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AI boom reshapes trade as WTO faces mounting challenges

Global merchandise trade growth is expected to ease slightly from 4.2% in 2025 to 3.9% in 2026, with trade patterns increasingly shaped by a surge in investment in artificial intelligence (AI) infrastructure, according to the latest statistics released by the World Trade Organization (WTO). At the same time, its World Trade Report 2026 warns that global trade policy and the WTO are facing their most significant and prolonged challenges since the multilateral trading system was established 80 years ago.

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131 Jalan Macalister
10400 Penang, Malaysia
Tel: (60-4) 2266728/2266159
Email: twn@twnetwork.org
Website: https://twn.my

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Founding Editors:
Chakravarthi Raghavan (1925-2021)
Martin Khor (1951-2020)

Editor: Kanaga Raja

Typesetter: Linda Ooi

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Global trade slows to 3.9% in 2026 amid skewed AI-led patterns

Global merchandise trade volume growth is projected to slow slightly from 4.2% in 2025 to 3.9% in 2026 amid shifting trade patterns driven largely by an unexpected surge in investment in artificial intelligence (AI) infrastructure, which has boosted goods trade, according to economists at the World Trade Organization.

by D. Ravi Kanth

GENEVA: Global merchandise trade in volume terms has decelerated from 4.2% in 2025 to an estimated 3.9% this year, amid emerging skewed trade patterns dominated by an unexpected boom in artificial intelligence (AI) infrastructure investment, according to figures released by economists at the World Trade Organization (WTO) on 8 October.

Goods and services trade volume is expected to grow at 3.7% in 2026 and 4.7% in 2027, according to the WTO's "Global Trade Outlook and Statistics" report.

Merchandise trade volume growth is now projected at 3.9% in 2026, a figure that is "almost double the 1.9% increase foreseen in the baseline scenario in the March forecast".

Looking ahead, "merchandise trade growth is further expected to pick up slightly to 4.1% in 2027," according to the WTO's latest forecast.

Given the projected trillions of dollars of investment in AI infrastructure, the growth in global trade in value terms is even more pronounced.

"The US dollar value of world merchandise trade was up by 15% year-on-year in the first half of 2026," compared to a 7% growth rate for all of 2025.

During a press conference on 8 October, WTO economists noted that this surge underscores the resilience of the global trading system, which has adapted to significant disruptions.

However, a press release issued alongside the report suggested that this resilience was not uniform, with services trade – especially tourism – and certain regions more exposed to the effects of the Middle East conflict.

As noted in the briefing, "Higher energy prices and shipping disruptions created significant headwinds."

Yet, according to the report, businesses adjusted, supply chains adapted, and producers in other regions stepped in to replace the disrupted supplies.

In her foreword to the World Trade Report 2026 that seeks to address what appears to be cataclysmic change in the global trading system, WTO Director-General Ms Ngozi Okonjo-Iweala emphasized that "the founding logic of the (multilateral trading) system, that governments can do better for themselves – and for others – by exchanging enforceable, non-discriminatory market access commitments rather than acting unilaterally, remains as sound today as ever."

"What has changed is the world in which that logic operates," she noted.

However, she did not name the United States, which has pronouncedly imposed unilateral trade measures since April 2025.

In the press release, she stated: "The numbers reflect trade resilience in action."

She added: "When disruptions strike, an integrated world economy and a rules-based trading system provide economies flexibility to keep essential products flowing to businesses and households that need them. Nevertheless, some have felt the shock more than others, and not everyone can access emerging opportunities like AI. It is essential to ensure that the rules-based trading system continues to absorb shocks and bridge gaps so that opportunities are open to all."

With half of the world's population seemingly digitally excluded, and with the skewed development and progress of AI limited to a small group of countries,

there appears to be an irrational exuberance about the onward march of AI, said trade officials who asked not to be quoted.

Consequently, the current trade landscape appears to be defined by two opposing forces: the destabilizing impact of the Middle East conflict and the explosive demand generated by AI investment.

Despite the conflict in the Middle East, which has had a severe localized impact – particularly on transport and travel services – the global effect on goods has been mitigated by supply chain flexibility, according to WTO economists.

"Based on import statistics of partner economies, we find that the quantity of crude oil exported by the Middle East was down 24% year-on-year in the first half of 2026, while exports of liquefied natural gas were down 47%."

However, these declines were absorbed globally: "Worldwide, crude oil exports only fell 6%, while LNG ... were down just 1%."

This resilience highlights the value of a rules-based system. As WTO Chief Economist Robert Steiger explained, "This is a technical example of how the existence of a predictable rules-based trading system helps countries weather global economic shocks as it did earlier during the COVID-19 pandemic and in the wake of the war in Ukraine."

For commercial services, the impact has been more direct. "Services trade volume is expected to grow by 3.3% in 2026, down from 4.8% in the March forecast, before picking up to 6.4% in the year 2027."

The slowdown is largely attributed to travel and transport: "Total commercial services trade growth was held back by travel, where the year-on-year increase fell from 15% in Q1 to an estimated 5% in Q2."

According to the WTO report, the AI investment boom has accelerated since 2025. "Trade in AI-enabling goods grew 16% in value terms in 2024, it grew 31% in value terms in 2025, and it grew an astonishing 67% in the first half of 2026."

Undoubtedly, global trade is currently being heavily influenced by AI-enabling goods.

"AI-enabling goods accounted for 47% of the increase in the value of world merchandise trade in the first half of 2026, despite representing less than 15% of total merchandise trade."

The growth is led by electronic components, with traded values rising by 51% year-on-date in the first half of 2026.

Geographic distribution

Figures in the report reveal that the geographic distribution of trade growth presents stark contrasts between merchandise and services trade.

For instance, merchandise trade is heavily concentrated in Asia.

"Asian economies are set to contribute four percentage points to the 3.9% growth ... that is more than 100% of the world growth," the WTO's Chief Economist said.

In contrast, North America contributes approximately 0.5 percentage points, and Europe adds only 0.1 percentage points.

Other regions, including the Middle East, collectively subtract 0.7 percentage points from global growth.

The geography of AI trade reinforces this trend. "East Asia and Southeast Asian economies account for the majority of AI-enabling goods exports, while North America was the main source of import demand."

Specifically, "North America alone added nearly 19 percentage points to global import growth in these products" in the second quarter.

According to the report, regional trade prospects remain uneven in 2026.

Asia is expected to record the fastest merchandise export growth (9.9%), followed by North America (5.7%), Africa (5.6%), and South America (3.4%).

Export performance is projected to remain weak in Europe (-0.1%) and to contract sharply in the Commonwealth of Independent States (CIS) (-3.9%) and the Middle East (-17.2%), reflecting the impact of the ongoing conflict and associated disruptions to trade flows.

On the import side, Asia (9.5%), Africa (8.9%), and the CIS (8.8%) are expected to post the strongest growth, while North America (1.4%) and Europe (0.5%) are likely to see only modest increases, and the Middle East is forecast to record a steep decline (-15.4%).

Regarding global services trade, the report suggests that "Europe is expected to account for more than half of global service exports volume growth in 2026, contributing 2.3 percentage points to the total increase of 3.3% for the world."

Meanwhile, contributions from Asia and North America to services growth have weakened, WTO economists argued.

According to the WTO economists, North American merchandise import growth appears weak at 1.4% for 2026, but this figure is misleading.

It "masks a strong 10.6% year-on-year decline in the first quarter of 2026, driven by front-loading of imports ahead of the higher US tariffs in the first quarter of 2025."

By the second quarter, growth rebounded to 5.3%, with annualized quarter-on-quarter growth reaching 10.1%, suggesting underlying strength.

The report suggested that the least developed countries (LDCs) have shown remarkable resilience, recording "particularly strong export growth, both in volume and value terms, with exports increasing by 25% year-on-year in value terms."

This surge was "driven in large part by a higher demand and prices for commodities as buyers turned to alternative sources of supply" amidst Middle East disruptions.

Decoupling

The report also highlights evolving geopolitical trade patterns.

While signs of broader fragmentation between rival blocs have eased, "the decoupling between the US and China has accelerated and is now the main driver of divergence in global trade patterns".

This does not necessarily mean a decline in total trade, but rather a reorientation: "There's much more trade with US and third parties and much more trade with China and third parties, but less trade between the two of them."

Furthermore, AI trade is highly concentrated. "The top ten economies involved in AI account for over 80% of the trade in AI," making it "twice as concentrated as merchandise trade generally."

Europe remains under-represented in this sector, accounting for only about 10% of AI-enabling goods exports despite having a 35% share of total global exports.

When asked about risks, tariffs, and the AI "bubble", WTO economists acknowledged that despite the positive outlook, vulnerabilities remain.

"Significant risks remain, however, [as] uncertainty is elevated, and

developments in the Middle East will be an important determinant of the eventual outcome."

Regarding tariffs, the WTO notes that recent changes have been "baked" into the forecast.

The modest 1.4% North American import growth reflects the aftermath of tariff-induced front-loading in early 2025. Globally, tariff changes in 2026 have not constituted a major shock compared to AI investment or energy price fluctuations.

On the question of whether AI investment constitutes a "bubble", WTO economists remained somewhat cautious but noted several structural factors.

"We don't make predictions about whether it might be a bubble," said one economist, noting that "you never know that you're in a bubble until it pops".

However, they pointed out that server vacancy rates were below 5% at the end of 2024, indicating that investments are serving broader digitalization needs beyond just AI applications.

Nevertheless, a slowdown in AI investment remains a key downside risk: "Any slowdown in AI investment could precipitate a slowdown in trade."

A notable discrepancy in the forecast is that while trade growth projections have risen, global GDP growth forecasts have been downgraded since March. This is explained by the changing nature of investment.

"Trade in AI-enabling goods is starting to bring back that higher ratio [of trade to GDP growth] ... because the investment in AI-enabling goods is so import-intensive."

If GDP growth were driven by residential construction, trade growth would be lower; because it is driven by high-import tech goods, trade outpaces GDP.

Looking to the long term, the application of AI promises substantial benefits. "By 2040, almost 40% of world trade will rise through the application of AI trade because of a reduction in trade costs and a rise in productivity."

This suggests that while the current boom is hardware-intensive, future gains will come from efficiency improvements that could benefit low- and middle-income countries if appropriate policies are adopted.

The 2026 trade outlook is characterized by "the resilience of the global economy and trade in particular".

The system has proven capable of absorbing regional shocks through diversification and adaptation, according to WTO economists.

However, this resilience should not be confused with robustness. "Vulnerabilities remain and WTO members are working to address them. Strengthening the multilateral trading system will help ensure that the global economy is better equipped to deal with future shocks."

The current trajectory underscores "the importance of an open, predictable, and rules-based trading system – a trading system that enables economies to adapt to disruption, redirect supplies, and respond to rapidly growing demands in new sectors".

In short, the interplay between geopolitical friction and technological acceleration will likely continue to define global trade dynamics through 2027 and beyond, according to the report. *(SUNS #10531)*

Global trading system faces most turbulent disruption in 80 years

Global trade policy and the World Trade Organization (WTO) are experiencing the most serious and sustained disruptions since the multilateral trading system was created 80 years ago, according to the World Trade Report 2026, whose narrative seemingly aligns with the advocates of WTO reform while overlooking longstanding concerns such as agricultural subsidies.

by D. Ravi Kanth

GENEVA: The World Trade Organization and the global multilateral trading system are navigating a period of profound instability, according to the World Trade Report 2026 – "A Critical Juncture for the World Trading System" – issued on 8 October.

