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Trade being held hostage by finance

Global economic growth is forecast to ease from 2.9% in 2024 to 2.6% in both 2025 and 2026, with UN Trade and Development (UNCTAD) warning that financial market dynamics now shape trade almost as much as real economic activity. With over 90% of world trade dependent on trade finance, banks, payment systems, and instruments like derivatives increasingly dictate access and costs, making global trade more vulnerable to shifts in interest rates and investor sentiment.

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Trade at the mercy of finance, leaving global economy "on the brink"

Global growth is projected to slow to 2.6 per cent in 2025, down from 2.9 per cent in 2024, as global trade and investment face growing pressure from financial volatility and geopolitical uncertainty, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: An increasingly challenging external environment is clouding prospects for the global economy, with global growth projected to decelerate to 2.6 per cent in 2025, down from 2.9 per cent in 2024, according to UN Trade and Development (UNCTAD).

In its flagship Trade and Development Report 2025, released on 2 December, UNCTAD said that the rate of expansion is 0.4 percentage points below the pre-pandemic average (2016-2019), which was already sub-par.

UNCTAD foresees the muted global growth dynamic to persist in 2026, at 2.6 per cent, as economies seek to adjust to the evolving external environment.

The report shows that shifts in financial markets move global trade almost as strongly as real economic activity, influencing development prospects worldwide.

It said that deterioration in the international environment affects the global South through trade and financial channels.

Increased financial volatility due to sudden policy swings leads to greater instability in capital flows and exchange rates, impacting international financing conditions.

UNCTAD said that global trade rose by about 4% early in 2025, driven in part by firms accelerating imports ahead of tariff changes, but also by structural shifts: services are expanding faster, supported by growth in the digital economy and artificial intelligence, and South-South trade is growing above average.

Beneath these factors, underlying trade growth is estimated at between 2.5% and 3% and is expected to ease further as financial conditions influence production and investment decisions more strongly.

More than 90% of global trade depends on bank finance. Dollar liquidity and cross-border payment systems are also crucial for international trading activities, UNCTAD pointed out.

This deep reliance on financial channels makes trade closely linked to global financial and monetary conditions, it further said, adding that a shift in interest rates or investor sentiment in a major financial centre can affect trade volumes worldwide.

For developing countries, the growing role of finance in trade brings real vulnerabilities.

Currency swings make imports and debt more expensive. Shifts in global risk appetite can cut off credit and financial volatility tends to hit their markets harder and more often, it said.

When prices move on financial signals rather than real economic conditions, their companies and producers compete on a more uneven playing field, it noted.

The report also highlights a widening gap between developing countries' growing weight in the world economy and their limited role in global financial markets.

They now account for over 40% of global output and merchandise trade, and attract nearly 60% of global foreign direct investment (FDI). Yet, developing countries hold just 25% of global financial market value.

Their smaller and less liquid capital markets make it harder for firms to raise money. Many developing countries also remain dependent on foreign banks, paying higher and more volatile interest rates, said UNCTAD.

Advanced economies typically borrow at 1% to 4%, while many emerging markets pay 6% to 12% for similar government bonds, it noted.

In a foreword to the Trade and Development Report 2025, UNCTAD Secretary-General Rebeca Grynspan said that: "Trade is not just a concatenation of suppliers. It is also the concatenation of credit lines, payment systems, currency markets and capital flows. Over 90 per cent of world trade depends on trade finance and cross-border banking infrastructure. While one system – the network of suppliers – has become increasingly decentralized and diversified, the other – the financial infrastructure enabling trade – remains remarkably concentrated."

"Developing economies remain vulnerable to currency volatility, financial infrastructure disruptions and shifts in risk pricing originating in distant financial centres. When major central banks adjust monetary policy, or investor appetite for risk shifts, these movements ripple through the global financial system, affecting the real economy and trade conditions across the global South," she added.

"The asymmetry is striking. Economies of the global South today account for over 40 per cent of global output, above 50 per cent of foreign direct investment inflows and more than 40 per cent of trade," she said.

"Their share of merchandise exports has grown from roughly 30 per cent in 2000, to over 45 per cent today. Yet, their position in global financial markets tells a different story. They remain peripheral to the equity and bond markets that finance long-term development: the North's market capitalization stands at over three times that of the South, with 40 per cent of the global bond market residing in just one country."

"Sitting on the periphery means that developing countries access credit on far more expensive terms and operate with financial infrastructure lacking the depth and liquidity to support domestic capital formation," she said.

"This gap in access constrains fiscal space, limits domestic capital raising and reinforces external financing dependence, creating structural headwinds that domestic policy efforts can seek to navigate, though not fully offset, in the absence of complementary reforms in the global financial system," Ms. Grynspan underlined.

Economic outlook

According to the report, the year 2025 has been defined by protracted and system-wide uncertainty over trade policy shifts and geo-economic challenges.

Even as international policy discussions tend to focus on tariffs, the impact of the current reset goes beyond trade.

International trade is deeply embedded in the global financial system: over 90 per cent of world trade depends on international banking and financial infrastructure. Yet, trade and finance are organized according to different systemic principles.

Notwithstanding current tensions over tariffs, around 72 per cent of global trade flows continue to be governed by WTO most-favoured-nation (MFN) terms, the report maintained.

On the other hand, it said that global finance is embedded in long-established market practices and conventions, networks of regulatory arbitrage and standard-setting functions delegated to private authorities.

"In the short run, this interdependence can help avoid fracture and provide an effective signal for policy re-calibration, as happened, for instance, in April 2025."

Over the long-run, the disparity between the rules-based matrix of global trade and the centralized global finance system manifests a deeper imbalance in the global economy, the report noted.

Although the imbalance between trade and financial architecture has a long gestation, it tests global economic resilience at a time of fading trust in multilateralism, polarization and slowing economic growth.

It is particularly damaging to smaller and vulnerable developing economies which are asymmetrically affected by tariff escalation and face mounting debt service costs and climate crises, it said.

"The ongoing reset of trade policy norms points to a deeper transformation of the global economy, a transition marked by uncertainty and geo-economic challenges."

Both factors amplify the effects of the absence of reliable drivers of growth. Subdued investment spending – aside from outlays concentrated in certain sectors, such as artificial intelligence technologies – as well as debt overhangs and constrained public spending persist in many countries.

These factors weigh on growth prospects already weakened by shocks in recent years.

Consequently, the report said global growth is projected to decelerate to 2.6 per cent in 2025, down from 2.9 per cent in 2024.

The rate of expansion is 0.4 percentage points below the pre-pandemic average (2016-2019), which was already sub-par.

UNCTAD foresees the muted global growth dynamic to persist in 2026, at 2.6 per cent, as economies seek to adjust to the evolving external environment.

It said resilience in economic growth numbers observed in early 2025 reflects dynamism in certain sectors and more transitory forces.

Strong investment and accelerating deployment of artificial intelligence technologies has boosted economic activity and prospects.

At the same time, a notable front-loading of imports and purchases in anticipation of tariff measures - as firms and consumers brought forward purchases to get ahead of increased costs from importing goods - provided a significant albeit temporary support to growth trajectories in the first two quarters of 2025, it added.

Front-loading had a transitory positive impact on outward trade flows to the United States and on production levels, which were ramped up to meet the fleeting up-tick in demand for certain goods.

The subsequent drop-off, however, will likely negate some of the initial positive impetus from brought forward flows and purchases, the report suggested.

"As a result, market resilience during the first half of 2025 may give way to a weakening in activity that will be more clearly reflected in subsequent quarterly data releases."

For its part, the impact of trade policy shifts on global value chains is ongoing and not yet fully internalized.

Still, the vulnerabilities of these production processes to sudden shifts in trade policy are evident, it stressed.

Likely disruptions to cross-border production lines will inevitably hurt economic activity. Economies dependent on value chains linked to the United States are particularly exposed to fallout from trade policy shifts, it said.

It further said the policy volatility accompanying these shifts has also hampered growth. Uncertainty complicates firms' decision-making, impacting business spending and capital expenditure as companies delay investment and hiring decisions amid a likely re-configuration of supply chains.

Recent studies have demonstrated that elevated policy uncertainty, particularly around trade, tends to coincide with downturns in exports, investment spending and aggregate economic activity, said the report.

Looking forward, it said the internalization of trade policy shifts undertaken during 2025 is expected to bring some degree of clarity to the international policy environment in 2026.

Yet, disruptions and dislocations in international production processes and increasing economic fragmentation stemming from these shifts could continue to temper any potential rebound in global economic activity.

"Moreover, the expected deceleration in activity after the front-loading of imports and purchases will spill over into next year, further dragging on growth numbers. The prospect of a positive impetus from investments in new technologies – most notably generative artificial intelligence – will not be sufficient to offset the deterioration in the global economic environment. UNCTAD foresees global growth to remain subdued in 2026, at 2.6 per cent." While policy uncertainty has dropped from unprecedented highs in early April 2025, it nevertheless prevails at historically high levels.

This reflects continuing volatility regarding, although not limited to, future shifts in trade policy, the report emphasized.

"The tariff rates that took effect on 7 August have brought greater clarity to the new trading scenario. Yet, the potential for further rate adjustments – due to subsequent bilateral agreements, commitments in agreements that affect spending and investments, and the imposition of higher tariffs based on other considerations (as for Brazil, Canada and India) – suggests that while policy uncertainty has decreased, it will remain elevated and continue to weigh on firms' spending and investment decisions."

Prolonged policy uncertainty will likely magnify associated negative effects on trade flows, capital expenditure and overall economic activity, and reverberate in increasingly volatile financial markets, it cautioned.

Generalized downturn

The downturn in growth prospects cuts across countries. The direct impact of trade measures, along with their indirect effects through trade linkages and elevated policy ambiguity, has led to a general deterioration in the global environment, said the report.

Certain regions and countries are, nevertheless, more vulnerable to the adverse international context than others.

It said in the United States, economic activity is expected to slow as increased tariff rates on supply chains have a detrimental impact on industrial sectors and the services sectors that depend on them.

Ongoing policy uncertainty continues to weigh on investment and private consumption.

On the positive side, equity markets have rebounded from outsized losses in April while investments driven by artificial intelligence have proven particularly strong.

These positive trends do not compensate, however, for the shortfall in consumption and other investment spending.

UNCTAD expects the United States economy to register a substantial deceleration, expanding by 1.8 and 1.5 per cent in 2025 and 2026, respectively.

In the European Union, growth is projected to remain sluggish. Despite reaching a deal with the United States to set tariffs for the bloc's exports at 15 per cent – a significant improvement over the initial reciprocal tariff rate – trade frictions could dampen growth prospects, the report suggested.

It said that while the agreed baseline tariff rate provides some policy clarity, the prospect of new sectoral tariffs and potential exceptions could keep policy uncertainty high and hinder business investment.

Ongoing monetary loosening will likely help ease credit conditions and boost private consumption.

"A significant expansionary pivot in Germany's fiscal stance may provide some growth impetus, although this will not fully offset the deterioration in the external environment."

UNCTAD anticipates ongoing subdued growth in the European Union, with expansions of 1.3 and 1.4 per cent in 2025 and 2026, respectively.

Meanwhile, it said in China, solid economic growth occurred at the beginning of 2025. In the latter part of the year, however, increased bilateral tariff rates have become a drag on output growth.

A rapid diversification in export markets as exporters reroute goods shipments to alternative markets; expansionary fiscal policy focused on subsidies for consumption goods, transfers to households and increased outlays for infrastructure; and monetary loosening have all buttressed the expansion in activity.

UNCTAD expects the growth rate to remain steady at 5.0 per cent in 2025, before moderating to 4.6 per cent in 2026.

In the rest of the global South, a challenging external environment complicates the outlook. The deterioration in the international environment affects developing economies through both trade and financial channels, said the report.

"Policy shifts reverberate in increasingly volatile international financial markets, leading to greater instability in capital flows and exchange rates and impacting international financing conditions."

Developing countries are particularly susceptible to movements in these variables, especially those with high external financing and refinancing needs and those with elevated external debt burdens, it added.

According to the most recent International Monetary Fund (IMF) debt sustainability analysis, more than half of low-income countries – 35 of 68 – are currently in debt distress or at high risk of debt distress.

Debt defaults have historically led to outsized, long-lasting reductions in output; a lack of access to international capital markets; and sharp increases in borrowing costs that hamper any subsequent economic recovery.

