, with a view to making recommendations for closing gaps in the debt architecture and exploring options to address debt sustainability ...”.

While an intergovernmental process is included, its function is limited to “making recommendations,” fundamentally weakening the mandate of member states to take meaningful action on debt.

Furthermore, initial language on the development of binding responsible lending and borrowing rules was diluted to a working group led by the

UN Secretary-General, the IMF and the World Bank to propose voluntary guiding principles.

The establishment of an independent, open and binding debt registry was weakened to the consolidation of existing debt databases at the World Bank.

Perhaps most importantly, the drive to pursue debt swaps received a turbo-charged boost, with the Compromiso presenting them as a win-win solution to address debt within the context of fiscal constraints.

But as policy analysts have demonstrated for years, debt swaps are no panacea for systemic debt distress.

They fail to create sufficient fiscal space, nor can they adequately address long-term debt sustainability, even as they generate new problems in the policy space and economic governance within borrower nations.

On the other hand, a potentially constructive initiative of the Compromiso is an agreement to establish a platform for borrower countries with support from existing institutions, and a UN entity serving as its secretariat.

The platform is to focus on discussing technical issues, sharing information and experiences in addressing debt challenges, increasing access to technical assistance and capacity-building in debt management, coordinating restructuring approaches, and strengthening borrower countries' voices in the global debt architecture.

This can help to meaningfully re-balance an international financial architecture long dominated by consolidated and coordinated creditors in the Paris Club and G20. Hopefully, the platform will be adequately funded and operationalized.

Reign of private finance

In the dozens of speeches made and hundreds of events held in Sevilla, it was impossible not to notice the aggressive promotion – and normative consensus – of private financing, proffered as a monolithic answer to narrow the estimated $4.3 trillion financing gap in the South.

The model of de-risking development, replete with its constellation of mechanisms such as blended finance and guarantees, dominated FFD4 with a laser focus on how private capital can be incentivized by the Global South through the use of securitization, or the bundling of individual project loans into vehicles that can be bought by financial funds.

Buttressed by over a decade of the "billions to trillions" narrative authored by the World Bank and the UN ecosystem, the idea asserts, with brazen decisiveness, that scarce public resources in the Global South will always fall short of ever-growing development and climate financing needs, and that private (and profit-seeking) capital is thus indispensable.

The seemingly logical resolution to this de-politicized reality becomes a quid pro quo: fiscal gaps can be closed only by attracting Wall Street (investment banks, asset managers, insurers, pension and private equity funds, among others) to invest in development, infrastructure and green projects.

Commitments to private capital mobilization run rife across the Compromiso de Sevilla text.

For example, the mobilization of private finance from public sources is sought to be increased by 2030 "by strengthening the use of risk-sharing and blended finance instruments, such as first-loss capital, guarantees, local currency financing, and foreign exchange risk instruments, taking into account national circumstances".

Member states are encouraged to "strategically attract foreign development investment, including from institutional investors".

Over the last decade, multilateral development banks like the World Bank Group have adopted blended financial structures as a core part of their programmatic paradigm.

Critical analysis demonstrates how the logic of private finance requires the state to absorb investment risks, financial costs as well as debt liabilities, towards the purpose of creating an enabling environment for private investment.

In other words, a public socialization of losses and private capture of profits occurs through the financialization of public goods and services, which effectively hands over the reins of governance to the private sector.

However, the "billions to trillions" aim of activating the supposed spigot of private cash has been recently exposed by multiple sources as a myth.

A Financial Times article titled "The magic pony of private finance fails to fund the global green transition" revealed that only 10 per cent of private financing went to Global South nations.

The ratio of private to public capital has struggled to rise above 1:1, and institutional investors like pension funds are notable by their almost-total absence.

Furthermore, number-crunching from the Organisation for Economic Cooperation and Development (OECD) shows that every dollar of multilateral investment activated merely 30 cents of private investment. Simply put, the trillions are not manifesting.

One explanation is that the scale of profits expected by financiers cannot be delivered with public goods and services investments; the two are inherently contradictory in nature.