The report notes "the most serious and sustained disruptions since the multilateral trading system was created 80 years ago".

The report includes a standard disclaimer: "The World Trade Report 2026 has been prepared under the responsibility of the WTO Secretariat. It does not necessarily reflect the positions or opinions of WTO members and it is without prejudice to their rights and obligations under the WTO agreements. The opinions expressed and arguments employed herein are not intended to provide any authoritative or legal interpretation of provisions of the WTO agreements and shall in no way be read or understood to have any legal implications. The terms and illustrations used in this publication do not constitute or imply an expression of opinion by the WTO Secretariat concerning the status or boundaries of any territory. The opinion pieces written by the external contributors are the sole responsibility of their respective authors that the views in the report reflect."

Yet, the report seemingly advances a narrative that appears to be more palatable to the proponents of WTO reform.

The executive summary of the report heavily emphasizes topics favoured by these proponents but omits the issue of agricultural subsidies and how they cause asymmetries in the global trading system.

The report argues that this critical juncture is not merely the result of external shocks but is deeply rooted in the structural evolution of the global economy.

Its central thesis posits that the WTO's current challenges are, paradoxically, "a consequence of the system's own achievements".

By fostering a more open, integrated, and rules-based world economy, the WTO created a landscape where trade policy is more complex, membership is more diverse, and economic power is more widely distributed.

However, the report fails to acknowledge that this open and

predictable trading system emerged on the heels of economic globalization and the Washington Consensus.

These forces prepared the ground for tariff cuts, the introduction of trade in services, and, last but not least, a monopolistic intellectual property rights system.

Consequently, the report argues that the system's future effectiveness depends entirely on its ability to adapt to the multipolar, integrated global economy it helped create.

To understand the gravity of the current situation, the report suggests an appreciation of the historical success of the multilateral framework.

What began in 1947 as a modest tariff agreement among fewer than two dozen economies has evolved into a near-universal organization with 166 members, accounting for approximately 98 percent of global trade.

The system has overseen a historic reduction in trade barriers, with industrial tariffs falling from an estimated average of 22 percent in 1947 to low single digits today.

This liberalization drove significant gains, including an almost 50-fold expansion in global trade and unprecedented income convergence between low- and high-income economies.

Empirical estimates suggest that "membership in the WTO has increased trade between members by around 140 percent", while WTO accession processes involving deep domestic reforms led to growth rates averaging 1.5 percentage points higher than non-accessing economies.

Furthermore, the system provided resilience during crises like the 2007-09 financial crisis and the COVID-19 pandemic, helping constrain protectionism and maintain stability.

However, a critical examination reveals that these aggregate gains mask significant inequalities.

The report explicitly states that "not all economies have shared equally in these gains".

Least-developed countries (LDCs) still account for less than 1 percent of world trade, and many commodity-dependent economies have fallen further behind.

Regarding the travails of developed economies that embraced and forced globalization, the report notes that uneven outcomes led to sustained income losses for specific workers and regions, creating political pressure against trade openness.

It acknowledges that import competition and technological change pressured some communities, leading to "sustained income losses".

Export opportunities often create jobs "not for the same people or in the same places that were negatively affected".

The report attributes this disparity and job evaporation to a critical failure in the domestic policy frameworks accompanying trade liberalization.

It concludes that "to sustain trade openness – and ensure that it delivers the desired outcomes – it needs to be accompanied by domestic policies that allow more people and places to participate in, adjust to and benefit from changing patterns of trade".

In effect, the WTO can facilitate market access but cannot compensate for domestic distributional failures that ultimately threaten the system's political sustainability.

The economic logic underpinning the WTO is described as a mechanism to avoid a "mutually destructive prisoner's dilemma".

Without naming the United States, which has resorted to unilateral trade measures since April 2025, the report explains that when governments act unilaterally, they impose costs on trading partners they do not fully account for, leading to excessive global trade protectionism.

The WTO provides a forum for reciprocal bargaining, allowing members to exchange market access commitments to internalize these cross-border spillovers.

This logic relies on core principles: reciprocity, non-discrimination via the Most-Favoured-Nation (MFN) principle, binding commitments, transparency, and dispute settlement.

MFN treatment simplifies bargaining and prevents larger economies from capturing disproportionate advantages, encouraging smaller economies to participate.

However, the report notes that this flexibility has trade-offs. While Regional Trade Agreements (RTAs) can serve as laboratories for new rules, they risk contributing to fragmentation if not aligned with multilateral disciplines.

The proliferation of RTAs and "targeted trade deals" threatens system coherence, potentially creating a "spaghetti bowl" of overlapping regulations.

Major developments

The report identifies four major developments straining the multilateral trading system, each requiring a reassessment of existing rules:

1. Dispersed distribution of economic power: There is an "increasingly dispersed distribution of economic power".

Since 1995, the share of global merchandise trade accounted for by low- and middle-income economies has nearly doubled to 45 percent of trade. This shift created a gap between current market realities and Uruguay Round tariff commitments.

Developed economies, having already reduced tariffs significantly, have less market access to offer, while some large developing economies retain higher tariff bindings despite growing market power.

This misalignment complicates reciprocal bargaining, suggesting that "existing commitments could be re-calibrated, so that rights, obligations and the distribution of market power are better aligned with current realities".

In effect, the report suggests that low- and middle-income developing countries should do more, despite the proliferation of non-tariff measures imposed by developed countries.

The report implicitly critiques the rigid categorization of "developed" and "developing" countries, which no longer reflects economic reality – an observation supporting the WTO reform proponents.

It suggests that applying Special and Differential Treatment (S&DT) to economically powerful emerging markets undermines reciprocity and hampers the negotiation of meaningful new market access.

However, it omits to mention that S&DT, based on self-designation by developing countries, is a treaty-based right rooted in the 1979 Enabling Clause.

2. State trading enterprises and subsidies: Regarding the level-playing-field (LPF) issues, the report observes that the "growing prominence of government

interventions" has raised significant "interface" problems.

Without naming China – the primary target of these issues – the report argues that the WTO was designed to allow different economic systems to coexist, but the scale of state intervention, particularly via industrial policies and subsidies, has increased globally. This has sparked concerns about maintaining a level playing field.

It said anti-dumping measures using methodologies to address non-market conditions have risen, and subsidy transparency remains poor, with only 59 percent of members submitting required notifications between 2015 and 2024.

This lack of clarity risks undermining confidence in the rules and driving members toward unilateral measures.

The report argues that "greater transparency, clearer analytical distinctions and continued pragmatic rules-based cooperation can help to manage that risk", in apparent support of WTO reforms.

However, this is easier said than done. The ideological divide between market-oriented and state-capitalist models creates fundamental disagreements over fair subsidies and legitimate industrial policies.

Current WTO rules are ill-equipped to handle modern industrial policies, which blend subsidies, state-owned enterprises, and regulatory preferences in ways difficult to quantify or challenge.

3. The rise of global value chains (GVCs) and digital trade: The "changing nature of trade" is creating new cross-border spillovers difficult to address with traditional tariff rules.

The rise of global value chains (GVCs), digitalization, and artificial intelligence has deepened production interdependence.

Digital trade, which grew by 10 percent in 2025 alone, is increasingly dominated by services and intangible inputs, where behind-the-border regulations on data privacy, cybersecurity, and AI governance determine market access.

The report projects that "AI could increase global trade by 40 per cent by 2040", highlighting digital integration's potential.

However, divergent regulatory approaches create interoperability issues and new trade costs.

Similarly, environmental policies, including carbon pricing and border adjustments, interact with WTO non-discrimination principles, requiring careful coordination to support the green transition without compromising openness.

The report said that the common challenge is that "cooperation over regulation, standards, data, subsidies, security and environmental measures that generate cross-border spillovers is inherently more complex than tariff bargaining".

4. Plurilaterals and national security: The WTO's consensus-based decision-making model is poorly suited to these fast-moving, technically complex issues, leading to a reliance on plurilateral agreements that may exclude many members and further fragment the system.

Furthermore, "geopolitical tensions" are increasing pressure on rules-based cooperation.

Concerns over supply-chain concentration, technological rivalry, and national security have led governments to restrict trade and investment flows.

Without naming the US, which has justified some of its allegedly illegal measures under security exception provisions, the report suggests that while WTO rules provide flexibility for national security measures, the expanding use of security rationales blurs the line between legitimate policy space and unilateral decision- making.

In a multipolar world, measures taken by one country to reduce vulnerability can increase the perceived vulnerability of others, leading to mutually reinforcing restrictions.

The report warns that "if major economies turn away from rules-based cooperation, smaller economies will face a less predictable environment," making cooperation on global challenges significantly harder.

Ultimately, geopolitical rifts threaten to split the trading system into competing blocs, undermining the universal applicability of WTO rules.

To illustrate the economic costs of eroding the multilateral trading system, the report provides stark simulations.

In a "geo-fragmented world" scenario, global GDP would fall by 5.1 percent and global exports by 18.6 percent.

In a more extreme "FTA world" scenario, where multilateral cooperation is replaced entirely by a network of free trade agreements, global GDP would drop by 6.9 percent and exports by 26.9 percent.

Conversely, an "enhanced cooperation world" could raise global GDP by 2.9 percent.

These figures illustrate that "the gap between strengthened multilateral cooperation and erosion of the WTO is equivalent to roughly 5 to 10 percent of global real GDP."

The report highlights some recent successes, such as the Agreement on Fisheries Subsidies and plurilateral initiatives on electronic commerce - which have not been multilaterally adopted - and services domestic regulation.

Dispute settlement, though impaired by the Appellate Body's suspension, continues to function, with members resolving about half of disputes through mutually agreed solutions or panel proceedings.

Transparency mechanisms, while imperfect, remain central to reducing uncertainty and building trust.

The report concludes that preserving the WTO does not mean preserving the status quo.

Instead, it said "the choice for members is not between reform and continuity. It is between adapting rules-based cooperation to today's global economy or drifting toward less predictable, less inclusive and more power-based forms of trade governance".

In summary, the WTO's founding logic remains relevant, but its application must evolve; the system must repair what is broken, update what is outdated, and preserve what works.

This involves addressing "interface" problems caused by diverse economic systems, updating rules for digital and green trade, and ensuring that the distribution of rights and obligations reflects current realities.

The report emphasizes that "the world economy that the WTO helped to create does not weaken the case for rules-based cooperation; it makes renewal of that cooperation more urgent." *(SUNS #10531)*

Global growth to slow to 2.6% in 2026 as divergences deepen

In its flagship Trade and Development Report 2026, UN Trade and Development (UNCTAD) has warned that global economic growth is projected to slow to 2.6% in 2026 from 2.9% in 2025 amid the emergence of a new global trade landscape shaped by geoeconomic competition.

by Kanaga Raja

PENANG: Global growth is projected to ease from 2.9 per cent in 2025 to 2.6 per cent in 2026, amid sharp divergences across and within country groups, underscoring an increasingly uneven global recovery despite the resilience seen in aggregate output, according to UN Trade and Development (UNCTAD).

In its flagship Trade and Development Report 2026 (TDR 2026), released on 9 October, UNCTAD said that economic growth in developing economies is projected to slow from 4.7 per cent in 2025 to 4 per cent in 2026, while they face new technological and policy barriers.