UNCTAD expects moderate growth in the global South in 2025, with many developing regions experiencing a decline relative to 2024.

Excluding China, growth in developing economies on aggregate is expected to remain at 3.7 per cent in 2025 before rising marginally to 3.8 per cent in 2026.

It said amid the subdued global growth outlook, the developing economies of the global South are expected to contribute the lion's share of global economic expansion in 2025, contributing just under 70 per cent of global output growth.

Developing economies in Asia (excluding China) are projected to see a slowdown in growth, to 3.8 per cent in 2025, and to pick up to 4.0 per cent in 2026. Economic performance in South-East Asia is particularly impacted by trade shifts.

On the brighter side, the report said the economy of India continues to exhibit strong growth amid continued robust public spending and private investment outlays.

Western Asia is also projected to see a pickup in growth, to 3.1 per cent in 2025 and 3.7 per cent in 2026, on the back of increasing oil output agreed by OPEC+ countries as well as dynamism in specific non-oil sectors.

In Latin America and the Caribbean, growth is expected to remain relatively weak, at 2.1 per cent in 2025 and 2026.

The region's exports are especially affected by trade measures in their principal destination markets, while elevated borrowing costs are weighing on domestic consumption and investment spending in several countries.

The report said in Africa, growth is estimated at 3.7 per cent in 2025 and 4.1 per cent in 2026. A few African economies are experiencing rapid economic development, but a combination of global factors and idiosyncratic domestic conditions holds back the regional aggregate.

Policy responses

In the current environment, proactive policy action is crucial to shield economies from the adverse effects of current shifts and an unpredictable international landscape. It must also lift economies out of their low-growth malaise, said the report.

It said where fiscal pressures constrain critically-needed public spending and investments, particularly amid increasing debt-servicing costs and waning external financing, governments can look to boost public resources through enhanced and more efficient frameworks of domestic revenue mobilization.

It said that failure to meet growing public investment needs is likely to have longlasting detrimental impacts on growth and development prospects, while unaddressed public spending constraints severely limit the capacity to enact countercyclical policies to manage demand shocks.

Internationally, regulatory arbitrage – including tax avoidance, base erosion and profit shifting, particularly by larger corporations – continues to drain fiscal revenues from developing countries and can undermine financial stability, it said, adding that greater international tax cooperation is vital to address these harmful practices.

Furthermore, increased concessional financing is needed to support development objectives, particularly in the most vulnerable developing countries.

Coordinated global policy actions – encompassing concessional financing and debt relief – are critical to mitigate growing financing vulnerabilities.

A key factor in reducing exposure to prevailing trade shifts is through deepening regional integration and export diversification.

When a country's exports have multiple destination markets, businesses can more easily adapt to shifts or downturns in one market by redirecting outward flows to others, the report noted.

In this regard, it said that recently, China rerouted exports to alternative markets amid tariff escalation with the United States, suggesting that market diversification can cushion the impact of sudden shifts in any individual market on revenues and production.

It also said that regional initiatives can help diversify productive structures and prevent excessive reliance on particular products – as well as any individual export destination market – while providing a potential bridge to global trade integration based on higher value-added goods.

Multilateral institutions are crucial in mitigating the potentially negative spillover effects of policy decisions in one country on others.

More generally, multilateral cooperation and coordinated policies are needed now more than ever to avert economic fragmentation, revitalize and sustain long-term growth, and tackle global challenges, the report concluded. *(SUNS #10346)*

Global trade growth to ease as outlook turns cautious, warns UNCTAD

Global trade in goods and services is expected to expand by 3-4 per cent in 2025, but momentum will weaken toward year-end, with early 2026 showing continued sluggishness, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global trade in goods and services in volume terms is projected to grow about 3 to 4 per cent in 2025, with prospects for 2026 being clouded by even greater uncertainty, according to UN Trade and Development (UNCTAD).

In its flagship Trade and Development Report 2025, UNCTAD said that the anticipated slowdown in the final quarter of 2025, coupled with continued subdued performance in early 2026, suggests a more cautious outlook, with the pace of global trade moderating in 2026.

Exceptional policy shifts throughout 2025 – whether in terms of scale, scope or speed – have plunged the world trade landscape into heightened uncertainty, said the report.

It said merchandise flows have been in the spotlight, with numerous announcements about new tariff measures.

In parallel, more profound multi-dimensional shifts have continued to reshape global trade.

These sudden shocks and longer-term transformations both reflect a complex interplay of macroeconomic reorientation, driven by stronger government footprints, inward-looking industrial policies, geopolitical tensions and rapid technological change, it added.

These forces will continue to shape the world economy and international trade in the years ahead.

While it is premature to predict the ultimate trajectory or destination, the near-term outlook appears underwhelming, said the report.

"Intensifying headwinds – such as the unwinding of pre-tariff front-loading and the more tangible impacts of new tariff hikes – already started to weigh on cross-border economic activity in recent months."

Moreover, heightened uncertainty per se undermines trade prospects and can even be more disruptive than new tariffs as firms can adapt to rising costs but struggle to plan around unpredictable policy shifts, said UNCTAD.

It said that the effects will vary across countries and industries. The reconfiguration of supply chains and trade networks, as well as the deployment of new technologies, may even create opportunities for certain firms, sectors and economies.

Overall, however, it said the current policy stance is likely to further strain an already fragile global economic environment.

Trade dynamics

"Amid the numerous trade policy measures announced throughout 2025, the relative trade dynamism observed during the first half of the year might seem unexpected, because such announcements typically entail significant disruptions," said the report.

In the very short-term, however, there was a strong incentive to export as much as possible to the United States before the new tariffs took effect.

Partly for this reason, preliminary estimates point to an expansion of world trade, in real terms, in the range of 4 per cent during the first semester, it added.

Measured in dollars, export revenues from goods and services rose by $300 billion year-on-year, reaching a total of $16 trillion.

The report said that merchandise trade volumes – defined as the average between exports and imports in constant prices – were, on average, about 4 per cent higher during the first semester of 2025 than the equivalent period in 2024, with monthly gains peaking in March and April 2025.

"This surge primarily reflects a significant temporary rise in imports in the United States due to pre-tariff front-loading. Netting out the contribution of this spike, world trade would have grown at 2.5 to 3 per cent, roughly on par with the growth rate of global economic activities."

The temporary hike was a key driver of the strong dynamism in exports from East, South and South-East Asia, the world's largest regional manufacturing hub, said UNCTAD.

Aggregated export flows from China, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, the Republic of Korea, Singapore, Thailand, Hong Kong (China) and Taiwan Province of China collectively expanded by almost 10 per cent year-on-year, in real terms, during the first semester.

Elsewhere in the world – except in Latin America – real export dynamics were relatively muted. In the United Kingdom, exports shrank by 2 per cent, while in the euro area, the world's largest trading group of economies, the growth of exports was flat.

Meanwhile, the exports of the United States and those of the group of other developed economies both grew about 2 per cent.

On the other hand, exports from Latin America registered 8 per cent growth, partly due to a low base.

A deeper look shows that in terms of monthly export levels, this region never exceeded the all-time high of December 2024 during the first six months of 2025, indicating that outward-oriented economic activities were less robust than the headline figure suggests, said the report.

As regards imports, the report said that data echoed macroeconomic conditions across many economies.

In China and the euro area – which together account for almost 40 per cent of global trade – imports remained subdued, continuing a prolonged pattern of weakness, it added.

More precisely, monthly Chinese import levels during the first half of 2025 oscillated from 1 to 7 per cent below their 2021 average.

Similarly, euro area imports were consistently 4 to 5 per cent lower than this benchmark. The prevailing lack of internal dynamism in these two major economic hubs is primarily responsible for this outcome, it said.

Elsewhere, only a few regions experienced sustained upward trends in imports. Where such patterns did emerge, they were often driven by low-base effects rather than underlying strength, it noted.

The report said considering nominal revenues of merchandise trade - a timelier and more comprehensive gauge of trade momentum - globally aggregated dollar exports increased by 2 per cent, or $230 billion, during the first semester of 2025, reaching almost $12 trillion.

Fast-growing export revenues in developing Asian economies supported this expansion. Taiwan Province of China, for instance, posted 25 per cent year-on-year growth, driven by strong demand for artificial intelligence products. Exports from the Philippines and Viet Nam expanded by approximately 15 per cent.

The report said beyond the short-term dynamics, the reorientation of trade flows and reconfiguration of supply chains are other critical dimensions to monitor.

The contours of these evolutions remain difficult to discern, as identifying consistent patterns amid noisy and fragmented data is challenging.

Nonetheless, it said that some metrics show, for instance, that Chinese exports to countries in Africa and to the Association of Southeast Asian Nations (ASEAN) have increased, while shipments from China to the United States have declined.

"Friend-shoring" and "near-shoring" trends appear to have stalled, or even reversed, in late 2024 and early 2025, it added.

The report said intentions in certain countries to repatriate industrial production have yet to materialize on a broad scale, partly because factory relocations and supply chain restructuring can sometimes span a decade or more.

The extremely high uncertainty that currently prevails is, moreover, not conducive to major supply chain shifts, it added.

"Key planning parameters on which firm managers rely are simply too volatile and blurred at the moment to support any large-scale transformation of their operations."

In this regard, the report said rather than fast-tracking the redeployment of industry, many entrepreneurs have adopted a "wait-and-see" approach.

In sum, it said while Governments' intentions to re-attract production domestically currently rank high, a volatile economic environment – largely driven by policy – hinders such efforts.

The report pointed out that if one thing appears clear amid heightened uncertainty, it is that firm managers are increasingly prioritizing markets seen as more predictable.

Hence, further diversion of Chinese exports away from the United States is expected to accelerate.

Such shift could exert a disinflationary influence in regions where exports are ultimately reallocated, it cautioned.

European countries, where currencies have appreciated against both the dollar and the yuan since early 2025, are particularly well positioned to experience these dynamics, it suggested.

However, the report said by mid-2025, the impact of recent front-loading activities had overshadowed the effects of trade diversion, making it difficult to isolate these patterns in the data.

As these temporary distortions fade, the underlying trends should become more discernible, it suggested.

One factor that could challenge this scenario is the potential for an improvement in trade relations between China and the United States, the report further said.

Optimism persists, especially after a meeting between the two Heads of State and Government took place in late October 2025. Still, caution is warranted: The path towards tariff levels closer to what was in place prior to 2017 remains long and uncertain.

If no common ground is found, then further fragmentation of global trade cannot be ruled out - posing additional risks for many bystander economies, the report warned.

With respect to services, the report said export revenues from services slowed down during the first quarter of 2025 before bouncing back during the second quarter.

Measured in current dollars, on-year growth for the first half of 2025 stood at approximately 7 per cent.

In absolute terms, global trade in services rose by about $270 billion between January and June 2024 and the same period in 2025, reaching nearly $4.4 trillion, according to UNCTAD data.

However, the report pointed out that significant currency fluctuations partially obscured this aggregate.

Several months have passed since the April 2025 tariff measures announced by the United States.

The new rates targeted a broad spectrum of imports – primarily manufactured products, albeit not only these, it noted.

It said the initial announcements were often followed by carve-out provisions, upward and downward revisions, implementation delays and various clarifications, resulting in a sequenced implementation process shaped by evolving operational conditions.

"These procedural adjustments postponed the actual enforcement of the tariffs, and their full economic impact has yet to materialize."

The trade landscape remains volatile and any forward-looking assessments should be approached with caution, the report suggested.

However, it said that by early August 2025, conditions seemed to have stabilized, at least partly.

On 7 August, a revised tariff schedule came into effect, imposing additional ad valorem duties ranging from 10 to 50 per cent on a broad variety of import products.

This marked the end of the temporary tariff reprieve that followed the April announcements, ushering in what many view as a fundamentally new trade regime for the United States.

Nonetheless, uncertainty persisted. On 29 August, a federal appeals court ruled that most new tariffs introduced by the US Administration were unlawful. The court, however, delayed the enforcement of its decision.

Subsequently, the report noted, the Supreme Court agreed to fast-track the proceedings. The oral arguments took place on 5 November 2025. The final decision is expected in the following months.

When comparing the tariff measures announced in August to those initially proposed in April, several developing countries ultimately faced more moderate increases, said UNCTAD.

For instance, several economies that had originally been assigned rates exceeding 30 per cent – though not all – saw their tariffs reduced by nearly half, if not more.