But two deeper issues persist. Firstly, rather than galvanizing new heights of financing, private creditors are in reality responsible for net outflows of financial resources from developing countries and into their own coffers.

Indeed, the World Bank discloses that since 2022, "foreign private creditors have extracted nearly US$141 billion more in debt service payments from public sector borrowers in developing economies than they disbursed in new financing ... this withdrawal has upended the financing landscape for development."

And secondly, structural, institutional and political changes to address fiscal space, such as redressing tax evasion and avoidance, fiscal restraint rules, and constraints on public money creation, economic diversification and technology transfer, are conveniently elided.

Survival of the systemic?

The integral focus of the Monterrey Consensus on international monetary cooperation, recurrent financial crises, vulnerabilities to exogenous shocks, and adverse spillovers of rich-country policies across the Global South has essentially evaporated from the Compromiso de Sevilla.

In a text that supposedly addresses the international financial architecture, it is shocking that there is no meaningful reference to the international monetary system, nor to central banks, the core institution of national money creation.

Indeed, the text presents the

sharpest regression of systemic issues across the four FFD outcome documents produced over 23 years, despite the recent experience of the COVID pandemic and the current debt crisis exposing the systemic fault-lines of a global financial architecture designed to extract rather than provide.

As the Declaration from the FFD4 Civil Society Forum states, "It is distressing that the FFD4 outcome reduces systemic issues – a fundamental pillar of the Monterrey Consensus – to a narrow focus on the IMF and World Bank. By agreeing to work through the governance structures of international financial institutions, developing countries remain locked into governance systems that structurally exclude and marginalize them. FFD4 could have been a rare opportunity to rethink and overhaul the international financial architecture as a cohesive, democratic system of global governance. Rather than treating the Bretton Woods institutions (IMF, World Bank, and multilateral development banks) as independent, technocratic bodies, civil society continues to call for them to be brought fully into the UN system – accountable to the UN General Assembly, governed democratically, and guided by universal participation that respects human rights, gender equity, and ecological integrity."

Yet, one key deliverable is offered in the FFD4 outcome document - addressing the inordinate power of credit rating agencies (CRAs) in determining the cost of capital in the Global South and the central role they play in both the debt and climate crises.

Paragraph 55 states a decision to "establish a recurring special high-level meeting on credit ratings under the auspices of the [UN] Economic and Social Council for dialogue among Member States, credit rating agencies, regulators, standard setters, long-term investors and public institutions that publish independent debt sustainability analysis."

While this falls short of proposals to establish an intergovernmental commission to regulate CRAs for the objective of producing accurate, objective and long-term-oriented credit ratings, it is a potential step forward in bringing CRAs into global economic governance.

There is widespread agreement by UN member states on the urgency of multilateral oversight on the oligopoly of three CRAs – Moody's, S&P and Fitch – with attention to their multiple dysfunctionalities.

The COVID pandemic and the debt crisis have exposed challenges, from a developing-country perspective, in terms of bias and pro-cyclicality in ratings, conflicts of interest, and penalization of debt, climate and social vulnerabilities.

The inadequacy of CRAs' rating methodologies and bias in implementation undermine developing countries' access to capital markets and increase their borrowing costs by inflating risk premiums.

Advocates for financial regulation have asserted that CRA regulation must include the establishment of multilateral, public and independent rating agencies, promoting competition to avoid quasi-monopolistic market dynamics.

The spotlight on CRAs has the potential to hold financial power to account; however, it will depend on the ability of member state voices and proposals to push the agenda forward.

That said, there is a long history of UN resolutions that address the systemic dynamics of the international financial architecture, from commodity price speculation to regulating financial speculation and reforming the global reserve system.

However, since the global financial crisis of 2007-08, many of these efforts have been thwarted by opposition from developed countries.

Can the focus on systemic dimensions of the international financial architecture be salvaged in the FFD process?