Global trade reached a record $35 trillion in 2025, while in 2026, higher trade values are being driven by price increases amid the energy shock, it added. (See separate story).

UNCTAD also pointed to a shifting global trade map: trade between China and the United States has fallen by more than 20% since 2024, while East Asia has expanded trade with both China and North America.

Export controls, investment screening and supply-chain conditions make strategic sectors harder for new entrants to access, it said.

The report finds that governments increasingly use industrial, trade, financial and technology policies to pursue economic and national security objectives.

Speaking at a media briefing at the United Nations Office at Geneva on 9 October, Mr Pedro Manuel Moreno, the Acting Secretary-General of UNCTAD, said global growth is projected to reach 2.6 percent this year, down from 2.9 per cent last year, while global trade is expected to expand by about 4 per cent.

However, he said the gains are extremely concentrated and energy shocks and financial stability continue to put pressure on developing economies in the context of shrinking official development assistance.

The Trade and Development Report shows that economic growth is becoming more uneven and the gaps between developing regions are widening, Mr Moreno cautioned.

He said governments are no longer looking at trade, investment, technology and critical resources only through the lens of economic growth. They are also considering issues of security and geopolitical power.

"Countries are using tariffs and investment rules to secure supply chains, protect strategic technologies and build domestic capacity for major economies."

Some forces now driving the global economy are making it harder for developing countries to move into higher value activities, he said, citing artificial intelligence as a clear example.

Mr Moreno said that AI is becoming a major source of growth in trade and investment. It is driving the demand for chips, servers, data infrastructure, advanced services and critical minerals.

However, he said "the gains again are highly concentrated. The technology, capital and skills needed to compete in this new economy are held by a very small number of actors".

For many developing economies, there is a real risk of being left behind, supplying minerals and other inputs, and buying technology but capturing little of its value at home, he pointed out.

For example, he said Africa mines most of the world's cobalt, which is a strategic mineral at the intersection of technology, energy and geopolitics.

He said 73% of that mineral is held by just one country, the Democratic Republic of the Congo. But less that 1 per cent of value of the global green supply chain stays in Africa.

According to Mr Moreno, this is a clear example of how geopolitics is increasingly shaping the prospects for development of many countries. "What outcome finally prevails will depend once again on policy."

He said the same is true of the wider trading system, adding, however, that the report also points to developed and developing economies that have successfully overcome these challenges, with Asia standing out.

Mr Moreno told journalists that Asian economies have shown remarkable resilience and in many cases, strong economic growth despite a difficult global environment.

"They are adapting quickly to changes in technology, trade and investment. They are deepening regional supply chains, attracting investment and diversifying their economy."

He said that the message from UNCTAD is clear: "the Global South is not simply responding to this new global economy. It is also increasingly saving it".

Overview

According to the TDR 2026, the world economy in 2026 is buffeted by forces unforeseen a year ago.

The crisis in the Middle East erupted amid intensifying geoeconomic competition, disrupting oil and gas markets and cascading into fertilizers, shipping and other critical inputs, amplifying inflationary pressures, it said.

"In a break with past decades, the technology sector feeds these pressures rather than alleviates them. Supply constraints in rapidly expanding Asian semiconductor production have driven up tech prices."

In parallel, the cost of capital has remained high by twenty-first century standards. It is sustained by monetary tightening and rising long-term yields in developed countries, amid concerns about inflation, as well as by the large-scale issuance of corporate bonds to fund investments in artificial intelligence, the report said.

It said adding to these concerns, severe heatwaves, droughts and forest fires signal that the climate crisis is accelerating, disrupting energy and food

supplies, trade routes and fiscal planning, with the consequences unfolding unevenly across countries.

A somewhat unexpected development has been how demand responded to higher energy and capital costs in 2026. Household spending slowed, as expected, but the slowdown has been less pronounced than previously feared, it added.

Meanwhile, in several large economies, fuel demand, specifically, has proved more elastic than after the 2022 inflation shock.

Moreover, fixed investment has expanded rapidly in some sectors and geographies, supporting renewed swings in equity prices.

However, the report said apparent resilience masks wide differences across countries and sectors. Only a few economies benefit from the artificial intelligence boom.

The divide compounds long-standing structural challenges – financialization, inequality, fiscal conservatism and climate change, it said, emphasizing that today, these are unfolding against the strategic contestation embodied in geoeconomic shifts.

"Today's geoeconomic contestation departs from the era of market-driven globalization, which rested on agreed principles and treated integration as a positive sum development."

Under geoeconomics, the zero-sum logic of strategic considerations prevails over market efficiency. It securitizes sectoral policies and integration agendas.

Competition increasingly entails economic statecraft rather than firms, it pointed out.

The report said that while power relations and security interests have always shaped globalization, three specific features characterize the emerging geoeconomy: the blurring of the line between economic and national security, enabled by digital technologies and artificial intelligence; the growing weight of geopolitical considerations in shaping trade policies, supply routes and long-term competitive positioning; and the weakening of institutional stabilizers within the multilateral system.

Global outlook

Global growth is projected at 2.6 per cent in 2026 and 2.7 per cent in 2027. Aggregate performance has defied gloomier scenarios than heightened geopolitical tensions and the return of inflation might have warranted, said the report.

However, it said divergences across and within country groups remain stark, and growth has seen substantial deceleration compared to 2.9 per cent in 2025.

With a few exceptions, growth deceleration highlights the lack of convergence between developed and most developing economies, it added.

While developed economies, as a group, grapple with protracted low growth and monetary policy dilemmas, the developing world is bifurcated between dynamic growth leaders and the vast majority of developing economies where convergence in per capita GDP has collectively receded since the mid-2010s.

Developed economies, as a group, are broadly characterized by stagnation, tightening monetary environments and anaemic industrial performance as they absorb the brunt of the 2026 energy shock, said the TDR 2026.

The United States of America remains a major engine of global growth. Its economy is projected to grow 2.1 per cent in 2026 and 1.8 per cent in 2027, following 2.1 per cent in 2025.

Strong investment in artificial intelligence and a stable labour market have supported domestic demand, but persistent inflation – stoked by imported energy and costlier electronics – is eroding real wages.

"Western Europe is caught in a low-growth phase, severely vulnerable to stagnating investment, global trade fragmentation and energy price volatility."

Although output contracted in several leading economies during the first quarter of 2026 owing to high input costs and weak capital formation, the United Kingdom continued to expand and is projected to record growth of 1.1 per cent in both 2026 and 2027.

Across the United Kingdom and European Union, a prolonged cost-of-living crisis continues to drag on domestic demand and investment, while strained public budgets complicate plans to invest in regional industrial policy.

Several developed Asian economies, the Republic of Korea above all, benefit from strong external demand for high-tech components and sustained investment in semiconductor capacity, said the report.

Similarly, in Japan the export sector is benefitting from buoyant global demand for semiconductors as well as electronic goods more generally, which is partly offsetting sluggish domestic demand.

More worryingly, the report said that developing economies present a bifurcated picture.

High-growth economies are driving global expansion, while import-dependent ones absorb the same energy and rate shocks with far less fiscal room, compounded by rising debt servicing costs.

China and India continue to outperform, although along distinct structural paths. India is the fastest-growing major economy, with GDP projected to expand by 7.3 per cent in 2026 and 6.8 per cent in 2027 due to robust domestic demand, increasing manufacturing capacity and public infrastructure programmes, it said, adding that together, these factors sustain growth despite heavy reliance on oil imports.

"China is managing a re-balancing away from investment towards consumption and working through real estate imbalances, with expected growth moderating to 4.5 per cent in both years."

However, the report said that conditions across other major developing economies remain uneven.

Argentina has benefited from resilient agricultural exports and an improving outlook for shale, hedging the cost of energy imports.

Brazil has drawn on strong household consumption and private investment, which have lifted imports, alongside robust agricultural exports.

Indonesia continues to post solid growth, driven by domestic demand and investment tied to critical minerals and manufacturing.

The report said Turkiye has tightened monetary policy after a prolonged inflationary period, while South Africa faces persistent structural problems: electricity shortages, weak investment and high unemployment.

Saudi Arabia is advancing diversification under its Vision 2030, with non-oil growth partly offsetting lower oil revenues and production cuts.

The report said that for the rest of the developing world, the outlook is uneven. Oil and gas exporters outside the

Strait of Hormuz, among them Angola, Guyana, Kazakhstan and Nigeria, are positioned to benefit from higher prices.

Where domestic refining capacity is insufficient, however, that advantage is partly offset by the steeper rise in refined product prices.

However, fuel- and food-importing countries face acute balance-of-payments pressures – small island developing States most acutely – as they are exposed to both oil and cereal import shocks.

High global interest rates and a periodically strengthening dollar have driven capital flight and raised external financing costs.

In many low-income countries, sovereign debt service is draining budgets, leaving little fiscal space to shield populations from rising prices or to invest in basic infrastructure, the report underlined.

AI boom or bust?

According to the TDR 2026, investment in 2026 is dominated by artificial intelligence capital expenditure on advanced chips and model development.

For now, the effect on aggregate demand is limited, given how little employment such expenditure generates, but data centres spur growth dynamism, it said.

"Investment remains concentrated in China and the United States, and Europe, to a lesser extent. Brazil, India, Indonesia, Kenya, Malaysia, Mexico and Thailand benefit to varying degrees."

Highlighting the scale of investment in artificial intelligence, the report points to an estimated $400 billion of data centre investment in 2026 and roughly $600 billion in 2027 in the United States alone, implying growth of about 300 per cent this year and 50 per cent next year.

Fixed investment in the United States across all sectors, by comparison, is projected to grow by 7 per cent in 2026. Without data centres, the investment picture would look profoundly different, it noted.

Concentration also appears in the flow of international investment. Global foreign direct investment rebounded to $1.6 trillion in 2025, a 6 per cent increase that ended two years of decline, with this recovery masking growing fragmentation, said UNCTAD, noting that inflows to developed economies grew 11 per cent against 2 per cent for developing economies.

Capital allocation now follows geoeconomic fragmentation, industrial policy and technological competition more than short-term profitability or the cost of capital, said the report.

"It favours capital- and technology-intensive projects in strategic technologies, artificial intelligence compute infrastructure, data centres and critical minerals."

The dynamism of technology investment prompts two caveats. The first is the risk of crowding out investment classes with stronger effects on employment and energy efficiency.

The second is the scale of financing flowing to the sector and its effect on stock and bond markets, said the report.

Against this backdrop, the report warned that two related trends in United States equity markets threaten global financial stability.

First, the largest technology companies, all heavily invested in artificial intelligence, account for a growing share of total market capitalization in markets that have proved more inelastic than conventional models assume, with implications for stability.

Second, quarterly disclosures show that the revenue growth driving the valuations of technology companies depends heavily on a small number of artificial intelligence laboratories.

The report said successive funding rounds have lifted their valuations, delivering windfall capital gains to the technology companies holding their shares.

The same companies earn significant revenue from renting cloud computing capacity to the laboratories.

Neither trend would matter much if valuations rested on substantial profits or unassailable market positions, it added.

"Some of the largest technology companies do enjoy solid revenues from accumulated technological advantage. The artificial intelligence laboratories do not. They are not yet profitable, and their revenues, while substantial and rising, come with heavy infrastructure costs."

Their prospective profits depend closely on whether artificial intelligence delivers the promised productivity gains, said the report.