Those benefiting from these downward revisions included Angola, Bangladesh, Botswana, Cambodia, Cote d'Ivoire, Fiji, Guyana, Indonesia, Lesotho, Madagascar, Mauritius, Sri Lanka, Thailand, Viet Nam and Taiwan Province of China.

While no foreign economy has been entirely spared, many developing countries were notably absent from Annex I of the Executive Order of 31 July 2025.

"This means they were subject to an additional ad valorem tariff of 10 per cent, the lowest an economy could get under the new regime. This rate is far from negligible," said the report.

Yet an additional 10 per cent ad valorem duty should not completely jeopardize their export prospects, especially as all other exporters to the United States were subject to at least the same conditions, it suggested.

"Compared to the April announcements, this can be seen as a partial response to an earlier call by UNCTAD asking policymakers to reconsider the additional tariffs imposed on developing countries, especially small and vulnerable ones."

Still, more could be done to exclude such economies from any additional duty. A majority have almost no effect on the United States' trade deficit, said UNCTAD.

However, the report said that a handful of countries, nonetheless, experienced a deterioration in export conditions between the initial tariff announcements in April and the measures in place by late August – reflecting the impact of a more transactional and unpredictable foreign policy environment.

Brazil and India, for example, faced additional tariffs of 50 per cent on a wide range of export products by that time, compared to the 2024 baseline.

These rates represent a sharp departure from initial additional tariffs of 10 and 26 per cent, respectively.

While negotiations to reduce these rates are ongoing, significant uncertainty continues to cloud the outcome of these discussions, the report said.

Trade outlook

The report said that in many respects, the world economy has ventured into uncharted territory.

The heightened uncertainty confronting economic agents only compounds the complexity of the current landscape.

"Adding to the challenges, numerous recently released data series may have been distorted by transient factors, making their interpretation more precarious. Under such conditions, it is both prudent and necessary to exercise caution regarding what can be realistically and accurately predicted."

Forecasting the final annual trade figures for 2025 is relatively more straightforward than projecting those for 2026, for at least two reasons, the report explained.

First, data from the early months of 2025 are already available, reducing the scope for future developments to significantly alter annual aggregates.

Second, a wide array of indicators provides a reasonably clear picture of near-term trends.

Among these, the "new export orders" sub-components of manufacturing purchasing managers' indices have consistently stood below the neutral threshold of 50 across numerous economies in the second and third quarters of 2025.

The report said this signals a broad-based contraction in export demand. In several cases, these indicators have not only remained subdued but also trended downward, underscoring intensifying headwinds for manufacturing exporters globally.

As for trade in services, recent trends reveal a marked divergence across key sectors. In 2025, transport services are expected to remain relatively subdued.

Maritime trade volume is projected to expand by just 0.5 per cent, with containerized trade growing slightly faster at 1.4 per cent.

Looking ahead, total seaborne trade is forecast to grow at an average annual rate of 2 per cent, with containerized volumes rising marginally faster, the report suggested.

By contrast, travel services are anticipated to show greater resilience, with growth in international arrivals for the year 2025 ranging from 3 to 5 per cent.

Given these dynamics, the report said global trade in goods and services is projected to grow about 3 to 4 per cent in 2025.

"The anticipated slowdown in the final quarter of 2025, coupled with continued subdued performance in early 2026, suggests a more cautious outlook, with the pace of global trade moderating in 2026."

Notably, the lagged impact of recent tariff hikes is likely to exert downward pressure on trade volumes, with the risk of these effects spreading across borders through global supply chains and amplifying broader contagion in international commerce, the report underlined.

It said while the headline figure suggests moderate growth, it conceals significant heterogeneity across firms and countries.

In this context, it said small enterprises and low-income economies are especially vulnerable, as they mostly lack the capacity to respond to unpredictable trade environments.

It said their vulnerability is compounded by persistent uncertainty surrounding the extension of trade preference programmes, the specifics of transshipment conditions and evolving rules-of-origin frameworks.

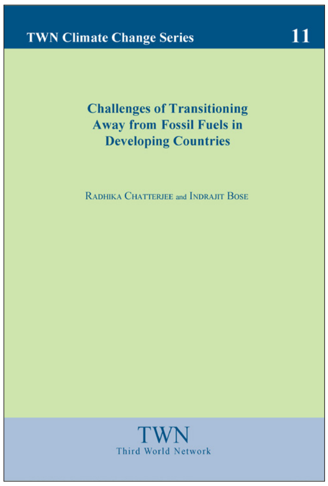
UNCTAD said that these uncertainties over future market access conditions continue to undermine strategic planning, deter investment, and limit their meaningful participation in international trade and global supply chains.

In these challenging times, it is imperative for all stakeholders to closely monitor policy shifts and adapt sourcing and market strategies accordingly, it suggested. *(SUNS #10346)*

TWN Climate Change Series no. 11

Challenges of Transitioning Away from Fossil Fuels in Developing Countries

by *Radhika Chatterjee* and *Indrajit Bose*



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In 2023, Parties to the Paris Agreement on climate change adopted a decision on 'transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner'. Implementation of this landmark decision will hinge to a large extent on what is deemed 'just, orderly and equitable'.

According to this paper, the Paris Agreement's core principles of equity and 'common but differentiated responsibilities and respective capabilities' of countries require that developed countries take the lead in the transition while also supporting developing countries' own transition efforts.

However, developed countries continue to exceed their fair share of the global carbon budget and are in many cases even planning to expand fossil fuel extraction. Developing countries, on the other hand, face huge challenges in shifting away from the fossil fuel sector, currently a key source not only of energy but also of revenue and employment. They are in fact doing much more than their fair share of climate action despite the many challenges they have to deal with. In light of this, only a transition that advances energy access and promotes sustainable development can deliver climate justice.

Download the book: https://twn.my/title/climate/climate11.htm

Talks on IP royalties blocked amid $98 billion paid by South for IP use

Talks at the World Trade Organization (WTO) on trade data concerning intellectual property payments have reportedly been blocked by major developed nations, a move that comes amid concerns that developing countries are burdened with tens of billions of dollars in royalty costs.

by D. Ravi Kanth

GENEVA: The United States, the European Union, and Japan, among others, reportedly blocked a request from Brazil, Colombia, South Africa, and India to convene a formal or informal meeting at the World Trade Organization (WTO) to discuss trade data relating to intellectual property (IP) payments made by developing countries.

This comes as developing countries are forced to pay tens of billions of dollars in IP royalties, according to people familiar with the development.

More notably, the WTO's Economic Research and Statistics Division (ERSD) has not compiled data on IP trade flows since the global trade body's establishment in 1995, said people familiar with the matter.

While the ERSD has meticulously maintained data on trade in goods and services, it has never carried out the same data collection for IP flows, which would indicate the magnitude of the payments made by developing countries on IP royalties, said an intellectual property negotiator who preferred not to be quoted.

During a TRIPS Council meeting on 11-12 November, members remained divided on two key issues: the demand for a permanent moratorium on "non-violation" complaints under Article 64.2 of the TRIPS Agreement, which is due to expire in March next year, and the demand to convene a meeting to discuss trade-related data on royalty payments for patents.

On the TRIPS moratorium, Switzerland and the United States continued to oppose a permanent moratorium on "non-violation" complaints, a move demanded by many developing countries as well as the European Union and Norway, among others, said people familiar with the meeting's proceedings.

Talks on IP flows

Earlier, Colombia had submitted a proposal (IP/C/W/721) highlighting the WTO's failure to provide data on the implementation of the TRIPS Agreement.

The proposal expressed sharp concern over "how little attention is paid to trade-related metrics of intellectual property."

Colombia said, "in the nearly thirty years since, there has been scant systematic discussion or data collection on IP trade flows at the WTO," adding that "while WTO statistics, monitoring reports, and Trade Policy Reviews provide detailed, granular analysis of trade in goods and services, coverage of IP trade is limited to a few or not consistent efforts."

For instance, according to Colombia, "the WTO and its members conduct in-depth studies of trade balances and flows in goods and services, even at highly disaggregated levels, but offer little comparable analysis for IP: Which Members are net recipients of IP payments? Which countries run persistent deficits? Are deficits and surpluses in IP flows relevant for trade analysis? Are these financial flows significant enough to warrant systematic tracking in WTO statistics?"

"Fortunately," Colombia said, "some relevant data can be extracted from official sources" such as the IMF and the World Bank, which "maintain robust but underutilized databases on international financial payments for the use of intellectual property."

It said that the IP-related payments – "typically known as royalties – are recorded as distinct items in countries' 'Balance of Payments' statistics."

Despite the richness of this data, it is largely overlooked in global trade discussions, it added.

Using data from these sources, Colombia provided a snapshot showing that "transfers from developing to developed countries are quite sizeable in absolute terms."

The data include:

1. In 2023 alone, low- and middle-income countries paid USD97.9 billion in royalties for the use of IP and received USD16.6 billion – a deficit of 589%.
2. The least developed countries paid USD434.9 million and received USD50.8 million.
3. The Arab World paid USD1.18 billion and received USD69.7 million.
4. Argentina paid USD1.75 billion and received USD250.6 million.
5. Brazil paid USD6.38 billion and received USD920.9 million.
6. China paid USD42.7 billion and received USD10.97 billion.
7. Chile paid USD1.36 billion and received USD79.6 million.
8. Colombia paid USD1.94 billion and received USD225.3 million.
9. Costa Rica paid USD1.02 billion and received USD7.62 million.
10. India paid USD14.35 billion and received USD1.53 billion.
11. Indonesia paid USD2.50 billion and received USD213.5 million.
12. Malaysia paid USD2.73 billion and received USD282.0 million.
13. Pakistan paid USD293 million and received USD13.0 million.

For developed countries, examples of these payments include:

1. In 2023, the US paid USD47.5 billion and received USD134.44 billion.
2. In 2023, the EU paid USD304.1 billion and received USD190.38 billion.
3. In disaggregation, in 2022, Germany paid USD20.9 billion and received USD52 billion.

Against this background, a joint paper (IP/C/W/723) was submitted by Brazil, Colombia, India, and South Africa demanding a substantive discussion on IP royalty flows.

The co-sponsors noted that during the discussion at the June 2025 TRIPS

Council meeting, "several delegations raised that the Council may request presentations from WIPO, WHO, ERSD Division of WTO and other relevant international organizations to discuss the issues which have come up and get the latest factual updates and information and thus have technical discussions."

Expressing disappointment over the lack of consensus, neither on the topics for holding the informal sessions, nor on inviting relevant organizations to present at the Council meeting, the co-sponsors submitted the following questions:

- In the context of the WIPO Treaty on Intellectual Property, Genetic Resources and Associated Traditional Knowledge (GRATK treaty) adopted by WIPO in May 2024, can WIPO provide information on key provisions of the treaty, its linkage with the TRIPS Agreement, and how it addresses trade of bio-piracy goods? What is the status of future negotiations in the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) and the discussion on the inclusion of the new disclosure requirement in the WIPO Patent Cooperation Treaty (PCT)?
- Can WIPO provide a presentation on its "PATENTSCOPE" tool? Does it include information on expired patents? How user-friendly and accessible is it? What are its key features and limitations, and are there any internal plans for further improvement? Does WIPO have a compilation of best practices for expired patent information databases?
- Can WHO provide a presentation on the recently concluded Pandemic Agreement? What are its linkages with the TRIPS Agreement and provisions for technology transfer? How does it support access to and trade of IP-protected essential medical products in the case of a future pandemic? What future work is planned related to IP and trade?
- Can the WTO's Trade in Services & Investment Division or ERS (Economic, Research and Statistics) Division present trends in IP royalty payments over the last 30 years? How does this data capture IPR trade flow, and what are its limitations? Has any study been conducted on improving IP trade data capture?
- Could the World Bank provide information on data captured for "Charges for the use of intellectual property" under Balance of Payments? What are the limitations and definitions of this data, and is it consistent with services data?

The co-sponsors said the Council for TRIPS can provide a useful format to discuss these issues for the entire WTO membership.

Informal, technical discussions and thematic sessions are used effectively in various other WTO bodies and could be utilized in the TRIPS Council to develop a common understanding, they added.

Despite sustained efforts to organize a meeting on these issues, the US, the EU, and Japan have so far blocked any discussion.