Given the colossal challenges in development financing in a time of rising authoritarianism and conflict, and the spectre of "post-aid international development", what are the possibilities of democratizing global economic governance?

Attaining development, inclusive dignity and equity will require grappling with old and new forms of power.

One thing is certain. The way forward must hold steadfast to the aspiration and vision of a fair, equitable and effective financial architecture that works for the majority. *(SUNS #10265)*

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Economic sanctions claim over half a million lives each year – study

Unilateral economic sanctions are linked to over 560,000 deaths annually – comparable to the death toll from wars – according to a new groundbreaking study in The Lancet Global Health. Most of these deaths since 1970 were among children under five.

by Kanaga Raja

PENANG: A new study published in the British medical journal The Lancet Global Health has revealed that unilateral economic sanctions are causing 564,258 deaths around the world each year, similar to the total death toll from wars, including civilian casualties.

The study, titled "Effects of international sanctions on age-specific mortality: a cross-national panel data analysis", said that most of the sanctions-related deaths in the five decades after 1970 were children under the age of five.

The study was co-authored by Mark Weisbrot, an economist and co-director of the Washington-based Center for Economic and Policy Research (CEPR); Francisco Rodriguez, a senior research fellow at CEPR and a professor at the University of Denver's Josef Korbel School; and Silvio Rendon, an economist at CEPR.

The study is the first to examine the effects of sanctions on age-specific mortality rates in cross-country panel data using methods designed to address causal identification in observational data.

According to the authors, the "results illustrate how the effects of sanctions on mortality generally increase over time, with longer-lived sanctions episodes resulting in higher tolls on lives."

In their cross-national panel data analysis, the authors analysed the effect on health of sanctions using a panel dataset of age-specific mortality rates and sanctions episodes for 152 countries between 1971 and 2021.

Their findings showed a significant causal association between sanctions and increased mortality.

Significantly, while the authors found "the strongest effects for unilateral, economic, and US sanctions," they found "no statistical evidence of an effect for UN sanctions."

They found that children under five made up 51% of total deaths due to sanctions over the 1970-2021 period, with most deaths (77% over the same period) being aged 0-15 and 60-80.

Sanctions have substantial adverse effects on public health, with a death toll similar to that of wars, the authors emphasised in their study.

"Our findings underscore the need to rethink sanctions as a foreign-policy tool, highlighting the importance of exercising restraint in their use and seriously considering efforts to reform their design," they concluded.

"It is immoral and indefensible that such a lethal form of collective punishment continues to be used, let alone that it has been steadily expanded over the years," said study co-author Mark Weisbrot, in a CEPR press release.

"And sanctions are widely misunderstood as being a less lethal, almost non-violent, policy alternative to military force," he added.

"We have seen economic sanctions – especially those imposed by the US – contribute substantially to economic collapse in targeted countries, such as Venezuela," said study co-author Francisco Rodriguez.

"Sanctions often fail to achieve their stated objectives and instead only punish the civilian populations of the targeted countries. It is well past time that the US, EU, and other powerful actors in the international community seriously reconsider this cruel and often counter-productive mechanism," he added.

According to the authors of the study, international sanctions are restrictions on international transactions imposed by governments in pursuit of foreign policy objectives.

They said that whether sanctions affect health conditions in target countries and whether these impacts are strong enough to cause a substantial number of deaths are among the most contentious issues in contemporary thinking on economic statecraft.

Discussions in the 1990s on the effects on child mortality of sanctions on Iraq strongly influenced policy debates and were one of the main drivers of the subsequent redesign of sanctions on the Government of Saddam Hussein, they noted.

The authors said sanctions can lead to reductions in the quantity and quality of public health provision driven by sanctions-induced declines in public revenues; decreased availability of essential imports, resulting from sanctions-induced reductions in foreign exchange earnings, which limit access to medical supplies, food, and other crucial goods; and constraints on humanitarian organisations, through real or perceived sanctions-induced barriers that hinder their ability to operate effectively in target countries.

"Concern with the humanitarian effect of conventional cross-cutting sanctions regimes has prompted numerous reform initiatives over the years," they noted.