"The logic is straightforward: higher productivity means lower unit costs for adopters and strong demand for laboratories' products. The laboratories and their corporate partners therefore have a clear incentive to promote the coming transformation of work."

Yet, the report said surveys suggest that productivity improvements at the task level vanish at higher levels of aggregation, regarding, for example, productivity results at the firm or industry level, in what is known as the artificial intelligence aggregation puzzle.

It said current explanations suggest that widespread adoption of artificial intelligence, as with electrification and information technology before it, requires workforce training and other adjustments that take time.

Whatever the cause, profits that fail to materialize soon enough could trigger a serious correction in stock prices, with consequences for global financial stability, it added.

Given the outsized weight of technology companies in the United States stock market, a downward correction in valuations may ignite a sell-off and margin calls in other segments of the financial market, even if companies themselves survive the event with their core profits intact.

The report stressed that from this point, a variety of consequences may follow. The most concerning is a wave of bankruptcies among companies that have taken on high leverage against artificial intelligence and technology stocks.

The report suggested that credit conditions could then seize up while lenders assess the extent of the correction, spreading contagion through the credit channel and reaching the real economy through wealth effects, reduced spending and job cuts.

It said two factors complicate the picture further. The first is the amount of debt-fuelled investment in artificial intelligence, reaching an estimated $4.1 trillion by 2030, compared to total capital expenditure of $5.5 trillion.

The second is the impact of geoeconomic competition on the profits of current market leaders. The technology companies accumulated large cash reserves between 2020 and 2024.

But their commitments to hyper-scaling now exceed those reserves, and they have turned heavily to corporate bond markets in dollars and other currencies.

Should the flow of funding into the sector slow, having so far continued

unabated, some bonds would depreciate and feed the contagion loop, it cautioned.

For all the scale of its investment and potential to transform the global economy, artificial intelligence growth displays, to a marked degree, the features of earlier financial bubbles, UNCTAD said, adding that the yield curve is moving towards inversion, a closely watched leading indicator of recession.

Market operators are aware that other fast-expanding sectors have accumulated substantial revenue exposure to artificial intelligence, semiconductors in Asia above all, with an estimated 85 per cent of listed companies on the Taiwanese TAIEX having earnings exposure. The race is young, but already too big to fail, it concluded. *(SUNS #10532)*

Global trade to grow 4% in 2026 amid uneven AI-driven gains

Global trade in goods and services is projected to grow by about 4% in real terms in 2026, with artificial intelligence (AI) emerging as a major driver of global trade growth albeit the benefits of this AI-led trade expansion are highly concentrated among a small number of countries and firms.

by Kanaga Raja

PENANG: Global trade in goods and services is expected to expand by about 4 per cent at constant prices in 2026, a mild deceleration from the 4.4 per cent growth in real terms in 2025, according to UN Trade and Development (UNCTAD).

In its flagship Trade and Development Report 2026, UNCTAD said artificial intelligence (AI) was a key driver of dynamism in global trade, but the gains are extremely concentrated.

According to the report, trade performance in 2025 and early 2026 came as a positive surprise, given restrictive policy stances and the unfavourable geoeconomic context.

However, it said that aggregate resilience masks an increasingly uneven composition: strong nominal growth conceals softer volumes, reflecting price developments in some sectors, a disproportionate contribution from artificial intelligence goods and wide regional variation.

Global trade in goods and services grew 4.4 per cent in real terms in 2025, a solid rate by post-crisis standards, said the report.

Double-digit real growth in merchandise trade in January and February 2026, driven by strengthening global manufacturing output, accelerated the expansion.

The conflict in the Middle East slowed that momentum without halting it.

For 2026 as a whole, trade is expected to grow about 4 per cent at constant prices, a mild deceleration from 2025 but a sharp improvement on what was anticipated when the conflict began, it added.

According to UNCTAD, two opposing forces have shaped trade in 2026. On the downside, geopolitical tensions dampened private consumption and demand for internationally traded goods and services.

International transport and, initially, tourism, each accounting for 15 to 20 per cent of commercial services, were hit directly at the onset of the conflict.

Declining investment, outside a few booming sectors, also curtailed demand for durable goods, which are highly trade-intensive, it added.

"On the upside, the digital infrastructure boom, particularly in artificial intelligence hardware, lifted several segments of merchandise trade and digital services, prompting some to characterize the current phase as an artificial intelligence super-cycle."

It said the data centre boom has supported trade in electricity generation equipment, construction machinery and cooling systems.

Leading providers have begun generating revenue from commercial services worldwide, although the segment is yet to show profitability.

Further downstream, advances in large language models and software relating to artificial intelligence underpin growth in digitally deliverable services.

However, the report cautioned that it remains unclear how much currently concentrated corporate profits could generate the broader household income gains needed to sustain economic expansion, and how large the spillover effects of the current hype in artificial intelligence will ultimately be in supporting the broad-based productivity gains.

On balance, it said the negative factors appear to dominate slightly, compounded by constraints on expanding production in some already overheating technology sectors.

Unless momentum in artificial intelligence demand is sustained and matched by further increases in productive capacity, trade in goods is set to slow, and services may again outpace goods in 2027.

Real trade growth would then realign with global economic activity, the pattern that has held since the global financial crisis, apart from the pandemic years, it pointed out.

Accounting for nearly 75 per cent of total trade in goods and services, merchandise remains crucial for aggregate trade dynamics, it said.

Drawing on various scenarios for the second half of 2026, UNCTAD's latest central projection points to a real expansion of world trade in goods of about 4.5 to 5 per cent in 2026, roughly on par with 4.8 per cent in 2025.

By contrast, nominal growth is set to reach 10 per cent, with the dollar value of world exports reaching $29 trillion in 2026.

Nominal figures, which are timelier yet affected by price changes, suggest strong trade dynamism during the first half of 2026, especially the second quarter, the report stressed.

It said piecemeal evidence suggests that temporary drivers have been at play in this acceleration.

More precisely, a combination of inventory replenishment or accumulation outside the energy sector and a new round of front-loading activities in anticipation of more restrictive tariffs likely kicked in.

These recent pickups sketch a mixed picture. Temporary support from front-loading may unwind in subsequent quarters.

By contrast, inventory rebuilding may point to more favourable business

expectations ahead, said the report.

However, it said these buoying figures reflect substantial inflationary pressures emanating primarily from the energy and tech sectors, although the magnitude of these effects varies widely, in line with each country's specific merchandise trade basket.

Beyond the first half of 2026, it remains unclear which forces will dominate between the tailwinds relating to artificial intelligence and the headwinds emanating from the conflict in the Middle East, the report underscored.

Early data suggest continued dynamism in Asian technology supply chains, although accelerating global inflation could ultimately depress merchandise trade volumes, it argued.

AI-enabling goods

The report said the single most consequential category for the growth of merchandise trade in 2025 and 2026 – but also a key unknown variable for the years ahead – has been the rapid expansion of investments in artificial intelligence-enabling products and infrastructure.

It said that these encompass many specific goods that usually have very high trade content, making the artificial intelligence investment cycle particularly supportive of merchandise trade.

Producing semiconductors, servers and other related equipment relies on highly specialized and geographically fragmented global value chains.

In 2025, trade in these products surged 22 per cent in value, reaching $4.2 trillion and accounting for 42 per cent of total global merchandise trade growth in nominal terms, despite representing only about one-sixth of world trade value.

Complex supply chains centred in Asia, especially around China, Japan, the Republic of Korea and Taiwan Province of China, have been supplying the bulk of semiconductors, servers and related advanced compute infrastructure, notably to the United States.

These products account for roughly two-thirds of the total cost of new data centres, even if some assembly factories have relocated closer to their final destination, such as to Mexico, or partly re-shored, such as in the United States, said the report.

Within these specific products, artificial intelligence compute hardware and its supply chain deserve particular attention, it argued.

Automatic data-processing machines – one of over 5,500 categories within the six-digit HS merchandise products classification – contributed significantly to the growth of imports in the two largest world economies in 2025.

In the United States, this single HS category contributed about three quarters of the 4 per cent nominal growth of total merchandise imports.

Meanwhile, in China, such products almost offset the decline registered by all other imported products taken together.

UNCTAD said that during the first half of 2026 – the most recent period for which data are currently available – these specific imports played an even larger role in the United States.

The import bill for them rose almost 5 per cent year-on-year, nearly offsetting the negative 5.8 per cent contribution of all other imported products taken together.

In the European Union, these products explained about one-fourth of the increase in import bills from outside the group.

On the other hand, the report said the corresponding import bill in China shrank by 0.3 per cent, even though the development of artificial intelligence played an even greater role in this economy.

Such contraction is consistent with the gradual emergence of a Chinese-centred artificial intelligence technology ecosystem, partly due to the strategic export controls the United States introduced on its main foreign competitor.

In other developed economies, such products can also have macro effects, albeit to a smaller extent, it added.

Significantly, the report said that outside the artificial intelligence cluster, trade has been more mixed.

In agriculture, oilseeds and animal products led expansion in the first half of 2026, while coffee, tea and spices lagged, reflecting the fall in coffee prices from the highs of previous quarters.

Natural resources rose strongly on higher mineral fuel prices amid the conflict in the Middle East, and minerals and metal ores grew by more than 30 per cent.

In manufacturing, electrical machinery, machinery and other base metals sustained the growth of late 2025, while chemicals, iron and steel, and textiles and apparel contracted.

Meanwhile, the report said world services exports have proven resilient, reaching almost $10 trillion in 2025, an annual increase of 8 per cent.

Quarter-on-quarter momentum turned slightly negative in the first few months of 2026, although year-on-year growth held at 10 per cent.

Among the three largest sub-categories, transport was the most sluggish at 4 per cent, while international travel and the residual category covering all other services, most of them digitally tradable, each grew 11 to 12 per cent.

Preliminary estimates from the UNCTAD nowcast point to a 6 per cent increase in dollar revenues for 2026 as a whole, a mild deceleration from 2025.

Transport services, which benefited from strong goods trade in 2025, are forecast to post the weakest growth of the three main sub-aggregates in 2026, said the report.

A weak and uncertain maritime outlook, together with persistent trade policy uncertainty, is affecting shipment timing, cargo bookings and demand for shipping and logistics, it added.

It said that dollar revenues from travel services are expected to grow by about 9 per cent, although international tourist arrivals are projected to expand by only 2 to 3 per cent in 2026, down from 5 per cent in 2025.

"The conflict in the Middle East has hit this category hard: the region accounts for 7 per cent of global transport services exports in normal times and serves as a critical air and maritime hub linking Europe, Asia and Africa."

Between late February and June, tens of thousands of flights were cancelled due to safety concerns and the sharp rise in jet fuel prices.

Revenues from other commercial services, the largest sub-category at almost two-thirds of services trade, are expected to grow by about 6 per cent in 2026, the report suggested.

It covers professional, financial, insurance and business services, which benefit from structural demand for outsourcing, consulting, and legal and financial advice, particularly as multinational investment in artificial intelligence infrastructure generates ancillary demand.

Notably, digitally-delivered services, a distinct but overlapping category, continue to outperform.