These countries apparently argued that a side event, rather than a formal/informal meeting, could be organized so that the issue could seemingly be turned into another Joint Initiative involving a plurilateral format, which they are also promoting for digital trade and investment facilitation, said people familiar with the development. *(SUNS #10344)*

Third World ECONOMICS No. 831-832, 16 November -15 December 2025

GC chair and DG lay out plan for MC14 amid member discord

A meeting of capital-based senior officials has been called for 16 December, aimed at preparing the ground for "focused and meaningful ministerial engagement" at the upcoming WTO's 14th Ministerial Conference (MC14) in Cameroon in March 2026.

by D. Ravi Kanth

GENEVA: The chair of the World Trade Organization's General Council (GC) and the WTO Director-General are convening a meeting of capital-based senior officials at the WTO on 16 December.

According to a joint letter that they issued on 26 November, the meeting is ostensibly to ensure "focused and meaningful ministerial engagement at MC14."

However, several trade negotiators, who asked not to be quoted, said many developing countries are fiercely pushing back against alleged attempts to foist a "top-down" reform agenda on them.

They argue that this reform agenda fails to address their key concerns while advancing the interests of major industrialized countries, who are attempting to change the rules of the Marrakesh Agreement.

In the joint letter sent to members on 26 November, the GC chair, Ambassador Saqer Abdullah Almoqbel of Saudi Arabia and the DG, Ms. Ngozi Okonjo-Iweala, said, "in just under four months, Ministers and Heads of Delegation will convene in Yaounde, Cameroon for the WTO's 14th Ministerial Conference."

"Given the current turbulence in global trade and its implications for the multilateral trading system, this conference will be pivotal," they added.

Trade envoys, who asked not to be quoted, noted that the letter did not explain the nature of the "current turbulence" or how the proposed reforms would help overcome it.

Trade envoys, who asked not to be quoted, said it is common knowledge that the unilateral reciprocal tariffs imposed by the Trump administration have seriously hollowed out the raison d'etre of the global trade body.

They noted that Washington has seemingly become a "parallel epicenter" to resolve concerns stemming from those same tariffs.

The GC chair and the DG, however, claimed that "delegations in Geneva have been striving to lay the groundwork for a productive and substantive meeting in Yaounde, with the Roadmap to Yaounde (Job/ TNC/127/Rev.2), serving as a reference."

According to the letter, "this evolving document reflects the diversity of views expressed by Members," and "while there are differing perspectives regarding the timing and convening of Senior Officials, the value of keeping them apprised of preparations for MC14 has been clear."

A trade envoy, who asked not to be quoted, said that given the sharp divisions among members on three key reform areas – changing the consensus principle, differentiating among developing countries for availing of special and differential treatment, and "leveling the playing field" – the GC chair and the DG did not explain how the senior officials' meeting would help create a conducive framework.

The same envoy added that calls for reforming the WTO's "broken" dispute settlement system are being brushed aside, while the focus remains on the three controversial reform areas.

Another trade envoy, who asked not to be quoted, said the so-called "reform ministerial" and calls for a post-MC14 reform agenda would be tantamount to launching a new round of trade negotiations.

People familiar with the development said that if the reform-driven agenda is intended to write off the unresolved mandated issues of the Doha work programme, then the GC chair and the DG should make this public to inform trade ministers of the underlying agenda.

Nevertheless, the GC chair and the DG stated in their joint letter that updating "Senior Officials at this stage will provide the clarity and guidance necessary to sharpen efforts in the lead-up to MC14".

In a restricted document (Job/ TNC/127/Rev.2) issued by the DG in her capacity as chair of the Doha Trade Negotiations Committee (TNC) and seen by the SUNS, titled "The Revised Roadmap to Yaounde MC14 – Possible Modalities, Substance, and Way Forward – MC14 Structure and Procedural and Organizational Matters", the following points were made:

1. Key Parameters for MC14

- Duration: There is broad support for a short, focused, and flexible Ministerial Conference, with no extension beyond the official dates of 26-29 March 2026.
- "Geneva First" Principle: Substantive work should be completed in Geneva, with Ministers only approving outcomes.
- Cut-off Date: Only issues with genuine convergence should be forwarded to MC14. The proposed deadline for determining these issues is December 2025.
- Transparency and Inclusivity: All processes should be transparent, inclusive, open, Member-driven, and broadly representative of the Membership.
- Senior Officials Meeting (SOM): Views remain divergent on the need for a SOM:

1. Not to convene a SOM.
2. Convene a SOM after the December cut-off date, once the substantive agenda is clearer, to help finalize Geneva preparations and better prepare Ministers for Yaounde.
3. Hold a virtual SOM for information-sharing only – to provide an update on the state of play of MC14 preparations and assist Senior Officials in preparing their Ministers.
4. Encourage delegations to have their Senior Officials participate in the December GC meeting which will include the December cut-off discussions.

- Mini-Ministerials: Some Members are of the view that Member-convened mini-Ministerial meetings with broad participation could play a useful role in the lead-up to MC14. In this regard, many have highlighted the Davos meeting in January and other similar gatherings as valuable opportunities for political engagement ahead of the Ministerial. Others, however, have expressed caution, noting that such meetings do not include all Members and therefore may raise concerns regarding inclusivity and transparency.

- MC14 Format: While awaiting the December cut-off date to determine the substantive issues to be taken up at MC14, Members consider WTO Reform to be a central pillar of the Conference. In this regard, there is interest in designing a format that allows for focused, interactive, and Minister-led discussions on reform-related issues, ensuring broad participation and meaningful outcomes.
- There is also broad agreement on the importance of transparency and inclusivity, and on the need to design a structure that enables effective and meaningful ministerial engagement – one that fosters genuine dialogue among Ministers rather than the reading of prepared statements.

In this context, there is wide support for the following approach:

- Pre-recorded national statements: Ministers would pre-record their statements, as was done for MC12 and MC13. These would be broadcast throughout the Conference and made available online.
- Interactive ministerial dialogues: Discussions would take place in small breakout groups to encourage more candid exchanges. Each group would be led by a Minister-facilitator, who would report key takeaways in a transparency plenary following the session.
- Common thematic focus: All Ministers would consider the same topic during each session, followed by a plenary report-out before moving on to the next theme. This would ensure that all Ministers engage on the same issues, avoiding parallel discussions on different topics.
- Time for bilaterals: Dedicated time would be included in the agenda for ministerial bilateral meetings.

2. Political Messaging of MC14 (GC chair currently consulting):

Views expressed under the theme of “Main Messages”:

- Reaffirm the relevance and resilience of the WTO amidst uncertainty;
- Underscore the need for repositioning and reform of the WTO; and
- Opportunity to highlight issues and interests of concern to Africa and the larger WTO Membership (agriculture, development and policy space for industrial development).

3. Under substantive areas, nothing is being mentioned.
4. Suggested Criteria to Facilitate Decision-Making in Light of December Cut-Off Date as Proposed by Some Members:

Issues that fall into the following four categories could warrant referral to Ministers for decision.

“They are all things that would be directed at positioning Ministers to have political level exchanges rather than technical ones and would also give effect to the ‘Geneva first’ idea.”

- The first category would be that a possible outcome be referred to the Ministerial Conference if it had been agreed by the responsible WTO body.
- The second category would be that a possible outcome be referred to Ministers if it would renew or extend an existing WTO mandate or outcome that would otherwise expire.
- The third category would be that a possible outcome be referred to Ministers if it were submitted as a report to Ministers by the General Council Chair.
- The fourth would be that a possible outcome be referred to Ministers if only political decisions remained – that is, if negotiations on technical issues had concluded.

The Ministers’ agenda may be structured on the basis of the following refined criteria:

- First, Geneva agreed outcome. This section could include matters that require only a formal ministerial adoption.
- Second, issues requiring ministerial guidance. This section could include matters that are rather technically exhausted and require a renewed mandate or other form of a ministerial directive.
- Third, issues requiring critical political choice. This section could include issues which are technically mature but cannot advance without a political compromise.
- Fourth, high-impact reform priorities. This section could include matters which Members would agree are central to restoring this organization’s functionality or reform package. *(SUNS #10343)*

Members push back against “top-down” WTO reform proposals

The World Trade Organization (WTO) reform discussions took a contentious turn on 26 November when the facilitator circulated his findings on possible changes to the organization’s core principles, which reportedly conflated key concerns and downplayed the strong resistance voiced by a majority of members to the proposed changes.

by D. Ravi Kanth

GENEVA: The facilitator overseeing the discussions on the reform of the World Trade Organization on 26 November circulated his findings, under his own responsibility, on changing the core principles of the member-driven and rules-based global trade body, said people familiar with the development.

A document sent to members by email on 26 November, seen by the SUNS, contains the findings of the facilitator, Ambassador Petter Olberg of Norway, following small-group meetings on “decision-making”, “development and special and differential treatment (S&DT)", and "level playing field issues".

The observations of the facilitator, somewhat framed in the idiom "on the one hand and on the other', seem to have conflated the issues, while concealing the fierce pushback from a majority of members to the proposed changes, said several trade envoys who asked not to be quoted.

Significantly, the core issues seemingly plaguing the WTO – such as the "broken" dispute settlement system that is at the heart of the WTO's enforcement function and other unresolved mandated issues, including in agriculture – appear to have been brushed aside by the facilitator, said a South American trade envoy, who asked not to be quoted.

The email from the facilitator starts with the observation that: "Members I have consulted share a common premise: none of them challenges the practice of decision-making by consensus. Consensus remains fundamental to the WTO's legitimacy, inclusivity, and equity."

"At the same time," said Ambassador Olberg, "the reality is that few decisions have been taken over the past 30 years".

However, the facilitator's observation does not reveal why decisions could not be taken or how decisions were "pocketed" (a term used in the trade lexicon) by major industrialized countries such as the Trade Facilitation Agreement while demolishing the Doha Round of trade negotiations in 2015, said trade envoys, who asked not to be quoted.

Justifying his seemingly conflated findings, the facilitator said, "In light of this, the need for greater flexibility, improved efficiency, stronger outcome-orientation, and enhanced relevance has been highlighted."

The facilitator added: "For others [perhaps referring to the 'Friends of the System' group in which Norway is a key member], decision-making per se is not the problem; rather, deeper engagement on the substantive issues is needed instead of working around unresolved differences."

"Still others [the large majority of members] see the core challenges as stemming from broader institutional weaknesses – eroded trust, unfulfilled mandates, limited inclusivity, and ineffective implementation of S&DT," the facilitator noted.

Interestingly, the facilitator maintained that "others also caution that any changes must be approached carefully so as not to disrupt the delicate balance established in the Uruguay Round."

The facilitator's failure to mention the Doha Round of trade negotiations, which was primarily launched to address the inequities in the Uruguay Round commitments as well as its implementation failures, appears rather troubling, said several trade envoys, who asked not to be quoted.

The facilitator noted that "consensus, they stress, should remain a behavioural norm – grounded in mutual respect, compromise, and constructive engagement."

For many countries, the rules set out in the Marrakesh Agreement take precedence over any "behavioural norm", said one trade envoy.

"If you do not want to upset the delicate balance in the Uruguay Round agreements, then why change the rules based on those agreements?".

Concrete challenges

Under the sub-heading of concrete challenges, the facilitator listed the following observations under his own responsibility:

- Inability to reach consensus has left parts of the WTO framework outdated, delaying necessary rule updates over time.
- The absence of a shared diagnosis of the gridlock's root causes risks reforms that would address symptoms rather than root causes of the concerns raised.
- Insufficient flexibility in the current framework constrains effectiveness in modernizing rules or deepening integration by those willing, even where there would not be material harm to others.
- Non-multilateral approaches risk system fragmentation and exclusion of non-participants.
- Weakened trust – driven by uneven transparency, lack of inclusivity, and unfulfilled mandates – undermines consensus-building and collective ownership.
- Lack of progress on the substantive issues is a challenge, necessitating deeper and more sustained engagement among Members.
- Applying consensus rules uniformly across all decision types hinders everyday operations and rulemaking, undermining efficiency.
- Applying strict consensus in launching multilateral negotiations can slow progress, undermine efficiency and prompt some Members to pursue non-multilateral approaches.

In a somewhat "top-down" approach, the facilitator proposed "possible approaches for ministers to consider for post-MC14 work", implicitly suggesting a new Yaounde round of trade negotiations, said people familiar with the development.