Despite these initiatives, the use of economic sanctions has grown substantially in recent decades.

According to calculations made using the Global Sanctions Database (GSDB), 25% of all countries were subject to some type of sanctions by either the USA, the EU, or the UN in the 2010-22 period, by contrast with an average of only 8% in the 1960s, said the study.

This increase is driven by the growth of sanctions that have the claimed aim to end wars, protect human rights, or promote democracy, said the authors.

In their study, the authors focused on sanctions imposed by three countries or organisations that can be expected to have substantial effects: the USA, the EU, and the UN.

"We expect European and US sanctions to have substantial effects given the size of their economies and the fact that most world trade and financial transactions are carried out using the US dollar or the euro."

They distinguished between economic sanctions, which are those that restrict trade or financial transactions, and non-economic sanctions, which are those that deal with arms trade, military assistance, travel, or other issues.

The authors also distinguished between sanctions that are imposed unilaterally by the USA or the EU, and those imposed concurrently with a multilateral UN sanctions regime on the same target.

Applying a range of methods designed to address causal questions using observational data, the authors estimated that unilateral sanctions over the 2010-21 period caused 564,258 deaths per year.

"This estimate is higher than the average annual number of battle-related casualties during this period (106,000 deaths per year) and similar to some estimates of the total death toll of wars including civilian casualties (around half a million deaths per year)."

The authors also estimated the evolution of deaths caused by global sanctions for each age segment over time.

The largest incidence of global sanctions occurred in children younger than 1 year, followed by the 60-80 years age segment, they said.

Altogether, deaths of children younger than 5 years represented 51% of total deaths caused by sanctions over the 1970-2021 period.

The study noted that most deaths (77% over the same period) were in the 0-15 years and 60-80 years age groups, implying that the bulk of the mortality effects falls on groups that are traditionally not in the labour force.

Conclusions

The authors found a significant adverse effect of economic and unilateral sanctions on mortality rates in target countries.

These results are consistent with those of previous research, which has also found significant negative effects of sanctions on various indicators of living conditions in targeted countries, including economic growth and health outcomes, they said.

The authors said that these findings raise an important question for policy debates – "what role, if any, should economic and unilateral sanctions have in the foreign policies of the countries or organisations imposing them?"

This question is particularly pertinent given the substantial increase over time in the use of these sanctions, they added.

"The fraction of the world's economy subject to unilateral sanctions, for example, has grown from 5.4% in the 1960s to 24.7% in the 2010-22 period."

The authors said one finding of potential relevance for debates on sanctions reform is their result that, although unilateral and economic sanctions are positively associated with increases in mortality, UN sanctions are not.

They said a possible interpretation of this finding is that this difference is a result of the greater public scrutiny that decisions of the UN, a deliberative body with participation of target countries, are naturally subject to.

"Nevertheless, interpreting this finding with caution is important. In many of our estimations, the point estimates for the UN sanctions coefficient are positive, even if not statistically significantly different from zero," they said.

Thus, the authors said "although the evidence does not allow us to reject the hypothesis that UN sanctions have no effect on mortality, it also does not allow us to reject the alternative hypothesis that they have a quantitatively significant adverse effect."

There are various reasons why UN sanctions could be expected to have effects that are more difficult to identify in cross-national data, according to the study.

One of them is that unilateral sanctions imposed by the USA or the EU might be designed in ways that have a greater negative effect on target populations, said the authors.

Most – although not all – UN sanctions regimes in recent decades have been framed as efforts to minimise their impact on civilian populations, although the extent to which they have achieved this goal remains debated, they added.

The study said that US sanctions, in contrast, often aim to create conditions conducive to regime change or shifts in political behaviour, with the deterioration of living conditions in target countries in some cases being acknowledged by policy makers as part of the intended mechanism through which objectives are to be attained.

The USA – and, to a lesser extent, Europe – also has important mechanisms at its disposal that serve to amplify the economic and human effects of sanctions, including those linked to the widespread use of the US dollar and the euro in international banking transactions and as global reserve currencies, and the extraterritorial application of sanctions, particularly by the USA, said the authors.