Preliminary estimates show cloud computing, software, computer services, intellectual property and remote professional services trending upward, often at double-digit rates, the report concluded. *(SUNS #10532)*

G20 trade ministers at impasse as US pushes controversial agenda

The G20 Trade Ministers' Meeting, held in Milwaukee, Wisconsin, on 1 October under the United States presidency, ended without an outcome document, reflecting deep divisions among member countries over the issues of "overcapacity", "forced labour" and the most-favored-nation (MFN) principle.

by D. Ravi Kanth

GENEVA: The G20 Trade Ministers' Meeting, held in Milwaukee, Wisconsin, on 1 October under the United States' presidency, failed to agree on an outcome document due to sharp differences among members over three controversial issues – addressing the issue of "overcapacity", eliminating "forced labor", and adjusting the most-favored-nation (MFN) treatment principle, according to China.

According to remarks made by a spokesperson for China's Ministry of Commerce (MOFCOM) on 4 October, China said the "overcapacity" and "forced labor" agenda items had been highly contentious from the outset as G20 members are currently subjected to additional tariffs under Section 301 of the Trade Act of 1974 related to forced labor, and many are also targets of Section 301 investigations into the issue of "overcapacity".

However, US Trade Representative (USTR), Ambassador Jamieson Greer, who seemingly framed the G20 trade ministerial agenda with the inclusion of the three items, claimed that "this week's G20 Trade Ministerial in Milwaukee was a success".

"It is especially significant that the entire G20 was able to reach consensus on the statement on the weaponization of food through coercive trade actions," Ambassador Greer said.

"G20 Trade Ministers also had candid and productive discussions regarding eliminating forced labor in global supply chains, addressing structural excess capacity and production, and reforming the Most-Favored Nation principle (MFN)."

"While I am disappointed that the G20 Trade Ministers did not reach consensus on this issue," Ambassador Greer said that he hopes that "discussions on this topic will continue and that other economies will join us in taking increased action to combat forced labor in global supply chains".

However, the issue of forced labour has failed to garner much support at the World Trade Organization.

A trade envoy, who asked not to be quoted, said many members remain opposed to the manner in which the US is attempting to "weaponize" issues like forced labour, which fall outside the remit of global trade rules.

Ambassador Greer claimed that "many G20 members expressed resolve to address structural excess capacity and production in key sectors of concern," without indicating the number of countries that supported such a discussion.

"I am disappointed that a handful of members rejected creating a pathway toward cooperative action," Ambassador Greer lamented.

Despite substantial opposition to any adjustments to the MFN principle, Ambassador Greer noted that the "development spectrum indicated that they see merit in considering how the MFN principle might be improved to address today's global trade environment".

China's opposition

China said that G20 members reached a joint statement on opposing the weaponization of food.

However, a spokesperson for MOFCOM noted that many members expressed differing views on the US presidency's inclusion of these issues on the agenda and its efforts to promote joint statements and establish cooperation mechanisms, according to a report in the Global Times, a leading Chinese publication.

Due to sharply differing views, the G20 trade ministers were unable to reach agreement on outcome documents regarding the relevant issues, the spokesperson said.

While drawing attention to the G20 chair's statement issued by Ambassador Greer, China noted that the US, together with two other G20 members (Argentina and Mexico), had issued a statement on forced labor outside the G20 framework.

Reflecting on the US inclusion of adjustments to the MFN principle, China revealed that the overwhelming majority of G20 members, including China, emphasized during discussions that the principle is the cornerstone of the multilateral trading system and provides stability and predictability for global trade.

The MOFCOM statement also highlighted that any weakening of the principle would seriously undermine the foundations of the multilateral trading system, suggesting that the US presidency did not put forward a proposal for an outcome document on this issue.

According to the MOFCOM spokesperson, at the Milwaukee meeting, members exchanged views on the agenda items set by the US presidency – opposing the "weaponization" of food, addressing "overcapacity", eliminating forced labour, and adjusting the MFN treatment principle – reaching a joint statement on the food issue, while no outcome documents were produced on the other issues.

It appears that during consultations on the "weaponization" of food, many emerging-market and developing members, including China, proposed that food-importing and food-exporting countries should jointly maintain the stability of food supply chains.

However, several G20 members emphasized that all parties have the right to take measures in pursuit of domestic public policy objectives and to safeguard food security, the MOFCOM spokesperson said.

Furthermore, China maintained an open and cooperative attitude throughout the meeting, participated constructively in discussions on all agenda items, and communicated closely with other members, fully playing its role in facilitating dialogue and cooperation, the spokesperson added.

China said that it remained firm in its principles, resolutely safeguarded its own interests and the common interests of developing countries, and worked to promote G20 unity and cooperation.

Commenting on the upcoming G20 Miami Summit in November, China indicated that while Beijing is ready to work with the presidency and all members, it will uphold the principle of consensus,

strengthen unity and cooperation, and jointly contribute positive and pragmatic economic and trade outcomes to the summit, the spokesperson said.

Coercive measures

In a separate development, without naming the US for its allegedly unilateral measures and sanctions, China – along with 27 other countries – sharply condemned what they called "unilateral coercive measures" (UCMs) at the United Nations on 3 October.

In a joint statement issued at the Third Committee of the UN General Assembly, China along with Antigua and Barbuda, Belarus, Bolivia, Burkina Faso, Cambodia, Cameroon, Central African Republic, Cuba, Democratic People's Republic of Korea, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Iran, Lao, Mali, Nicaragua, Niger, Pakistan, Russian Federation, South Sudan, Sri Lanka, State of Palestine, Sudan, Uganda, Venezuela, and Zimbabwe, noted that "today's world is plagued with rampant unilateralism and raging unilateral coercive measures."

The 28 countries said "history has proven that UCMs are one of the culprits for international turbulence and disarray in world order".

"As the United Nations marks its 80th anniversary, the international community must remain clear-headed, strengthen unity and cooperation, and firmly curb and stop such unlawful practices," China said on behalf of the 28 countries.

China noted that "developing countries and their populations continue to fall victim to unilateral coercive measures, which violate the principle of sovereign equality and cooperation, intervene in other countries' internal affairs, disregard the purposes and principles of the Charter of the United Nations and undermine the foundation of multilateralism and international rule of law".

Referring to "the 2030 Agenda for Sustainable Development (that) underscores the equal enjoyment by all states of the development dividends", China urged "states to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations".

"Regrettably, despite the global call to urgently lift UCMs," China and the other signatories said "the imposition of these illegal measures continues to cause devastating, sometimes even life-threatening consequences, to targeted countries and their peoples".

More disturbingly, "UCMs, coupled with secondary sanctions and over-compliance, exacerbate existing humanitarian and economic challenges, gravely affect the stability of the global production and supply chains, as well as food, energy, and financial security, and seriously undermine the world economic order and the efforts of the countries concerned to achieve SDGs," the joint statement stressed.

"Moreover, UCMs severely violate the basic human rights, including the right to life, health, development, and education and impede the ability of targeted countries to realize those rights," China said.

Recently, the UN Special Rapporteur on the negative impact of UCMs on the enjoyment of human rights pointed out that unilateral sanctions have led to shortages of healthcare services, medication, and energy in sanctioned countries, with those in vulnerable situations such as women, children, and the elderly facing particularly dire circumstances.

China said that the signatories to the joint statement are "also concerned that unilateral coercive measures and over-compliance have limited the ability of affected countries to access and acquire foreign investment and technologies, and hindered international cooperation in culture, arts, sports, travel, people-to-people exchanges, and transport, including civil aviation". *(SUNS #10527)*

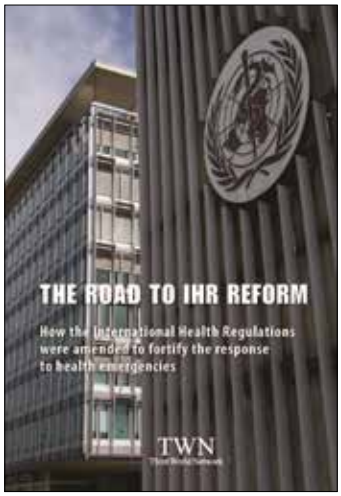
The Road to IHR Reform

How the International Health Regulations were amended to fortify the response to health emergencies

As the COVID-19 pandemic left a devastating human and economic toll in its wake, multiple efforts to shore up preparedness and response to public health emergencies were initiated. One of the most significant of these was the move to reform the International Health Regulations, which govern the management of cross-border health crises

This book tracks the intergovernmental negotiating process that took place under the aegis of the World Health Organization (WHO) to amend the IHR. Bringing together contemporaneous articles published by the Third World Network, it documents the various twists and turns in the talks and the key issues that were at stake – including developing countries' calls for equitable access to health products and for financial support in implementing the Regulations.

The Road to IHR Reform chronicles how the negotiations navigated a raft of challenges to eventually deliver a landmark set of amended rules aimed at enhancing international health cooperation.



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"[A]n absolute tour de force. It is easily the most comprehensive and insightful analysis of IHR amendments ever written. It combines academic rigour with penetrating analysis."
Lawrence O. Gostin, Distinguished University Professor at Georgetown University and Director of the WHO Center on Global Health Law

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Dr Boitumelo Tau, Health Attaché of the Permanent Mission of Botswana to the United Nations

"Through its meticulous analysis, this publication offers profound insight into the conduct of negotiations behind closed doors, while standing as a meaningful testament to the shared commitment that ultimately brought this milestone to fruition."
Nurhafiza Hamzah, former Minister Counsellor (Health) of the Permanent Mission of Malaysia to the United Nations and Other International Organizations

(PDF copy available here.To obtain a print copy, please write to twn@twnetwork.org. Postage charges will apply.)

Multi-decade high borrowing costs threaten millions with poverty

Surging energy prices, a strong El Nino event and multi-decade high benchmark interest rates resulting in high borrowing costs especially for developing countries could push millions more people into poverty, the UN Development Programme (UNDP) has warned.

by Kanaga Raja

PENANG: A "triple shock" encompassing higher energy prices, an unprecedented El Nino phenomenon and higher borrowing costs could push millions more people into poverty, the UN Development Programme (UNDP) has warned.

In its latest analysis of the global economic impact of the Middle East conflict, UNDP said seven months into the crisis, three global pressures are proving especially challenging in many countries: energy prices are surging again after the breakdown of the United States-Iran ceasefire in July; El Nino is on course to be the strongest on record with impacts that will not peak until early 2027; and global benchmark interest rates have reached multi-decade highs.

In its report, titled "No Time to Recover: Compounding Crises, Depleted Fiscal Buffers and What It Means for Developing Economies", UNDP pointed out that the median developing economy government now spends about 9.5 percent of revenue on interest payments alone, which is more than three times higher than in the median high- income country, and not seen this high since the year 2001.

It said rising borrowing costs are particularly concerning given current conditions in the bond markets, with US 10-year Treasury yields reaching 5.3 percent, their highest level since 2002.

Higher US Treasury yields ripple through global financial markets, adding pressure on countries already carrying heavy debt burdens, it emphasized.

Ten-year bonds of median weak-credit countries are today already around 9 percent. This burden draws scarce resources away from public health, education, and social safety nets, UNDP further said.

UNDP said energy prices and El Nino are adding to the pressure, with oil prices having surged above US$100 a barrel for the second time since the conflict in the Middle East began, driving up the costs of fuel and food.

Meanwhile, the current El Nino is shaping up to be the most powerful on record, threatening harvests and food systems across Africa, Asia, and Latin America.

"Surging oil and food prices leave millions of families with no safety margin. We are witnessing a perfect storm that could throw tens if not hundreds of millions of people back into poverty," said the UNDP Administrator Alexander De Croo.