The list of possible approaches proposed by the facilitator include the following:

1. Reaffirm that the practice of decision-making by consensus is central to WTO decision-making.
2. Conduct a comprehensive evidence-based stocktake/audit of what has worked, what has not, and why, including unfulfilled mandates.
3. Assess the drivers behind Members' decision-making views – why some see a problem and others, not – to support a more inclusive, functional system post-MC14.
4. Explore ways for flexibility to enhance efficiency and support outcomes-oriented approaches with appropriate guardrails.
5. Explore how to better enhance transparency, inclusivity and feedback mechanisms.
6. Explore differentiating amongst types of WTO decisions (e.g., chair appointments, budget, conclusion of agreements/new rules) and consider whether varied decision thresholds could apply.
7. Explore whether initial procedural steps to launch multilateral negotiations could proceed without strict consensus, while preserving consensus for final outcomes.

In some ways, the approaches proposed by the facilitator seem akin to corporate management edicts and not for a treaty body with a diverse membership and differing interests, said a trade envoy, who asked not to be quoted.

Reflecting on S&DT and Development, the facilitator said that "Trade and WTO rules are important enablers for growth and development for all Members."

He stated that "development is a central and cross-cutting theme in the WTO's work."

Without mentioning the US proposal in 2020 on "differentiation" among developing countries for availing of S&DT, which was then opposed by China, India, and several other developing countries, the facilitator seems to have reflected the views of the US, Japan, and the European Union among others by saying that "members hold differing views on how best to advance development within the WTO, including in relation to S&DT."

Ambassador Olberg argued that "while Members recognize that development extends beyond S&DT, S&DT remains key. Not a single Member I consulted advocates elimination of S&DT."

"Rather, the concern is about its effectiveness," the facilitator said.

With regards to what he considers as "concrete challenges", the facilitator listed the following issues:

i. Development challenges persist: While progress has been made and WTO rules have contributed, many developing Members and LDCs continue to face significant obstacles that limit their ability to fully achieve their trade and development goals and fully integrate into the multilateral trading system.

ii. Lack of Effectiveness of S&DT: Blanket application of S&DT; Outdated, redundant, or non-operational provisions; Untargeted, open-ended exemptions; Implementation gaps, not design, create shortcomings; Difficulty in adapting S&DT to evolving development needs of Members.

iii. Lack of Differentiation and Criteria for S&DT: Lack of objective criteria or transparency to determine who qualifies; A one-size-fits-all approach is unsustainable; Politically sensitive nature of imposing external criteria.

[After several rather convoluted remarks, the facilitator comes to the topic of "differentiation" in a surreptitious way, according to one trade envoy].

iv. Lack of Integration and Equity: Development should include fair distribution of trade outcomes, not only S&DT; Need to ensure that S&DT supports genuine integration; Some developing Members have become major competitors yet still enjoy S&DT including exemptions.

v. Lack of Flexibility, Needs-Based Support, and Responsiveness: Current S&DT lacks needs-based or targeted approaches; Absence of mechanisms for crisis responsiveness, waivers, or "trigger-ready" measures; Balancing flexibilities while maintaining treaty obligations is complex.

vi. Political and Institutional Challenges: Potential destabilization of treaty balance if S&DT is altered; Different views on whether reform should focus only on future negotiations or also correct imbalances caused by existing rules.

vii. Technical Assistance and Capacity-Building Challenges: Weak alignment between technical assistance and S&DT implementation; Lack of systematic tools to monitor or assess S&DT utilization and impact; Concerns over neutrality, oversight, and accountability in Secretariat support.

To address these challenges, the facilitator proposed the following approaches for "Ministers for post-MC14 work":

- Have Evidence-Based Approaches such as compiling "factual information on S&DT use, beneficiaries, and gaps to support a fact-based reform discussion"; and using "Trade Policy Review findings to better link technical assistance to actual needs".
- Maintaining Legitimacy and Balance: "Reaffirm treaty-embedded nature of S&DT"; "Make S&DT precise, effective and operational"; and "Avoid destabilizing the Marrakesh balance while modernizing provisions."
- Explore Targeted and Needs-based Approaches: "Explore shift from open-ended exemptions to time-bound, targeted S&DT based on demonstrated need"; "Explore voluntary opt-outs for those in a position"; "Explore a flexible approach, allowing Members to access S&DT in agreements where needed, and opt out where it is not"; and "draw comparative lessons from other international organizations using needs-based approaches".
- Explore Defining Differentiation Criteria: "Explore objective criteria for S&DT eligibility (e.g. percentage of global trade, World Bank income level, OECD membership) while considering limitations of GNI (gross national income) only approaches"; "Explore mechanisms for others to challenge one's self-designated status for transparency and accountability"; and "consider gradual politically sensitive differentiation approaches that respect sovereignty".
- Improve Implementation and Responsiveness: "Explore 'trigger-ready' mechanisms or crisis waivers to enhance adaptability"; "Align S&DT provisions with evolving economic realities, including graduation and transition mechanisms for LDCs"; and "Explore making flexibilities more effective and credible by targeting rather than eliminating them".
- Strengthen Capacity-Building and Technical Support: "Strengthen coordination and impartiality of technical assistance"; and "Ensure closer alignment between capacity-building and S&DT provisions to enhance operational impact."

The facilitator offered his reflections on exploring reform for "leveling the playing field", which seems to be largely based on a joint paper issued by the US, the EU and Japan in 2020 aimed at targeting China, said people familiar with the development.

In his introduction on this topic, the facilitator maintained that "calls for reform aimed at fostering a level playing field stem from concerns that certain aspects of the WTO rulebook – and the way the system functions today - have not kept pace with profound shifts in the global economy."

The facilitator ought to have mentioned whose "calls for reform" he is reflecting on, said people familiar with the development.

"All Members I have consulted agree that this is the issue of the moment," the facilitator said, adding that "every Member is affected in some way, and there is a strong, shared call for reform."

He continued: "Fairness, however, means different things to different Members. Views differ widely on how to achieve a level playing field."

The facilitator said: "A range of views has been expressed, including overcoming barriers to industrialization, policy space for industrialization and economic diversification and the ability to compete on fair terms, addressing issues in agriculture, improving transparency and notifications, addressing dispute settlement concerns, advancing open and market-oriented policies, tackling fragmentation, unilateral actions, and preferential arrangements."

The facilitator, however, did not clarify the supposed "unilateral actions" – whether they relate to the Trump administration's unilateral reciprocal tariffs or China's alleged subsidies to state-owned enterprises.

"Given this broad spectrum of perspectives, Members emphasize the need for a more focused and structured approach to these discussions," the facilitator noted.

The facilitator highlighted the following "level playing field" issues:

a. Diverse Interpretation of Fairness and Rules Not Fit for Purpose: Current rules are increasingly seen as insufficient for today's trade realities; Some stress that trade-distorting state interventions undermine a level playing field, while others underline the role of targeted state support in achieving development and diversification;

b. Policy Space and Development Needs: Many developing Members and LDCs view current rules as too rigid to support structural transformation, industrialization and diversification; The ASCM and related disciplines are seen by some as constraining policy tools even as others stress the need to prevent trade distortions; Persistent disparities in agricultural and other sectoral support, including differences in Members' ability to use subsidies in the past and present, contribute to perceptions of unequal competition.

c. Subsidies, State Interventions and Other Distortions: Rules are viewed as outdated; Non-actionable subsidy provisions are inactive; Perceived gaps in the current framework for assessing harm caused by subsidies, both in terms of economic methodology and in how rules capture complex state support; Developing economies face challenges to fair competition not only from state subsidies but also from broader sources of distortions such as dominant suppliers and anti-competitive practices.

d. Transparency and Compliance Concerns: Lack of effective compliance with notification obligations limits ability to respond effectively; Capacity differences hinder compliance; Enforcement and dispute settlement has curtailed effectiveness of WTO remedies; Lack of transparency in the application of standards and rules significantly constrains exports from developing and LDC members.

e. Institutional and Forum Challenges: Lack of cross-cutting avenue to discuss national policies and trade impacts;

f. Inclusiveness and Development Orientation Challenges: Fairness concerns span many areas which should be recognized (critical minerals, TRIPS, TRIMs, S&DT, NTMs); Structural disadvantages of developing Members and LDCs hinder participation.

The facilitator's approaches to address the "level playing field" challenges include the following:

I. Recommit to WTO Rules and Principles:

- Reaffirm Members' commitment to upholding WTO rules and disciplines.

II. Explore Rule Reform and Updating Mechanisms on Subsidies, State Interventions and Other Distortions:

- Explore updates to ASCM rules and non-actionable subsidies.
- Focus on harm caused by subsidies rather than narrow definitions.
- Recast WTO rules to better support development objectives.

III. Explore Development-Oriented Approaches:

- Explore flexible policy tools to promote structural transformation, industrialization and economic diversification.
- Address agricultural and sectoral imbalances.
- Explore introducing a Development Review Mechanism to assess rule impacts.
- Strengthen Aid for Trade to address industrial competitiveness infrastructure.

In a nutshell, the facilitator's seemingly "top-down" approach appears to be fraught with dangers, and it could collapse outright, several trade envoys warned. *(SUNS #10242)*

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G20 leaders rally behind multilateral trade as US opts out

Hosted for the first time on African soil, G20 leaders meeting in Johannesburg, South Africa on 23 November issued a strong declaration backing multilateral trade rules and the World Trade Organization (WTO), while denouncing unilateral tariffs.

by D. Ravi Kanth

GENEVA: Leaders of the Group of 20 industrialized and developing countries on 23 November issued a powerful declaration in Johannesburg, South Africa, on strengthening the multilateral trade rules, particularly the World Trade Organization.

They also inveighed against "unilateral tariffs" while reinforcing the multilateral trade compact.

Held for the first time on the African continent under the overarching theme of "Solidarity, Equality, Sustainability", as proposed by host nation South Africa, the meeting was reportedly boycotted by the leader of the world's largest economy, the United States.

The two-day meeting (22-23 November) in Johannesburg seemingly reinforced unity and solidarity among the participating leaders in safeguarding the multilateral trade rules, said people familiar with the discussions.

Although the United States and Argentina refused to join the consensus on the declaration, this did not stop the other leaders from all continents, including North America, from issuing the final "G20 South Africa Summit: Leaders' Declaration".

According to media reports, the host of the meeting, South African President Cyril Ramaphosa, did not pass the gavel to the US envoy – in the absence of the US President – for the next meeting, scheduled to be held in the US sometime next year.

Despite a US request to hand the gavel to their envoy who was present, South Africa reportedly refused.

A spokesperson for the South African President reportedly said: "I mean, it's a breach of protocol. It has never happened before and it was never going to happen for the first time here in South Africa."

Nevertheless, the handover of the gavel was expected to take place on 24 November between South African and US officials of similar rank.

Trade and WTO

The G20 South African summit declaration addressed several major issues concerning the state of play in multilateral trade and the WTO and also criticized unilateral trade measures.

In paragraph 86 of the declaration, which largely concerns the WTO, the G20 leaders recognized that "trade and investment can be a driver of economic growth, development, job creation, industrialisation, technological progress and contribute to global food security while noting that benefits are not shared by all."

They said that they will strive "to ensure that the benefits of trade reach all segments of society and that all people have the opportunity to benefit from trade," while emphasizing "the importance of strengthening multilateral cooperation to address existing and emerging risks and challenges to the global economy."

The leaders said they "recognise the importance of the WTO to advance trade issues", while acknowledging that "the agreed upon rules in the WTO are key to facilitating global trade."

Also, while further acknowledging that "the WTO has challenges," they recognized that "meaningful, necessary and comprehensive reform of the WTO is essential to improve its functions so that it is better suited to advance all Members' objectives."

The G20 leaders also recognised the need for "constructive engagement at the WTO on agriculture and other issues of interest to Members, including development" and called for "constructive discussion at the WTO to identify where progress is possible in ongoing negotiations."

Finally, they committed "to work constructively to ensure positive outcomes at the WTO's Fourteenth Ministerial Conference (MC14) in March 2026 in Cameroon."

This aspiration may not be fulfilled at MC14 given the latest positions adopted by the US, said people familiar with the development.

The G20 leaders' declaration also drew attention to the importance of the African Continental Free Trade Area (AfCFTA).

Paragraph 87 of the declaration acknowledged that regional economic integration, including the AfCFTA, is a key enabler of economic growth, resilience, investment and development.