"Woodrow Wilson referred to sanctions as "something more tremendous than war". Our evidence suggests that he was right. Over the past decade, we estimate that unilateral sanctions caused around 560,000 annual deaths worldwide. It is hard to think of other policy interventions with such adverse effects on human life that continue to be pervasively used," the authors concluded. *(SUNS #10270)*

Key HIV prevention drug could cost just $25 a year, finds study

A new study in The Lancet finds that lenacapavir, a long-acting HIV prevention injection, could be manufactured for just $25 annually per person – making it a potentially cost-effective tool in curbing the HIV epidemic.

by Kanaga Raja

PENANG: A new study published in the medical journal The Lancet has revealed that the drug lenacapavir – a long-acting injectable for HIV prevention – could be produced for as little as $25 per person per year, potentially making it a "highly cost-effective intervention" in the fight against the HIV epidemic.

The study, supported by the Make Medicines Affordable (MMA) campaign, led by the International Treatment Preparedness Coalition (ITPC) and partners, used established methodologies to estimate the production cost of generic lenacapavir.

The authors of the groundbreaking study projected the cost of the active pharmaceutical ingredient using quotes from well-established vendors for the key starting materials combined with the most efficient route of synthesis.

They then factored in formulation, overhead, and packaging costs as well as a 30% profit margin, with 27% tax on profit to project the cost-plus pricing of the finished pharmaceutical product.

According to the authors, the cost of mass-producing generic medicines can be estimated from the cost of the active pharmaceutical ingredient plus conversion to the finished pharmaceutical product with packaging.

This approach has successfully predicted prices eventually achieved for generic medicines for HIV, tuberculosis, and several others, they pointed out.

For instance, the study noted that the hepatitis C drug daclatasvir was initially priced at $63,000 per treatment course in the United States of America.

In 2014, it was predicted that daclatasvir could be made for $10-$30 per treatment; it now costs $19 for generic treatment, it said.

The authors said their 2024 study projected that generic lenacapavir could be produced for $41 per person per year for ten million people.

However, they said that since then, these costs have likely fallen.

Based on their latest calculations, the authors found that generic lenacapavir can be produced for $35-$46 per person per year for two million people.

According to the authors, with modest improvements and growth in demand, the cost of treatment could be reduced to $25 per person per year, if scaled up for five to ten million people.

The authors projected that generic lenacapavir can be priced equal to or lower than current oral pre-exposure prophylaxis ((PrEP).

"With funding to support mass production and global access, lenacapavir PrEP could be a highly cost-effective intervention to eliminate HIV," they emphasized.

The study featured in The Lancet comes as the World Health Organization on 14 July released new guidelines recommending the use of injectable lenacapavir twice a year as an additional PrEP option for HIV prevention.

In what it viewed as a landmark policy action that could help reshape the global HIV response, the WHO said lenacapavir, the first twice-yearly injectable PrEP product, offers a highly effective, long-acting alternative to daily oral pills and other shorter-acting options.

"With just two doses per year, lenacapavir is a transformative step forward in protecting people at risk of HIV – particularly those who face challenges with daily adherence, stigma, or access to health care," it added.

"While an HIV vaccine remains elusive, lenacapavir is the next best thing: a long-acting antiretroviral shown in trials to prevent almost all HIV infections among those at risk," said Dr Tedros Adhanom Ghebreyesus, WHO Director-General, in a news release.

"The launch of WHO's new guidelines, alongside the FDA's recent approval, marks a critical step forward in expanding access to this powerful tool. WHO is committed to working with countries and partners to ensure this innovation reaches communities as quickly and safely as possible," he added.

According to WHO, the new guidelines come at a critical moment as HIV prevention efforts are stagnating, with 1.3 million new HIV infections taking place in 2024, disproportionately impacting key populations, including sex workers, men who have sex with men, transgender people, people who inject drugs, people in prisons, as well as children and adolescents.