"Governments of developing countries are left with impossible choices: cut support to their poorest citizens or risk their entire development agenda," De Croo added.

According to the report, in its first assessment of the military escalation in the Middle East in April, the shock was a single one: the "most severe oil supply shock in history", transmitted to developing economies through energy, fertiliser and food prices and through weaker global growth.

UNDP said that its June update found that governments had largely avoided development reversals by cushioning the pass-through of international prices, at great fiscal cost, and that the Memorandum of Understanding between Iran and the United States of 18 June offered breathing room.

However, that breathing room did not last. The ceasefire broke down in July and oil prices have surged again.

At the same time, two additional challenges are emerging which challenge the capacity of developing countries to manage the energy shock, said the report.

One is a very strong El Nino developing in the Pacific and with an expected peak towards the end of the year, with impacts on harvests, food prices and public health that will persist through 2027.

Another is the upwards pressure on already high borrowing costs as global benchmark interest rates have risen sharply since the conflict started and some now at a multi-decade high.

"Triple shock"

Warning of a "triple shock" that will not ease before 2027, the report said that global oil prices spiked at the onset of the US-Iran conflict in late February and have remained highly sensitive to developments since: the late-April ceasefire, the negotiations that followed, their eventual breakdown, and the broader push and pull between potential resolution and further escalation.

"Brent crude averaged $102 per barrel in the month of September, up 22 percent since July, when the ceasefire broke down. The last time oil prices were this high was during the 2022 energy and food price shock."

The second shock is climatic. El Nino is now very strong and still intensifying. Sea-surface temperatures in the central equatorial Pacific (the Nino-3.4 region) rose from 2.2-2.6 degrees C above normal in late July and mid-August to 3.0 degrees C above normal by mid-September, and the preliminary daily reading for 30 September stood at 3.2 degrees C, the report noted.

The US National Oceanic and Atmospheric Administration (NOAA) puts the chance of a very strong event during the Northern Hemisphere autumn and winter above 90 percent, and gives a 75 percent chance that the event exceeds the strength of every El Nino since 1950, as measured by its relative oceanic index.

According to the report, the event is expected to peak towards the end of the year and to persist to at least February 2027, with a likelihood that the World Meteorological Organization (WMO) puts at close to 100 percent.

WMO expects above-normal temperatures over nearly all land areas through November, with heavy rain and flooding in some regions and drought in others, and names agriculture, public health, energy and water supplies as the sectors most exposed.

The World Food Programme projects that the 2026-27 El Nino could push at least 49 million more people into

acute food insecurity across 45 already food-insecure countries by the end of 2027, raising the acutely food- insecure population in those countries from about 225 million to 274 million, an increase of 22 percent.

The report said that the largest additions are expected in East and Southern Africa (more than 18 million) and Latin America and the Caribbean (more than 16 million), with Central America facing the largest proportional increase, followed by Asia and the Pacific (8.2 million) and West and Central Africa (nearly 6 million).

The report said that the third shock is financial, with global benchmark rates at multi-decade highs.

The yield on the 10- and 30-year US Treasury bonds (a global risk-free benchmark) have now reached a multi-decade high – a pattern observable across many Advanced Economies (AEs) – on account of persistent inflation and expectations of higher policy rates, large deficits and rising debt, and greater competition for long-term capital.

On 28 September, the 10-year Treasury yield reached 5.26 percent and the 30-year yield at 5.59 percent, last observed this high in the years 2002 and 2004, respectively, it added.

"Rising AE bond yields increase the pressure on already high borrowing costs for the emerging [market] and developing economies (EMDEs) even though their risk spreads have so far remained comparatively resilient."

The burden is nonetheless likely to be greatest for lower-rated and highly indebted countries, where refinancing needs, limited reserves and already-constrained market access leave little capacity to absorb a prolonged period of elevated global interest rates, the report argued.

Analysis from the World Bank shows that despite sharply higher AE yields, EMDE borrowing costs have so far risen by less because sovereign spreads have narrowed, reflecting continued investor risk appetite and no broad reassessment of EMDE creditworthiness.

However, yields remain high – around 9 percent (10Y) for the median weak-credit country.

The World Bank also warns that the situation can quickly deteriorate, especially in economies with poor (below investment-grade) ratings or substantial short-term debt, as these are particularly exposed to refinancing risks and changes in global market sentiment.

This increased risk of higher borrowing costs also comes at a time where the debt service burden (relative to revenue) of developing economies has not been higher in decades, said the report.

The median developing economy government now spends about 9.5 percent of revenue on interest payments alone, which is more than three times higher than in the median high-income country, and not seen this high since the year 2001, it noted.

It said with already historic high debt servicing levels, renewed pressure on interest rates, and risk of further slowdowns in economic growth from the spillovers of the Middle East crisis and other external shocks, the debt-development trade-offs facing many developing economies are set to intensify: a growing debt service burden and emergency relief measures are siphoning funds away from long-term sustainable development investments.

According to the report, price cushioning remains the dominant response. The IMF's global policy tracker records 879 policy measures across 167 countries, with fiscal interventions (subsidies, transfers and fuel-tax reductions) dominating.

The latest International Energy Agency (IEA) tracker identifies consumer-support measures in 95 countries, compared with energy-conservation measures in 59 and structural policies in 33.

Fuel-tax reductions are the most widespread consumer measure, followed by subsidies, other financial support and price caps, said the report.

More importantly, it said policies are broadening, with little evidence of targeting. Policy announcements peaked immediately after the shock and then slowed, but consumer support has continued to expand.

Between April and September, the number of countries using tax measures rose from 35 to 57, subsidies from 13 to 38, and price caps from 13 to 23.

Structural responses are also emerging: nearly 20 countries had announced such measures by May, rising to 33 tracker entries by September, particularly in electrification, efficiency and renewable energy.

But early measures were overwhelmingly broad-based: in April, 12 of 13 price-cap measures and 33 of 35 tax measures were un-targeted.

The evidence therefore points to an accumulation of structural measures alongside, not yet instead of, costly price cushioning, the report concluded.

"Protecting households and businesses from severe price spikes while safeguarding fiscal sustainability, and preventing social unrest, is a difficult balancing act, and the balance is shifting."

The report said based on data for 130 countries, average retail prices for gasoline and diesel have risen by 26 and 38 percent, respectively, since the conflict broke out in late February, and only about one country in ten has kept pump prices unchanged.

"The distribution is wide: for diesel, nearly half of the countries have seen increases above 40 percent, and eleven have seen prices rise by more than 70 percent."

The report said that the pass-through is also increasing over time. Comparing the same countries between June and September, the combined gasoline-diesel price increased further in close to two-thirds of 128 countries with available data, consistent with greater pass-through of international prices.

The report said across the full sample, the cumulative retail price increase since the conflict began widened by an average of 8.1 percentage points; among the 83 countries that recorded further increases, it widened by almost 16 percentage points.

With current energy prices, UNDP estimates that global explicit fossil fuel subsidies could surpass $1 trillion this year alone.

The report said that across developing economies, the debt-development trade-off is deepening as scarce fiscal and financial resources are funnelled toward emergency relief measures and a rising debt-service burden instead of the long-term investments needed for sustainable development.

Notably, it said the social costs are also rising. Rising energy prices have already contributed to protests and social unrest in at least ten countries in September, from Syria, Guatemala and the Philippines to France and Portugal, as governments find it increasingly difficult to maintain costly price-cushioning measures amid widespread fiscal stress.

Governments are being pushed

from both sides: the cost of holding prices down rises, while the political cost of letting them rise is already visible on the streets, the report underlined.

Cost implications

In order to determine how much price containment has actually been worth, and what would it cost to replace it, the report constructed a counterfactual taking the IMF's April 2026 growth baseline for 159 countries, covering about 97 percent of the world's population, and letting the 2026 energy and food price shock pass fully through to household budgets, with no subsidies, price caps or transfers.

It said in the central case, retail energy prices rise by 30 percent and food prices by 10 percent; a low case (+20 and +5 percent) and a high case (+45 and +15 percent, at or above full pass-through of the rise in crude) bound the result.

It said that the real income of each household falls by its budget share of food times the food price change plus its budget share of energy times the energy price change, with shares that are higher for poorer households and poorer countries.

It said that in the central case, 132 million more people fall below the $6.85-a-day poverty line in 2026 than in the IMF baseline, with a range of 80 to 200 million across the low and high cases; 121 million more fall below the $3.65 line and 66 million more into extreme poverty below $2.15. Virtually all of them are in developing countries.

By region, it said East Asia and the Pacific (47 million) and South Asia (44 million) account for more than two-thirds of the total at $6.85.

Sub-Saharan Africa adds 16 million, the Middle East and North Africa 11 million, Latin America and the Caribbean 10 million and Europe and Central Asia 4.5 million; the advanced economies add under 1 million.

Of the 66 million pushed into extreme poverty (below $2.15), 36 million are in Sub-Saharan Africa (55 percent of the total) and 20 million in South Asia (31 percent of the total); East Asia and the Pacific contributes 4 million (7 percent of the total).

Sub-Saharan Africa's extreme-poverty headcount rises by 2.8 points, more than twice the increase in any other region.

At $3.65, South Asia (57 million) and Sub-Saharan Africa (32 million) lead, followed by East Asia and the Pacific (20 million), said the report.

By income group, lower-middle-income countries carry the largest share at every line: 65 of the 132 million at $6.85 (49 percent), 84 of the 121 million at $3.65 (69 percent) and 42 of the 66 million at $2.15 (63 percent).

Low-income countries account for 29 percent of the increase in extreme poverty (19 million) but only 6 percent at $6.85, where almost nine in ten of their people are already below the line, said the report.

Upper-middle-income countries matter mainly at the $6.85 line, where they add 58 million (44 percent), and barely at all in extreme poverty (5 million).

Either way, the report said holding every household's real income constant in the face of the shock, which is the cash equivalent of blanket price containment, would cost about 1.1 percent of developing-country GDP in 2026 (0.6 to 1.6 percent across the low and high cases), or about $1.1 trillion in 2017 purchasing-power-parity (PPP) dollars.

Compensating only households below the $6.85 line for their real-income loss would cost about 0.3 percent of GDP (0.15 to 0.4 percent across the low and high cases), or about $255 billion PPP: the same protection for the poor at roughly a quarter of the cost.

However, the report said that most low-income and many middle-income countries cannot pay either bill from a budget where interest payments already consume 9.5 percent of revenue for the median country and more than 20 percent for about 17 percent of countries.

UNDP said that the fork is therefore not a choice between a cheap option and an expensive one; it is a choice between a bill that can be targeted and a bill that cannot, in countries that will struggle to fund the smaller of the two without external support.

Policy implications

Against this backdrop, the report highlighted four policy implications, First, price cushioning has bought time, but time is running out.

Containment has been shielding households from a poverty reversal of up to about 130 million people, but the shield is thinning: its cost rises with every month of $100 oil, the shock is increasingly being passed onto consumers, and protests and unrest are following where support is withdrawn.

The question for governments is not whether to respond but how to shift from a large un-targeted bill to a more targeted and sustainable one, it said.

Second, targeted and temporary support remains the preferred instrument.

Compensating households below the $6.85 line for their real-income loss delivers the same protection for the poor as blanket containment at roughly a quarter of the cost – 0.3 percent of developing-country GDP against 1.1 percent.