It noted "the South African Presidency initiative on a G20 Africa Cooperation Agenda on Trade and Investment, which is a voluntary and non-binding initiative to strengthen inclusive growth and development potential of Africa by harnessing support for the implementation of the AfCFTA, mobilise investments into Africa's productive sector and facilitate investments into key infrastructure projects in support of the African Union Agenda 2063."

Meanwhile, in paragraph 40, the declaration delivered a strong message on the importance of food security.

It reiterated the G20 leaders' commitment "to ensuring resilient and sustainable food systems and food security through open and non-discriminatory trade policies consistent with WTO rules."

The declaration noted that "modernising agriculture and food systems resilience can be enhanced through land, soil biodiversity, energy and water management, reducing food waste, adaptation and mitigation, support for sustainable technologies, innovations and approaches and investment in smallholder and family farmers while promoting the inclusion and the empowerment of women and youth, strengthening local food production, resilient and improved food value chains that facilitate diversified food supplies, WTO compliant national and emergency food reserves, reducing food loss and waste, including through zero waste and other initiatives and international and regional trading arrangements that ensure food supplies complement national food security, domestic production, and enhance access to and affordability of healthy diets."

In paragraph 100 of their declaration, the G20 leaders said that "building on the recommendations in the Rio de Janeiro and New Delhi G20 Declarations, we take note of the results of the Third UN Ocean Conference in Nice. The ocean offers solutions to several issues on our G20 agenda, such as strengthening global food security, increasing access to sustainable energy, and conserving and sustainably using marine resources and ending illegal, unreported, and unregulated (IUU) fishing."

They noted "the receipt of a sufficient number of ratifications for the entry into force, in January 2026, of the Agreement under the UN Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (the BBNJ Agreement) and members who are signatories call for its swift and effective implementation."

They welcomed "the entry into force of the WTO Agreement on Fisheries Subsidies. We call on the remaining WTO members to accept it as soon as possible."

In paragraph 99 of the declaration, the G20 leaders expressed concern over proliferating green measures such as the EU's trade measures relating to deforestation.

The leaders said recognizing that "forests provide crucial ecosystem services, as well as for climate purposes acting as sinks," they stressed "the importance of scaling up efforts to protect, conserve and sustainably manage forests and combat deforestation, including through enhanced efforts towards halting and reversing deforestation and forest degradation by 2030, highlighting the contributions of these actions for sustainable development and taking into account the social and economic challenges of local communities as well as Indigenous Peoples."

"In the context of forests," the leaders said they "will avoid discriminatory green economic policies, consistent with WTO rules and multilateral environmental agreements."

They "committed to mobilising new and additional finance for forests from all sources, including concessional and innovative financing for developing countries."

The leaders encouraged "innovative mechanisms that seek to mobilise new and diverse sources of funding to pay for ecosystem services."

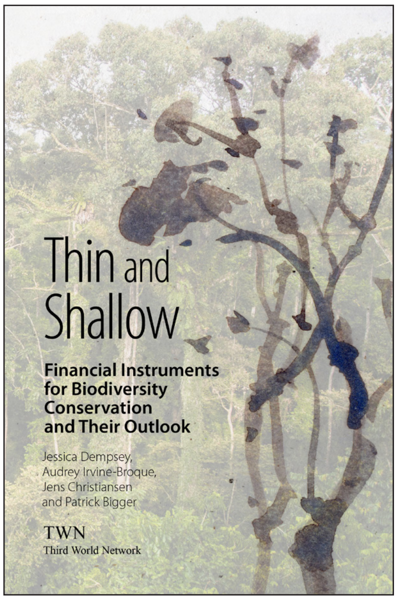
They noted "the launch, during the Belem Climate Summit, of the Tropical Forest Forever Facility (TFFF) as an innovative instrument to incentivise the conservation of tropical forests and support sustainable development."

In paragraph 33 of their declaration, the G20 leaders said "to secure long term sustainable economic growth, we support increased exploration of critical minerals, particularly in developing countries; promoting diversification of mineral sources, routes, markets, processing locations, and value chains; enhanced value retention and beneficiation in mineral endowed developing countries; and the implementation of robust, non-discriminatory and relevant standards on economic, social and environmental aspects in accordance with national frameworks."

They highlighted the importance of ensuring that "the value chain of critical minerals can better withstand disruptions whether due to geopolitical tensions, unilateral trade measures inconsistent with WTO Rules, pandemics, or natural disasters and that more producer countries can participate in and benefit from value chains." *(SUNS #10340)*

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

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger



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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.

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

Third World ECONOMICS No. 831-832, 16 November -15 December 2025

South faces rising costs as global food import bill hits record high

Highlighting continued pressure on global food trade, the Food and Agriculture Organization (FAO) projects the global food import bill to hit a record USD2.22 trillion in 2025, nearly 8 per cent higher than 2024, with robust demand for higher-value foods at elevated prices driving the surge.

by Kanaga Raja

PENANG: The global food import bill (FIB) is estimated to reach USD2.22 trillion in 2025, up nearly 8 percent from 2024, marking a new record high and the second consecutive annual increase following a brief decline in 2023, according to the Food and Agriculture Organization of the United Nations (FAO).

In the latest edition of its biannual Food Outlook, FAO said that although international prices of staple food commodities like cereals are slightly lower, strong demand for higher-value products, despite elevated prices, is driving this anticipated increase.

"However, patterns by income groups vary significantly: in absolute terms, growth in the global FIB is largely driven by high-income countries, fuelled by soaring import costs for coffee and cocoa."

On the other hand, the report said the sharpest year-on-year percentage increase is foreseen in least-developed countries (LDCs), where expenditures on animal and vegetable oil imports are expected to rise by as much as 58 percent compared to 2024.

Disaggregated by food commodity groups, the 2025 increase is driven by coffee, tea, cocoa, spices and related products, whose global import value is expected to surge by 34.5 percent year-on-year, or USD65.2 billion – the largest annual increase in more than a decade, it pointed out.

This sharp rise reflects record-high nominal prices for these products, driven by tight global availabilities and unfavourable short-term global production prospects, said FAO.

"The price surges were largely triggered by weather disruptions in key producing countries – such as Brazil, Indonesia and Viet Nam for coffee, and Cote d'Ivoire and Ghana for cocoa."

However, recent improvements in crop prospects in several regions have begun to ease global coffee and cocoa prices, said the report.

FAO also said that the value of global dairy imports is projected to rise by 16.4 percent, or USD20.9 billion.

"Prices of dairy products increased as a result of robust demand amidst tight supplies, underpinned by erratic weather conditions in key dairy regions, high production costs, and localized outbreaks of animal diseases."

Dairy prices – and consequently import costs – may ease slightly toward the end of the year with the recovery of output, the report suggested.

The FIB of oils and fats is expected to rise by 10.6 percent, or USD16.7 billion, due to persistently tight global vegetable oil export supplies, particularly in view of expected subdued growth in palm oil production, it said.

"Global import bills for meat and fish are likely to grow by 8.4 and 9.6 percent, and fruits and vegetables by 7.6 percent, sustained by steady demand in high- and middle-income markets."

On the other hand, FAO said the global import bill for cereals is anticipated to decline by around 3 percent, or USD9.3 billion, and that of sugar by nearly 9 percent, or USD7.3 billion, reflecting lower international prices.

The cost of oilseed imports globally is expected to remain broadly stable, despite notable divergences across country groups, it added.

The declines in the import costs of key staples have helped temper the overall foreseen rise in the 2025 global FIB, the report further said, adding that estimated import cost trends in 2025 vary significantly by income level.

It said in nominal terms, high-income countries (HICs) account for over 80 percent, or USD135.1 billion, of the expected increase in the global FIB, driven by steady demand and higher import costs for coffee, cocoa, fruits, vegetables, and animal products.

It said the remaining rise, about USD18.8 billion, is accounted for mainly by the lower-middle-income countries (LMICs), representing a 9 percent rise for this country group, led by higher import costs for animal and vegetable oils, fats, and fruits and vegetables.

Meanwhile, the report suggested that the import bills for other income groups should remain broadly stable.

"For upper-middle-income countries (UMICs), the forecast points to a modest 1.6 percent increase, as higher expenditures on coffee, cocoa, vegetable oils, fruits and vegetables are largely offset by lower import values for cereals, oilseeds and sugar."

The report said the FIB of low-income countries (LICs) is projected to decline slightly (0.2 percent), reflecting their heavy reliance on imports of staples and sugar, which registered declining international prices in 2025.

However, this overall stability masks sharp year-on-year increases in the import costs for oilseeds (46 percent), animal and vegetable oils and fats (31 percent), and beverages (23 percent).

The report said among vulnerable country groups, least developed countries (LDCs) are expected to record the largest proportional increase in the FIB, rising by 15 percent, or USD7.9 billion, followed by net food-importing developing countries (NFIDCs) with a 9 percent rise, and sub-Saharan Africa (SSA) with 4 percent.

The food import bills for these country groups broadly mirror the increase in animal and vegetable oils and fats, which more than offset the decline in staples, it stressed.

According to the report, several factors have shaped the 2025 projections.

"The lingering impact of El Nino curtailed yields of tropical crops, particularly in South and Central America, West Africa, and Southeast Asia, particularly tightening supplies of cocoa and coffee."

Meanwhile, global freight rates have eased from earlier peaks, although continued disruptions in the Red Sea route have prolonged shipping times and kept insurance rates elevated.

Looking ahead, the report said that food import costs will remain highly sensitive to several factors, including climate variability, global economic conditions, input prices, freight rates, currency fluctuations, trade policy changes and conflicts, and geopolitical tensions that continue to affect trade patterns and flows.

While a recovery in coffee and cocoa production and further easing of logistics costs could moderate food import bills in 2026, weather volatility, geopolitical uncertainty, and tight financial conditions keep the risk of elevated import costs firmly in sight, particularly for vulnerable countries and regions, it emphasized.

Markets at a glance

The Food Outlook also provided updated market assessments and forecasts for the production, utilization, trade, and stocks of major food commodities, including cereals, oil crops, sugar, meat, dairy products, and fisheries.

FAO said current conditions point to broad-based increases in global food commodity production, alongside strong consumption growth and a recovery in inventories, although weather variability and a clouded trade outlook could pose risks.

Global wheat and coarse grain outputs are on track to set new records, with the same applying to rice production in Asia and the Latin America and Caribbean region. Stocks-to-use ratios for these key staples are also forecast to rise, according to the report.

"The rebound in global food production marks a positive turning point for market stability. But behind these numbers lie persistent risks, from extreme weather to fragile trade relations, that can quickly reshape global supply and access. Building resilience across the agrifood system remains our greatest challenge," said FAO Chief Economist Maximo Torero.

Wheat, maize and rice markets are marked by abundant exportable supplies, which have exerted downward pressure on international prices, said FAO.

Meanwhile, it said utilizations of wheat and especially rice are expected to increase significantly, led by faster consumption growth in Low-Income Food Deficit Countries (LIFDCs).

According to the report, forecast at 2,990 million tonnes, world cereal production (including rice in milled equivalent) is expected to reach a record level in 2025, up 4.4 percent from 2024.

Outputs of all major cereals are anticipated to rise, with the largest year-on-year increase forecast for maize and the smallest for rice. Both maize and rice outputs are predicted to hit new record highs, it said.

World cereal utilization in 2025/26 is forecast at 2,929 million tonnes, up 51.9 million tonnes or 1.8 percent from 2024/25. The growth is expected to result mainly from ample supplies and lower prices.

Feed use of cereals is expected to rise by 2.1 percent, with major producers such as Brazil and the United States of America directing more maize to animal rations, while in Asia, strong demand from aquaculture is expected to be met though imports of feed-quality wheat, said the report.

"Other uses of cereals, particularly maize, are also set to increase. Human consumption of cereals is forecast to rise marginally, reflecting population growth and gradual dietary shifts."

Based on the current forecasts for global cereal production in 2025, stocks could rise by 5.7 percent from their opening levels to a record high of 916.3 million tonnes, said the report.

Global maize inventories are expected to expand the most, especially in Northern America, followed by wheat and barley, while global sorghum stocks may decrease slightly.

World rice stocks at the close of the 2025/26 marketing year are forecast to rise by 2.2 percent to a new peak of 215.4 million tonnes.

Overall, the global cereal stocks-to-use ratio in 2025/26 is predicted to rise to 31.1 percent, the highest level since 2017/18, said the report.

It said that world trade in cereals in the 2025/26 season is anticipated to expand by 3.2 percent to 499.5 million tonnes.