WHO said HIV remains a major global public health issue. By the end of 2024, an estimated 40.8 million people were living with HIV, with an estimated 65% in the WHO African Region.

Approximately 630,000 people died from HIV-related causes globally in 2024, and an estimated 1.3 million people acquired HIV, including 120,000 children, it added.

Meanwhile, in a post on its website on 15 July, the Make Medicines Affordable (MMA) campaign highlighted The Lancet study, pointing out that lenacapavir, administered just twice a year, has been shown to reduce HIV transmission to nearly zero.

However, it said the drug's high price remains a major barrier to access, with Gilead Sciences (which developed the drug) currently pricing it at over $28,000 per person annually in the US market.

According to MMA, Joseph Fortunak, the lead author of the study and a Professor at Howard University, along with Andrew Hill, Senior Visiting Research Fellow at the University of Liverpool and a leading advocate for HIV treatment access, as well as a global team of researchers, emphasized the potential for lenacapavir to be a highly cost-effective intervention in the fight against HIV.

The MMA post cited Hill of the University of Liverpool as saying: "We are at a moment where we could see the virtual elimination of HIV infections, but only if the drug is made affordable and widely available."

The authors of the study pointed out that six generic companies have signed royalty-free licenses with Gilead Sciences to manufacture and supply generic lenacapavir to 120 lower-income countries.

However, they said that key middle-income countries and all high-income countries are excluded from this agreement.

Gilead has committed to temporarily making treatment available for two million people in licensed countries at no profit, said the study.

In the countries outside of this license, lenacapavir is sold for $25,395-$44,819 per person per year, while the expected launch price for lenacapavir PrEP is $25,000 per person per year, it added.

"The need for affordable pricing for PrEP is acute given recent severe cuts to international aid, including a near- total de-funding of PrEP within the President's Emergency Fund for AIDS Relief (PEPFAR)," said the authors.

In its post, MMA pointed out that major regions with significant HIV burdens, such as parts of Eastern Europe, Central Asia, and most of Latin America, remain excluded from the licensing deals, leaving millions without access to this promising prevention tool.

"The licensing deals exclude some of the countries with the highest rates of new infections," Hill underlined.

"Governments need to recognize that they have the power to negotiate fair prices or consider compulsory licenses to protect public health," he said.

MMA noted that advocates and experts have described Gilead's current pricing as "utterly unaffordable" and a threat to public health.

Professor Andrew Grulich from the Kirby Institute called Gilead's pricing "absolutely crazy," emphasizing that no health system can afford to implement lenacapavir widely at current prices, according to the MMA post.

"Prevention drugs must be priced to reach as many people as possible – they cannot be treated like luxury therapies," Grulich stressed.

According to MMA, the authors of the study underscored the potential for generic lenacapavir to match or even undercut the price of existing oral PrEP regimens.

MMA said with support from global health funders, pooled procurement strategies could help bring down costs and accelerate manufacturing at scale.

"Scientifically, lenacapavir is the closest thing we have to a vaccine for HIV. But without affordable access, this breakthrough risks becoming a public health tragedy rather than a triumph," Hill concluded. *(SUNS #10264)*

(The full study can be accessed at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5293409).

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

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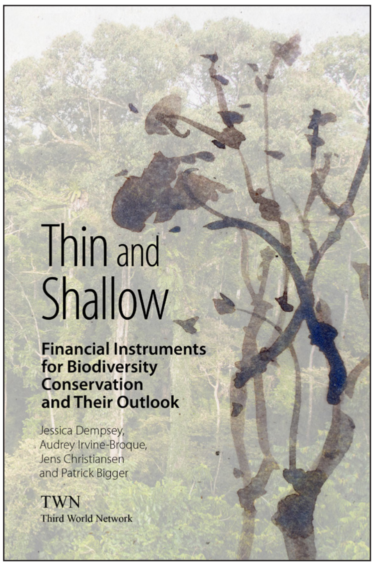

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This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard 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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