Countries with social registries and payment systems should shift support toward cash transfers or lifeline tariffs; countries without them may need temporary consumption blocks for electricity or cooking gas, but should avoid open-ended gasoline and diesel subsidies that disproportionately benefit richer households and firms, the report suggested.

Third, it said the El Nino event is changing the sequencing. A record-strength event peaking into early 2027 means that the food price and harvest shock will arrive while the energy shock is still being absorbed, in many of the same countries.

Anticipatory action, protecting input access during planting windows, and keeping food assistance and adaptive social protection ready to scale are the counterparts on the climate side, and of targeted transfers on the energy side, it added.

Fourth, many low-income and some middle-income countries will struggle even to fund a targeted response as budgets are already under severe pressure and fiscal stress is high, the report stressed.

The prospect of higher global benchmark rates further pushing up their borrowing costs will only worsen an already bad situation, it cautioned.

It said that transitioning to well-targeted social protection takes time and is difficult in the middle of a crisis.

As a result, it said access to affordable budget and balance-of-payments support from international financial institutions is therefore the central priority for fiscally constrained countries: it is what allows them to weather the shock while building the systems that would let them target the next one. *(SUNS #10534)*

Millions more women and girls face hunger as Middle East crisis escalates

A new UN Women report warns that escalating tensions in the Middle East and disruptions to shipping through the Strait of Hormuz could significantly worsen global food insecurity, with women and girls bearing a disproportionate share of the impact, highlighting the gendered consequences of deepening global food crises.

by Kanaga Raja

PENANG: An additional 11.7 million women and girls could become food insecure by the end of December 2026, as the escalation in the Middle East and disruption to the Strait of Hormuz add new price shocks to an already severe food security crisis, according to UN Women.

In a new report, titled "Food security risks of the Middle East escalation for women and girls", UN Women said that women and girls account for 53 per cent of the projected 22 million additional people who could face food insecurity by the end of the year across 28 countries analyzed.

It said that this is in addition to an estimated 208 million women and girls who were already food insecure or undernourished in these countries.

"We know, as a matter of fact, that when food becomes scarce, women eat less and last. They often shift to less nutritious diets or skip meals altogether to prioritize the needs of others," said the UN Women Deputy Executive Director Nyaradzayi Gumbonzvanda.

"Gender inequalities dictate who has access to food and the resources to obtain it. Therefore, investing in women and girls is a sure way of ensuring the well-being of families and communities," Gumbonzvanda added.

According to the report, the Middle East escalation is placing additional strain on global food security.

Continued disruptions to shipping through the Strait of Hormuz are keeping energy, fertilizer and transport costs elevated and volatile, transmitting the shock into food prices, agricultural inputs, humanitarian operations, labour markets and remittance-dependent economies far beyond the region, it said.

It said that this is affecting countries already weakened by climate shocks and successive global crises, which have disrupted energy markets, driven up fertilizer and food prices, reduced agricultural productivity, and eroded households' capacity to absorb further shocks.

The Food and Agriculture Organization (FAO) has warned that, if current pressures persist, they could contribute to a severe global food-price crisis within the coming months.

According to UN Women, women and girls are likely to bear the brunt of this shock. They already face higher levels of food insecurity, have less access to secure work, income, land, credit and financial services, and carry a greater share of unpaid care work.

Evidence from previous crises shows that economic shocks widen these inequalities, both within households and across societies, it said.

"When food becomes less affordable, women may eat less or eat last, shift to cheaper and less nutritious diets, or spend more time finding and preparing food."

Women are central to the food systems that are now under pressure, making up almost 40 per cent of the global agrifood workforce – growing, processing and selling food.

The report said in sub-Saharan Africa and Southern Asia, agrifood systems account for 66 and 71 per cent of women's employment, respectively.

Higher fuel, fertilizer and transport costs can therefore affect women twice over: through higher food prices as consumers, and through lower agricultural earnings and reduced work as producers, it pointed out.

The report examined the potential near-term implications of this double exposure for women and girls in 28 countries, where food-price shocks intersect with existing food insecurity, import dependence, displacement, humanitarian funding pressures, climate vulnerability and gender inequality.

Even before the Middle East escalation, an estimated 208 million women and girls across the 28 countries were food insecure or undernourished, it said, adding that the current shock therefore risks deepening an existing crisis rather than creating a new one.

Under the moderate scenario, an estimated additional 11.7 million women and girls could become food insecure by the end of December 2026, accounting for 53 per cent of the projected 22 million additional people affected.

In some countries, women and girls are estimated to make up an even larger share of those affected: 60 per cent in Afghanistan, 57 per cent in Yemen and Pakistan, and 56 per cent in Bangladesh and Sudan.

The report said that the shock is most concentrated in South Sudan, where, based on observed IPC assessments, around 852,000 additional women and girls could face food insecurity by December 2026, roughly 14 per cent – or one in seven – of the country's female population.

Lebanon follows, where the additional number is equivalent to nearly 4 per cent of the female population.

These scenario-based estimates show how quickly outcomes worsen as the assumed food-price shock becomes larger, it said.

The report also warned that gender inequality can turn price and income shocks into a deeper crisis for women and girls.

"Prices are only part of the story. A woman's ability to keep food on the table depends on whether she has her own income, secure work, savings or credit, and a say over how household resources are used."

According to the report, the cross-country analysis measured three of these economic buffers: access to income, employment security, and financial inclusion. Each shows why many women have little room to absorb another shock.

As regards limited access to income, the report said in Egypt, Iraq, Palestine, Sudan and Syria, fewer than one in five

women participates in the labour force.

In Afghanistan and Yemen, participation falls to approximately one in twenty.

Access to financial services offers another potential buffer, but many women remain excluded. In Iraq, Lebanon, Pakistan and Yemen, fewer than one in five women owns a bank or mobile money account.

Without an account, women have fewer ways to save, receive remittances or cash assistance, or borrow safely, said the report.

As regards employment security, the report said that in 17 of the 28 countries analysed, at least half of employed women are in vulnerable employment. In Afghanistan, Burkina Faso, Ethiopia, Haiti, Mali and South Sudan, this share exceeds 80 per cent.

This indicator captures only part of women's employment insecurity, since temporary, informal, domestic and migrant work carry additional vulnerabilities not fully reflected in comparable cross-country data, it added.

More worryingly, the report said women and girls face the greatest food security risks where multiple pressures overlap.

"Rising food prices compound existing pressures on women and girls, especially where conflict, displacement, food insecurity, import dependence, agricultural exposure or humanitarian funding gaps are already present."

This combination deepens the inequalities women already face in access to resources,livelihoods, services and decision-making, raising both their risk of food insecurity and the difficulty of coping with and recovering from it, the report added.

Under a combined stress scenario of sustained food, fuel and fertilizer price pressures and reduced humanitarian assistance, 26 of the 28 countries would face high or very high exposure to multiple, compounding risks, said the report.

"Sudan and South Sudan rank highest overall, with severe food insecurity, displacement, humanitarian funding pressures and structural gender inequalities converging."

The report said Afghanistan, Yemen, Somalia, Haiti, Ethiopia and Palestine also face high exposure, but through different combinations of risks.

For example, in Somalia and Yemen, exposure is driven mainly by severe existing food insecurity combined with low humanitarian funding for food security relative to the number of people in need.

The report observed that populous countries may drive the largest absolute numbers of women and girls facing food insecurity (India, Pakistan, Indonesia and Egypt), yet in each case the increase is below 1.5 per cent of the population.

In smaller or crisis-affected countries such as South Sudan, Sudan, Haiti, Yemen and Palestine, they face more concentrated risk because several sources of vulnerability coincide, it said.

For women working in agriculture, the impact is direct as rising input costs cut into what they earn, not only what they pay at the market, it added.

For instance, in Afghanistan, Bangladesh, Pakistan and South Sudan, around two-thirds or more of employed women work in agriculture.

Higher fuel, fertilizer and input costs can disrupt planting decisions, reduce production and labour demand, and squeeze earnings, it cautioned.

Importantly, in import-dependent economies, global food, fuel and logistics shocks pass more quickly into local prices, it said.

"Women with limited independent income, secure employment, savings or financial accounts have less room to absorb the increase."

Policy and programme responses should be matched to the dominant risk in each context, said UN Women.

Where humanitarian funding falls short of need, it highlighted the need to protect women's access to food, cash, nutrition and protection services.

Where agriculture is the pressure point, the report urged the need to protect women's production, inputs and livelihoods, and where import-driven inflation dominates, there is need to protect household purchasing power and women's access to financial resources.

However, responding to the price shock without addressing the gender inequalities that shape women's choices will leave the underlying vulnerability intact in every context, it concluded. *(SUNS #10527)*

Global Governance for Justice, Democracy and Sustainability

By *Lim Mah Hui*

Transcending national borders, the gravest challenges of our time – such as climate change, unprecedented inequality and the spectre of nuclear conflict – require global solutions. However, the present system of global governance is ill-equipped to deal with these problems and is instead buckling under the weight of its own tensions and contradictions. In place of the current order, which was shaped by and for the interests of the developed world, a new global governance architecture must be constructed that advances distributive justice and equity among nations. Such an arrangement has to redress power imbalances in international institutions as well as promote policies oriented towards economic, social and environmental progress.



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Download the book: https://twn.my/title2/books/Global_Governance_LMH.htm

Global food prices rise amid weather strain, trade disruptions

World food commodity prices increased in September as transport disruptions and adverse weather conditions constrained supplies and tightened availability in global markets, pushing up quotations across crop-based commodity groups, according to the Food and Agriculture Organization of the United Nations (FAO).

by Kanaga Raja

PENANG: World food commodity prices rose in September, driven by transport disruptions and weather-related constraints that tightened global availability and pushed up quotations across the crop-based commodity groups, according to the Food and Agriculture Organization of the United Nations (FAO).

According to FAO, its Food Price Index (FFPI) averaged 136.0 points in September 2026, up 2.0 points (1.5 percent) from its revised August level.

It said price indices for crop-based commodity groups (cereals, vegetable oils, and sugar) all increased from the previous month, while the meat price index declined and the dairy price index remained stable.

Compared to a year earlier, the FFPI stood 7.4 points (5.8 percent) higher but remained 24.3 points (15.1 percent) below its peak reached in March 2022, it added.

The FAO Food Price Index tracks monthly changes in the international prices of a basket of globally-traded food commodities.

"We are seeing a persistent and increasingly broad-based build up in global commodity prices, as disruptions in the Strait of Hormuz and the Black Sea combine with climate shocks, putting pressure on energy, transport and key food commodities," said FAO Chief Economist Maximo Torero.

"If sustained, these pressures will soon pass through to consumer food prices, especially in food and energy import-dependent countries," he added.

According to FAO, its Cereal Price Index averaged 122.8 points in September, up 6.0 points (5.1 percent) from August and 18.0 points (17.2 percent) above its September 2025 value.

It said world wheat prices increased by 6.3 percent from August, reaching their highest level since August 2023, although daily quotations eased towards the end of the month.

The rise was largely associated with logistical constraints in the Black Sea region, which prompted importers to shift towards alternative origins, it noted.

Also, it said dry weather conditions in parts of North America ahead of winter wheat planting contributed to the increase.

As a result, global maize prices rose by 5.6 percent month-on-month to their highest level in more than three years, supported by a tightening supply outlook following lower-than-anticipated yields in the United States of America and less export availability in Brazil.