Wheat trade (July/June) is expected to rise by 9.9 million tonnes, or 5.1 percent from the previous season, driven largely by Asian imports, which are forecast to increase by 15.6 million tonnes.

Global trade in coarse grains is anticipated to expand amid relatively low export prices and stronger demand for animal protein, though traded volumes will likely remain below the 2023/24 peak.

By contrast, global rice trade is forecast to decline by 1.2 percent to 61.1 million tonnes in 2026, said the report.

Key takeaways

Among the other key takeaways from the report are the following:

• Global wheat production in 2025 is forecast to rise by 2.5 percent year-on-year to a record level of 819 million tonnes. The increase is largely driven by an anticipated sharp rebound in the European Union, reflecting higher yields due to favourable weather and expanded plantings.

World wheat trade in 2025/26 (July/June) is forecast to recover from its 2024/25 subdued level, rising by 9.9 million tonnes, or 5.1 percent, to 202.5 million tonnes, a level above the past five-year average but still well below the 2023/24 peak.

Abundant exportable supplies are expected in major exporters, including Australia, Argentina, the European Union, the Russian Federation, and the United States of America.

Global wheat inventories are predicted to rise above their opening levels by 3.6 percent, reaching a record level of 328.8 million tonnes by the end of the season in 2026. Several major producers, including China and India, are expected to close the season with plentiful reserves.

As a result, the report said that the global wheat stocks-to-use ratio is forecast to rise to 40.4 percent in 2025/26, indicating a generally comfortable global supply situation.

• World meat production is forecast to reach 384 million tonnes (carcass weight equivalent) in 2025, up 1.4 percent from 2024.

The increase is mainly driven by expectations of a higher poultry meat output, along with gains in pig meat and modest growth in ovine (lamb and mutton) meat, partially offset by a decline in bovine meat production.

The report said global poultry meat production is projected to expand on the back of relatively lower feed costs and robust demand driven by its affordability, while global pig meat production is expected to grow, underpinned by improved productivity and enhanced herd management efficiency.

However, recurrent African Swine Fever (ASF) outbreaks, particularly in Asia and Europe, continue to hinder disease control efforts, it added.

Ovine meat output is also forecast to rise slightly, as declines in Oceania – due to smaller flocks, although partly offset by higher slaughter of older breeding ewes with heavier carcass weights – are expected to be balanced by increases elsewhere.

On the other hand, global bovine meat production is anticipated to contract, reflecting reduced cattle inventories, notably in Brazil and the United States of America, following several years of high slaughter levels prompted by weather-related factors and strong global demand.

• FAO's preliminary forecast for the 2025/26 season pegs global sugar production at 185.3 million tonnes, up 9.7 million tonnes, or 5.5 percent, from 2024/25, marking a new record level.

The report said the increase mainly stems from anticipated bumper harvests in several key producing countries.

In Brazil, the world's largest sugar producer and exporter, output is forecast to rise by around 4.0 percent year-on -year, recovering from weather-related reductions in 2024/25.

While a greater share of the sugarcane harvest is expected to be directed to ethanol production, the volume allocated to sugar manufacturing is also set to expand.

"A strong rebound in production is also anticipated in India, supported by adequate cumulative monsoon rainfall and an expansion in planted area, induced by comparatively higher returns for sugar cane relative to alternative crops, such as soybean, wheat, maize and sorghum."

In Thailand, the world's second-largest sugar exporter, output is likewise expected to increase, underpinned by favourable growing conditions despite localized outbreaks of white leaf disease.

World sugar consumption in 2025/26 is forecast to rise by 1.3 percent, a slightly faster pace than the previous year, supported largely by lower sugar prices despite subdued global economic prospects, said FAO.

"The expansion in consumption is expected to be led by Africa, driven by continued population growth and urbanization, and in Asia, where strong demand from the food and beverage industry continues to underpin demand."

• Global vegetable oil consumption is forecast to outpace production, influenced by reduced soybean outputs, resulting mainly from reduced planting areas in Argentina, India, Ukraine and the United States of America.

Preliminary forecasts for the 2025/26 (October/September) marketing season point to continued expansion in global oilseed production, underpinned by larger harvests of rapeseed, soybean, and sunflower seed, which are expected to more than offset likely declines in cotton seed and groundnut outputs, said the report.

Global utilization of oils/fats in 2025/26 is forecast to expand by 2.1 percent from the previous season, largely driven by expectations of higher demand from the bio-fuel sector amid supportive policies across several major consuming countries.

As global vegetable oil consumption is expected to outpace production, world carry-over inventories of oils/fats are forecast to decline for a third consecutive season in 2025/26, said the report.

• Global milk production in 2025 is forecast to expand by 1.4 percent, up from 1.1 percent growth recorded in 2024, marking a moderate recovery in global output growth.

"The increase mainly reflects continued output expansion in Asia – though at a slower pace – alongside faster growth in Central and South America."

Global dairy trade in milk-equivalent terms is forecast to contract by 1.3 percent in 2025, mainly reflecting firm international prices, which have impacted consumer purchasing power and weighed on demand, said FAO.

It said that this contraction has been compounded by currency depreciation in several emerging markets, while improved domestic milk availability in key importing countries – particularly Algeria, Egypt and Saudi Arabia – and ongoing trade policy uncertainties have further limited global import demand.

These factors more than offset a foreseen modest growth in imports by China, the world's largest dairy importer, where restocking and increased use in feed and nutritional applications underpinned a modest import recovery.

• As for rice, the 2025/26 season is on track to see another record global harvest of close to 556.4 million tonnes (milled basis), up 1.2 percent from 2024/25.

In Asia, production is set to surpass last season's all-time high, underpinned by continued area expansions and, with some exceptions, generally favourable weather conditions. Similarly, Latin America and the Caribbean is poised to harvest its largest crop on record.

The report said these gains could overshadow weaker results elsewhere, as reduced producer margins are set to depress production in Europe, Northern America, and Oceania, while erratic rains curb output in Africa.

• Global fisheries and aquaculture production is forecast to reach 197 million tonnes in 2025, an increase of 3.3 million tonnes over 2024 levels (up 1.7 percent). Capture fisheries output will remain relatively stable at 92.9 million tonnes (up 0.7 percent).

Recent scientific guidance called for additional reductions in certain cod, haddock and mackerel stocks, which is expected to reduce catches of these species, said the report.

Aquaculture continues to be the driver of growth in supply, and is estimated to add 2.7 million tonnes in 2025, enabling a 2.7 percent increase from 2024, it noted.

While tilapia production growth stalled, harvests of other major aquaculture species – carp, salmon, catfish and shrimp – all saw strong increases.

Global trade in aquatic products continues to expand in 2025, up 2.1 percent in volume terms, the report said.

"Shrimp, the most valuable traded commodity in the sector, saw particularly strong demand and supply. Other major traded commodities, such as salmon and tuna, also experienced healthy growth, although trade in some categories of groundfish and pelagics was negatively affected by falling catch volumes."

The main gains for exporters were recorded by Viet Nam, which added USD1 billion in 2025, driven by strong shipments of frozen pangasius fillets and live lobster; Ecuador, which increased exports by USD900 million through higher sales of frozen raw shrimp; and India, which exported USD800 million more, primarily in both raw and processed frozen shrimp, said the report. *(SUNS #10344)*

Third World ECONOMICS No. 831-832, 16 November -15 December 2025

US unilateral sanctions intensifying Cuba's humanitarian crisis

UN Special Rapporteur Alena Douhan has urged the United States to lift its decades-long unilateral sanctions on Cuba, noting that the economic, trade, and financial restrictions have profoundly shaped Cuba's economic and social landscape, leaving generations of Cubans living under coercive measures.

by Kanaga Raja

PENANG: The United States must lift the unilateral sanctions it has imposed on Cuba, which have deepened the country's humanitarian crisis, the UN Special Rapporteur on the negative impact of unilateral coercive measures on the enjoyment of human rights, Alena Douhan, has said.

"For over 60 years, the United States has maintained an extensive regime of economic, trade and financial restrictions against Cuba, the longest-running unilateral sanctions policy in US foreign relations," she said in a statement at the end of an official visit to the country from 11 to 21 November 2025.

As a result, she said, "generations of Cubans have lived under unilateral coercive measures, which have shaped the country's economic and social landscape."

The Special Rapporteur said she heard reports that restrictions have progressively tightened since 2018, with further measures imposed on the already existing ones and a significant intensification in 2021 following Cuba's re-designation as a State Sponsor of Terrorism.

She said that these and many other restrictions, compounded by de-risking and over-compliance by third parties, limit both Government and citizens' ability for long-term planning and are suffocating the social fabric of Cuban society.

Despite the broad support consistently expressed for the UN General Assembly resolution "Necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba", and its unequivocal request to end the blockade, the measures not only continue to remain in force, but their impacts are being intensified by the United States, Ms. Douhan said.

"Shortages of essential machinery, spare parts, electricity, water, fuel, food and medicine, alongside the growing emigration of skilled workers – including medical staff, engineers and teachers – have severe consequences for the enjoyment of human rights, including the rights to life, food, health and development," she added.

At the end of her visit, the Special Rapporteur issued a preliminary report that assessed the impact of the US unilateral sanctions on the enjoyment of human rights by people living in Cuba and any other affected people.

Context

According to the preliminary report by the Special Rapporteur, in 1962, the US issued the Cuban Assets Control Regulations (CACR), built upon earlier legislative frameworks, including the Trading with the Enemy Act of 1917 and the Foreign Assistance Act of 1961.

It froze all Cuban assets in the US, prohibited all financial and commercial transactions unless approved under a licence, prohibited Cuban exports to the US as well as prohibited any natural or legal person of the US or a third country from conducting transactions in US dollars with Cuba.

The CACR also introduced a "10 per cent de minimis rule", prohibiting export to Cuba of goods with 10%+ of US components, patents or technology.

According to the report, it was further reinforced and expanded through the Export Administration Regulations of 1979, the Cuban Democracy Act (Torricelli Act) of 1992, and the Helms-Burton Act of 1996.

The latter extended its extraterritorial scope by imposing penalties on the executives of foreign companies engaged in transactions involving US property nationalized in Cuba, while also enabling legal action against Cuba in US domestic courts.

The UN expert also said travel by US nationals to Cuba thus became prohibited for tourism, but permitted if organized by licensed US travel agencies for specific professional, academic, sport and cultural activities, as long as it respected the prescribed purposes and avoid restricted entities.

In 1982, Cuba was designated by the US State Department as a State Sponsor of Terrorism (SSOT), and lately re-designated in January 2021 and February 2025.

As a means of enforcement of the US unilateral sanctions against Cuba, several major international banks have now faced heavy fines, in particular, BNP Paribas paid a record USD8.9 billion in 2014 through a settlement, while UniCredit settled for USD611 million in 2019.

Smaller penalties were imposed on Credit Agricole at USD401,000 in 2015 and EFG International at USD 3 million in 2024, said the report.

Impact on economy

According to the Special Rapporteur, due to the limitations on international trade, Cuba's international trade balance continues to show a deficit.

In 2024, exports were valued at USD2,128 million, while a trade deficit was assessed at approximately USD5,368 million.

Cuba's currency system functions as a multi-layered, partially dollarized economy using three different exchange rates, said the report.

It said the current uncertainty around the national currency is reflected in regular devaluations, which affect the prices of basic commodities, and feed speculation, thus leading to further uncertainty, with a negative impact on people's lives.

The average salary in the public sector in 2025 is reportedly low, amounting to 6,649 Cuban pesos per month, it noted.

Officially, remittances from relatives abroad are exempt from US unilateral sanctions. However, in practice, they became difficult after the withdrawal of remittance services such as Western Union from the country in February 2025.

According to the report, the economic situation has been exacerbated by the country's re-designation as a SSOT, with reportedly 200 foreign banks and financial institutions terminating relationships with Cuba since 2021.

The Special Rapporteur said the SSOT designation, travel restrictions, limitations on credit card payments, and widespread over-compliance has also severely affected tourism, which used to provide the highest revenue for the Cuban economy, representing approximately 10 per cent of Cuba's GDP.