"Trade disruptions in the Black Sea region reduced maize export availability, while uncertainty over shipping through the Strait of Hormuz kept concerns about fuel, fertilizer and freight costs elevated, providing additional support to commodity prices, particularly for those used as biofuel feedstocks, such as maize."

Additionally, FAO said world sorghum and barley prices also increased in September, by 13.7 percent and 3.9 percent, respectively, in line with broader trend across feed grain markets, as well as expectations of increased Chinese purchases of sorghum following trade discussions between China and the United States of America.

According to FAO, its All Rice Price Index increased by 1.4 percent in September 2026, as Indica quotations rose amid weather concerns and seasonally tighter supplies.

According to FAO, its Vegetable Oil Price Index averaged 198.6 points in September, up 1.8 points (0.9 percent) from August and 18.3 percent above its level a year earlier.

The increase was driven mainly by higher world palm oil prices, more than offsetting a decline in sunflower oil quotations, while soy and rapeseed oil prices remained broadly stable during the month, it said.

"International palm oil prices rose for the fourth consecutive month, supported by strong global import demand and concerns over the impact of dry weather on production prospects in Southeast Asia."

By contrast, FAO said that sunflower oil prices declined for the third successive month, reflecting expectations of ample supplies from the Black Sea region, although the ongoing logistical disruptions and constrained export capacity through alternative routes contained the decline.

World soy oil prices were little changed, remaining well above their year-earlier levels, supported by robust demand from the biofuel sector, while rapeseed oil prices also remained largely unchanged, said FAO.

According to FAO, its Meat Price Index averaged 127.9 points in September, down 1.5 points (1.1 percent) from its revised August value and in line with its level a year ago.

The decline reflected lower poultry and pig meat quotations, while bovine and ovine (lamb and mutton) meat prices remained broadly stable, it said.

"International poultry meat quotations declined amid ample export supplies from Brazil and weaker import demand from the European Union following the entry into force on 3 September of the antimicrobial-related import requirements."

The effect was most evident for higher-value products and was compounded by the front-loading of imports ahead of the implementation of the new rules, FAO pointed out.

It said pig meat prices also declined amid abundant supplies in major exporting countries. In the European Union, animal growth rates returned to normal levels following the decline during the summer heatwaves, supporting increased supplies and weighing on prices.

For bovine meat, FAO said export prices in Australia declined amid intensified global competition, while quotations increased in Brazil, supported by stronger demand from the United States of America after the temporary

expansion of the tariff-rate quota for lean beef trimmings on 1 September, which reduced duties on additional import volumes.

Ovine meat prices remained on average unchanged, as support to export prices in Oceania from firm global import demand was tempered by lower quotations in New Zealand, largely reflecting currency movements, it added.

According to FAO, its Dairy Price Index averaged 119.1 points in September, down by 0.2 points (0.1 percent) from August.

Declines in cheese prices were almost offset by increases in milk powder quotations, while butter prices changed little. The index remained 19.1 percent below its level a year earlier, it said.

"While skim milk powder quotations stood 33.1 percent above their year-earlier level, cheese and butter prices were substantially lower."

Milk powder prices rose across major origins, supported by sustained import demand, particularly from Asia, and limited availability for prompt delivery.

In Oceania, firm buying interest more than offset downward pressure from seasonally larger milk production, said FAO.

Meanwhile, it said that cheese prices declined across the major exporting regions.

The trend was driven mainly by developments in the European Union, where weaker buying interest and strong competition from abundant export supplies from the United States of America weighed on prices.

Increasing seasonal export availability in Oceania added further downward pressure.

On the other hand, FAO said butter prices were on average little changed, as lower export quotations in Oceania were largely offset by firmer prices in Europe due to limited milkfat availability following a hot and dry summer.

According to the FAO, its Sugar Price Index averaged 114.0 points in September, up 6.5 points (6.1 percent) from August and 14.6 points (14.7 percent) from a year ago, marking its third consecutive monthly increase and reaching its highest level since April 2025.

It said that the increase was mainly driven by prospects of tighter global sugar supplies in the 2026/27 season.

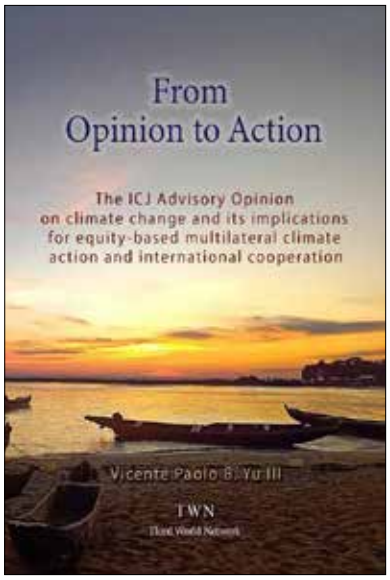
"In the European Union, a decline in planted area and adverse weather conditions during the growing season are expected to result in a smaller sugar beet output."

Forecasts of lower sugar production in Thailand and concerns over crop prospects in India, amid below-normal rainfall and strengthening El Nino conditions, contributed to the tighter global supply outlook, said FAO.

In addition, heavy rains disrupting harvest progress in Brazil's key Centre-South growing region exerted further upward pressure on international sugar prices, it concluded. *(SUNS #10530)*

From Opinion to Action

The ICJ Advisory Opinion on climate change and its implications for equity-based multilateral climate action and international cooperation



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A landmark Advisory Opinion delivered by the International Court of Justice (ICJ) in July 2025 declares that the obligations of States to address climate change arise not only under the international climate treaties but also from the broader corpus of international law, including customary international law thereby strengthening the legal foundations of global climate action. This was welcomed by the United Nations General Assembly (UNGA) in May 2026 resolution which represents a major political endorsement of the Advisory Opinion. The resolution provides a pathway for multilateral follow-up to advance compliance with States' climate obligations in light of the Advisory Opinion.

This collection of three papers explores the significance of the ICJ opinion and UNGA resolution, including the ICJ's reaffirmation of common but differentiated responsibilities between developed and developing countries, and its examination of State responsibility for breaches of climate obligations, including for loss and damage due to climate change. The papers underline the opportunity these developments present to strengthen the multilateral response to global warming through urgent, equitable climate action.

VICENTE PAOLO B. YU III is a Senior Legal Adviser of the Third World Network, Senior Lecturer at the University of the Philippines College of Law, Lecturer at the International Institute in Geneva, Honorary Professorial Fellow at the University of Warwick School of Law, Associate Fellow at the Geneva Center for Security Policy, and Visiting Research Fellow at the UN Research Institute for Sustainable Development.

Available at: https://twn.my/title2/books/pdf/From_Opinion_to_Action.pdf

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Dollar system eroding slowly, but still dominant

*Jomo Kwame Sundaram** has argued that the collapse of US dollar-gold convertibility and the end of the fixed exchange rate system did not bring an end to the dominance of the US dollar in the global economy albeit accompanied by a noticeable weakening of trust in the system over time.

KUALA LUMPUR: The protracted demise of dollar-gold convertibility and associated fixed exchange rates did not end dollar hegemony.

With crucial and timely help from political allies, confidence in the dollar system has persisted, albeit much diminished.

Contingency planning?

On August 15, 1971, President Richard Nixon announced that the US would no longer convert dollars into gold, as promised under the 1944 Bretton Woods (BW) agreement.

But the BW payments arrangements and the US promise of dollar convertibility to gold were not sustainable.

As Robert Triffin noted in 1960, the system was "failing by design" from the outset, which US authorities denied and refused to address.

Vietnam War spending, rising inflation, and a run on US gold reserves forced this decision after allied Western central banks quietly gave up defending the gold-dollar peg in 1968.

Decades later, then-US Undersecretary for Monetary Affairs Paul Volcker revealed he had initiated a Treasury working group in 1969.

As the US balance of payments was already proving unsustainable, suspending gold-dollar convertibility was no longer considered an option to be avoided at all costs.

Portraying the gold peg's failure as due to arithmetic, not politics, Volcker argued that suspending it involved implementing contingency planning that the group had long considered.

Two days before, Nixon summoned 15 advisors to a secret retreat at Camp David to draft his announcement. He also imposed a 90-day wage-price "freeze" and a 10% tariff on imports.

Thus, Nixon presented the suspension of dollar convertibility to gold as part of a larger economic policy reform package, rather than as the long-overdue default on earlier US pledges.

With his 1972 re-election campaign approaching, Nixon and his Treasury Secretary, John Connally, claimed to be "freeing" US economic policy by ending dollar-gold convertibility and associated fixed exchange rate obligations.

Clearly, Nixon's mid-August 1971 announcement was not an improvised response to an emergency or even the sudden break he implied, although the Volcker group preferred a more "controlled demolition".

US dollar, others' problem

When allied finance ministers were negotiating a replacement arrangement in Rome in November 1971, Connally bluntly told them that the dollar was America's currency but their problem, belatedly confessing to BW's true nature.

Nonetheless, their December 1971 Smithsonian Agreement still sought to patch things up rather than explicitly abandon the 1944 arrangement and the later efforts to defend it.

The dollar was devalued against gold for the first time since 1934, with its price rising from $35 to $38 an ounce.

Trading bands around other currencies were widened to give central banks more flexibility.

Nixon pronounced the 1971 Smithsonian Agreement the most significant monetary arrangement in world history before the dollar was devalued again 14 months later, in February 1973.

National authorities politically aligned with the US had defended it, but eventually stopped paying to maintain the charade.

Thus, a year and a half after August 1971, BW was finally buried.

Within weeks, the major currencies abandoned fixed exchange rates altogether, allowing them to float against one another.

Although the transition to floating rates was not smooth, it has survived, with modifications, ever since.

But the "settlement gap" time lag under floating exchange rates is so problematic that international banking regulators have long sought to reform the way cross-border currency trades are cleared.

Charade over?

Although BW is now long gone, the dollar system has proven durable. The end of gold convertibility was not fatal to the dollar's role at the centre of world finance.

Instead, the end of the BW dollar-gold convertibility obligation removed one constraint on it.

After the final break with gold in 1973, the dollar was only backed by US government promises.

Gold's formal demonetisation was confirmed with the 1976 Jamaica Accords when IMF member governments quietly amended its charter to strip the precious metal of any official role.

Freed from its earlier BW obligation to redeem dollars with gold, the US has financed its trade, current account, and fiscal deficits, as well as foreign and domestic government spending, with ever more dollar debt.

The world has increasingly financed the growth of US debt as the dollar remains the main currency in which most international trade, especially in commodities, is priced and settled.

The IMF had policed fixed exchange rates and gold-dollar convertibility for over two decades after the war.

It has since changed roles to oversee floating exchange rates, selectively serve as "lender of last resort" and manage sovereign debt crises.

International oil transactions were mainly settled in "petrodollars", due to an arrangement with Saudi and other Gulf producers to use oil sales revenue to buy US Treasury securities.

The status quo is now based on others' willingness to hold dollars.

But growing concerns about US willingness to honour its commitments have caused governments to consider alternatives.

But dollar hegemony has weathered such recent storms so far. *(IPS)*

[* **Jomo Kwame Sundaram** is a Malaysian economist who currently serves as research advisor at the Khazanah Research Institute, a visiting fellow at the Initiative for Policy Dialogue at Columbia University, and an adjunct professor at the International Islamic University Malaysia (IIUM).]