She said deliveries to Cuba are permitted either with OFAC (Office of Foreign Assets Control) license or entail much higher costs (reportedly 40-300%) due to the rule on 10%+ content of US products or patents; the need to operate via several intermediary companies and banks; much longer delivery routes (mostly in Asia and Europe); inability to participate in trade on a competitive basis; intermediary tariffs and premiums added by suppliers to compensate for their own risk of exposure to sanctions; extensive de-risking and over-compliance of suppliers, transportation and insurance companies due to the possible exclusion from the US market; and risks of high fines especially in the banking sector.

"As a result, the Government of Cuba, private entities and citizens are hampered from engaging in long-term planning, forcing social and political initiatives to remain short-sighted due to the precarious situation in which they find themselves, rife with sudden cancellations, backpedaling and un-foreseeability."

In this regard, Ms. Douhan said foreign companies are reported to be hesitant to make substantial investments in the country, particularly regarding infrastructure, given the risk that a change in US administration might entail.

Humanitarian impact

Although medicines and medical devices are not technically subject to sanctions, the report said that access to health is reported to be severely affected, resulting in the widespread inaccessibility of 69 per cent of medicines to Cubans, including medicines against cancer and heart disease, repellents, as well as tests for dengue and other infections.

Purchase of replacement parts for machinery through third parties might be permitted via special licences from OFAC, which reportedly take 6-12 months to obtain, it pointed out.

Despite the fact that 7 per cent of Cuba's GDP is allocated to education, students reportedly experience obstacles to the enjoyment of their right to education, said the Special Rapporteur.

She said according to information received, 50% of computers in schools and universities are out of service, new hardware and software are not available in many areas due to the 10%+ rule or access is geo-blocked to over 320 online platforms or products, including educational materials and training courses, open information repositories, virtual laboratories, cloud services, and mapping and coding applications.

The UN expert said food security in the country is reportedly severely impacted due to a lack of fuel and limited possibility to import food, seeds, fertilizers, livestock vaccines, equipment and spare parts for food production, processing, conservation and delivery.

She said according to information received, the food industry has observed a noticeable decrease in its industrial production, resulting in an estimated 22 per cent production capacity by the end of 2025.

Due to declining agricultural output, Cuba's food industry has increasingly relied on imports of raw materials (70-80 per cent of food), and since 2021, when Cuba was designated as a SSOT, there has also been a reported decrease in imports of food items such as powdered milk, flour, poultry, beef, and pork, she added.

Ms. Douhan said that even when procurement is possible, e.g. from the US, it must be paid 45 days in advance in cash in USD and suppliers must possess an OFAC licence, which creates substantial obstacles in a country with a limited availability of cash.

She said that insufficient revenues have also undermined the Government's ability to maintain and improve critical infrastructure and engage in vital development projects, including maintenance of power plants, water supply and sanitation systems, roads, public buildings and housing.

New equipment or spare parts are often not available, and are delivered from distant regions via mediators, with higher costs and substantial (up to months or years) delays, she added.

Persistent delays in machinery maintenance make equipment increasingly likely to break, often irreparably.

As a result, Cuban people suffer from blackouts up to 18 hours per day, with limited access to clean water, as well as difficulties to get access to clean water delivered by water trucks due to insufficient fuel.

The report said there is also a need for 800,000 houses to be built, and much more restored due to the absence of regular maintenance or natural disasters like hurricanes or earthquakes.

It said due to the abovementioned challenges and low salaries, Cuba has witnessed significant migration - up to 10 per cent – resulting in a significant brain drain in the country and a loss of human capital, especially of young people with the highest level of qualifications.

Vacancy rates in some public sectors of the economy, like healthcare and education, are reported to reach 30-50%, it noted.

Assessing the legality of the US unilateral sanctions, the Special Rapporteur said unilateral sanctions against Cuba do not conform to a large number of international legal norms, are introduced to apply pressure on a state, to exclude Cuba from international cooperation, and cannot be justified as countermeasures under the law of international responsibility.

Therefore, they constitute unilateral coercive measures that have been repeatedly condemned in resolutions of the UN Human Rights Council and the UN General Assembly, she added.

Primary unilateral sanctions, means of their enforcement, de-risking policies and over-compliance have been substantially exacerbating the humanitarian situation in Cuba, which has already been affected by the economic crisis, natural disasters, COVID-19 and other challenges at the national level, and have been designed to prevent Cuba from receiving any economic revenue, especially in hard currency, the report concluded.

(continued on page 24)

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Navigating forward-looking challenges

*Maria Syed** contends that despite the G20 summit in South Africa centering on Africa's economic transformation, debt reform, and investment mobilization, geopolitical frictions and obstruction by key players reduced the gathering to procedural maneuvering, yielding few substantive results.

BERLIN: Since its elevation to a leaders' forum in 2008, the G20 has self-appointed itself as the central global forum for crisis management, financial regulation, sovereign debt and fiscal policy, and macroeconomic coordination.

The G20 members account for more than 85% of global GDP, 75% of world trade, and two-thirds of the world's population.

South Africa's presidency of the G20 over the last year had raised the hopes of many that with African leadership, the G20 would be motivated to create effective solutions to the debt crisis afflicting the Global South, with its epicentre in Africa.

With a doubling of total debt stocks since 2021 to $685 billion in 2023, triggered by spikes in the cost of capital for African nations since the economic shock of the COVID-19 pandemic, many indebted African nations are left with little choice but to spend more national revenue on foreign debt servicing than they do on health, education and climate financing.

The recently held G20 leaders' summit in South Africa reportedly focused on Africa's economic transformation, debt reform, and investment mobilization, and issued a communique[1] highlighting the need for new development paradigms, a surge of productive investment in infrastructure, energy, education, health, and climate resilience, and reforms to global financial governance to lower the cost of capital for African states.

Debt reform was a central theme calling for fairer sovereign debt restructuring, better transparency, a debt refinancing initiative for low-income countries, and the strengthening of multilateral development banks (MDBs).

However, the Johannesburg summit was shaped by significant geopolitical tensions[2], particularly the obstruction of key countries, turning the proceedings into a procedural rigmarole with limited substantive outcomes.

Four countries, including the United States, Argentina, Saudi Arabia, and Turkey, chose not to be included in specific joint declarations.

The US obstructed negotiations on energy, health, and trade, often drawing "red lines", refusing to engage in consensus-building, and ultimately boycotting the summit altogether.

This boycott forced several working groups to issue only summaries rather than joint declarations.

Specific examples of US objections included rejecting references to "energy transition", insisting on equal prioritization of all energy sources, and opposing language supporting universal health coverage and WHO initiatives.

These actions underscored deep fractures within the G20 and limited the forum's capacity to advance multilateral solutions on health, trade, and energy policy.

The summit followed up on multiple meetings of the G20 finance ministers and central bank governors.

Apart from restating old rhetoric on initiatives such as a new debt refinancing programme for low-income indebted nations, fair burden-sharing principles, and a multilateral sovereign debt restructuring mechanism with automatic standstills, actionable commitments or procedural proposals were absent.

It remains unclear if the G20 will actually undertake any real action, or make any consequential decisions, to redress a global debt challenge chronically mired in an unequal and extractive financial architecture that, by design, puts creditors, lenders and financiers first.

Critical junctures

Despite an increase in total climate funding, it remains grossly inadequate to address the scale of the climate change emergency.

Although the G20 has adopted language aligning with the UN Framework Convention on Climate Change (UNFCCC)'s goals, it has consistently failed to deliver the substantive action required, particularly in mobilizing sufficient resources for mitigation, adaptation, and principles of climate justice.

Climate finance within the G20 is predominantly skewed towards mitigation in commercially attractive sectors, leaving adaptation and just transition initiatives underfunded and overlooked.

Simultaneously, African countries spent nearly $90 billion in 2024 servicing external debt[3], highlighting the impossibility of financing a green transition under such fiscal constraints.

The root of the problem lies in the oligopolistic structure of the global financial architecture, which has forced multilateral institutions like the World Bank and the International Monetary Fund (IMF) to act as lenders of last resort beyond their intended mandates.

Initiatives like the proposed global loss-and-damage fund, advanced at the 27th Conference of the Parties to the UNFCCC (COP27), have received limited support and have not led to binding commitments, revealing a reluctance among G20 members to address these critical issues openly.

Furthermore, climate finance has often been framed as mainly a tool to leverage private capital, which inherently sidelines considerations of equity and redistributive justice, especially for the Global South.

Overall, the G20's approach to climate finance is seen as insufficient, rooted in systemic barriers that hinder a fair and effective response to the worsening climate crisis.

The Johannesburg summit lacked binding commitments, clear timelines, and enforceable mechanisms[4] to implement proposals.

The case of Afreximbank and Zambia highlights the precarious nature of debt negotiations and the unresolved questions around the preferred-creditor status of regional MDBs.

Persistent issues, including high borrowing costs, insufficient private investment, incomplete regulatory reform, and the massive climate finance gap, suggest that visionary discussions alone cannot resolve Africa's structural challenges.

Similarly, there was a lack of alignment with the Seville Platform for Action, a collaborative initiative by countries such as Spain, Brazil, and South Africa, to tax the super-rich to generate revenue, reduce wealth inequality, and improve development funding.

Many G20 members had shown limited commitment to implementing these proposals, underlining the fragility of advancing tax justice without stronger institutional backing.

Reform of the international financial architecture has been relatively inadequate.[5]

Specifically, the G20's debt service suspension initiative (DSSI) and the common framework for debt treatments had limited impact, excluded indebted middle-income nations, and did little to create meaningful fiscal space from debt relief, while private creditors and MDBs have been largely absent.

Consequently, relief primarily benefited low-income countries without addressing broader debt challenges, and negotiations have been slow and fragmented, exemplified by Zambia's over-three-year-long process marred by creditor disputes and conservative debt sustainability assessments.

Similarly, progress in climate finance and just energy transition efforts[6] remains incremental and hindered by systemic obstacles.

While the G20 has played a role in embedding climate finance into global governance, its initiatives have primarily focused on technocratic tools such as disclosure standards, taxonomies, and private-capital mobilization, rather than addressing core distributional and justice issues.

Current flows of climate finance[7] are far below the estimated needs of about $2 trillion in 2024, against an annual requirement of at least $6.3 trillion annually through 2030, with mitigation funding significantly outpacing adaptation support.

Moreover, climate finance remains a fraction of fossil fuel subsidies, which reached approximately $7 trillion in 2022, continuously locking in carbon-intensive practices.

Both the areas of debt resolution and climate finance highlight systemic inertia, with efforts often limited to incremental reforms rather than transformative change.

While the frameworks and initiatives signal recognition of the issues, actual progress remains slow, hampered by creditor fragmentation and entrenched financial interests.

Addressing these intertwined challenges requires moving beyond technocratic fixes towards systemic reforms that prioritize fairness, redistribution, and justice, crucial for advancing both sovereign debt sustainability and a just energy transition.

Overall, the G20's political limitations in addressing systemic debt and development issues reinforce calls for a UN-led multilateral framework that would provide a fairer, more enforceable structure for sovereign debt resolution.

While the Johannesburg summit sought to lay out an ambitious roadmap for investment, debt sustainability, and African-led development, meaningful progress has been hampered by a lack of political will, coordinated action, and follow-through from both international and African institutions. *(SUNS #10345)*

[* With inputs from Bhumika Muchhala.]

Endnotes

1. https://g20.org/wp-content/uploads/2025/11/FINAL-AEP_Report_Individual_Pag es_v251115.pdf
2. https://www.nytimes.com/2025/11/15/world/africa/trump-g20-boycott.html?smid=li-share
3. https://www.project-syndicate.org/commentary/g20-must-deliver-debt-relief-to-africa-at-johannesburg-summit-by-hai lemariam-desalegn-boshe-2025-11
4. https://www.eurodad.org/the-g20-has-failed-on-debt-time-to-look-to-the-un
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6. https://www.cesr.org/sites/default/files/2025/The_G20_at_a_crossroads.pdf
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Ms. Douhan acknowledged Cuba's primary responsibility for the promotion and protection of human rights and therefore welcomed the efforts of the Government of Cuba to mitigate the negative impact of the US unilateral sanctions, especially on the most vulnerable groups, as well as efforts made to ensure access to healthcare, food, education, transportation and emergency assistance across the country.

To assess the full scope of the situation in Cuba, the UN expert met with a broad range of stakeholders, including government officials, diplomats, international agencies, non-governmental organisations, church representatives, members of the academia, medical personnel, and private sector representatives.

She also received a record number of submissions that will feed into her final report, to be presented to the UN Human Rights Council in September 2026. *(SUNS #10341)*