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Funding cuts send "seismic shock" to aid sector

The pace and scale of unprecedented funding cuts instituted by the major donors, especially the United States where thousands of US-funded projects globally have been halted, have resulted in many United Nations agencies having to either scale back or end projects in many countries, seriously jeopardizing their ability to provide critical life-saving assistance to hundreds of millions in need of humanitarian support.

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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

Sweeping funding cuts sending a "seismic shock" to aid sector

An unprecedented reduction in donor funding, especially by the United States, has sent a "seismic shock" to the aid sector, forcing many United Nations agencies to either scale back or end critical life-saving projects in many vulnerable countries.

by Kanaga Raja

PENANG: The UN International Organization for Migration (IOM) on 18 March informed that it is implementing "essential structural adjustments" at its Geneva headquarters and globally "to align with the unavoidable financial realities following an unprecedented 30 per cent reduction in estimated donor funding for the year, including a major decrease in United States-funded projects worldwide."

In a statement, IOM said that the reduction in funding has severe impacts on vulnerable migrant communities, exacerbating humanitarian crises and undermining vital support systems for displaced populations.

Further, this adjustment includes scaling back or ending projects affecting over 6,000 staff members worldwide and implementing a structural realignment at headquarters, reducing headquarters staffing by approximately 20 per cent (more than 250 staff), it added.

"These measures aim to ensure that IOM can continue delivering lifesaving humanitarian assistance to migrants and vulnerable communities worldwide, driving solutions for displaced populations, and supporting governments around the world in managing migration for the benefit of societies and migrants," said the statement.

IOM explained that it operates under a project-based funding model, established by its Member States, which allows for flexibility, agility, and responsiveness to global humanitarian needs.

It said that when funding for specific projects ends, the impacts can be far-reaching, particularly for vulnerable communities who often have very few other options for support.

"Necessarily, the financial resources to support staffing at headquarters and in our country missions also ends," it pointed out.

It said the Organization's priority is to serve vulnerable populations worldwide despite the constrained funding environment.

The IOM statement said that "to deliver on this mission in the most efficient way possible, the Organization is moving positions into lower cost regional offices and country missions, streamlining staffing, and identifying opportunities to better coordinate our work with other humanitarian actors."

"We expect that these changes will save costs as well as enable us to extend greater support globally to provide essential humanitarian assistance in crises worldwide," it added.

It said that: "These necessary adaptations will also enable the Organization to develop new funding, continue essential oversight and accountability, and streamline operations as IOM evolves to overcome current challenges and build on our proud history."

"We recognize the necessary impact these decisions will have on colleagues who have dedicated years to IOM's mission, many of whom will lose their jobs," it added.

The statement underlined that at a time when conflict, climate-induced disasters, and economic instability are driving record levels of displacement, migration is not a peripheral issue, it is central to global security, stability, and sustainable development.

"The world is witnessing historic displacement levels, yet funding to address the root causes of displacement is shrinking," IOM pointed out.

The IOM is the latest UN agency that has been affected by the US funding cuts. Other UN agencies such as UNAIDS, the UN Population Fund (UNFPA), and the

World Food Programme (WFP) have had to scale back some of their operations in several vulnerable countries on account of these cuts. Humanitarian operations have also not been spared by these cuts.

A "seismic" shock

The pace and scale of funding cuts instituted by the major donors especially the United States are sending a "seismic shock" to the aid sector, and "many will die because that aid is drying up", the United Nations' top humanitarian official warned last week.

"And across the UN family and our partners, we're making tough choices day to day about which lives we will have to prioritize, which lives we will have to try to save," Mr Tom Fletcher, UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, told reporters at a media briefing at UN headquarters in New York on 12 March.

The UN relief chief's remarks appear to refute the claims made by Mr Elon Musk, a top advisor to United States President Donald Trump and de facto head of the US Department of Government Efficiency, who on 4 March said in a post on the social media platform X that: "No one has died as result of a brief pause to do a sanity check on foreign aid funding. No one."

According to media reports, the Trump administration last month announced plans to cut more than 90% of the foreign aid contracts of the US Agency for International Development (USAID) as well as nearly $60 billion in overall US assistance worldwide.

Media reports said the resulting funding freeze has effectively halted almost overnight thousands of US-funded programs worldwide.

Media reports cited US Secretary of State Marco Rubio as saying that 83% of USAID programs had been cut and that the remaining aid programs have been moved to the State Department.

In his remarks at the media briefing on 12 March, Mr Fletcher underscored that the international system is under greater threat than at any time since the Second World War.

He said that for the humanitarian family, the challenges are particularly urgent, adding that "we were already overstretched, under-resourced and literally under attack, with last year being the deadliest year on record to be a humanitarian worker."

However, the UN relief chief said that it is far tougher for the more than 300 million people right now who need humanitarian support.

"And so the pace and the scale of the funding cuts that we've faced are, of course, a seismic shock to the sector. Many will die because that aid is drying up," said Mr Fletcher.

Mr Fletcher said "across the humanitarian community, programmes are being stopped right now. Staff are being let go right now. I think 10 per cent of NGO colleagues were laid off in the course of February."

"And with resources slashed, our defining mission will have to become much clearer. We will have to save as many people as we can with the money we have – not the money that we had, nor the money that we would like," he added.

"We'll have to build fresh arguments, fresh allies for our work. We'll have to find new sources of funding. We'll have to fight back. We'll have to re-imagine what we do," Mr Fletcher told reporters.

"So yes, we'll be retreating from much of our humanitarian work, but we won't be retreating from our values and the values that underpin that mission. We'll still need to call time on this era of impunity, end attacks on civilians and aid workers, and hold the perpetrators to account," he added.

"So we'll need a humanitarian decade. We'll have to win afresh that argument for humanitarian and international solidarity. And that is a cause which I believe is mightier than year-to-year fluctuations and political changes," the UN relief chief emphasized.

"We have been reliant in recent years – over-reliant – on US funding. Almost half of our appeals have been funded by the American taxpayers. And it is important to recognize that we shouldn't ever take that for granted. Particularly, in a period of economic difficulty and in a period when, when many governments are in retreat from the world," Mr Fletcher pointed out.

In response to a question at the media briefing, he said: "But what I can say is that over years and decades now, the US has been a humanitarian superpower, and the US funding has saved hundreds of millions of lives. And so, I hope that over time, we can make the case afresh for why that work is so important, and that we can ensure that funding is resumed so we can carry on saving that number of lives."

Earlier on 10 March, Mr Fletcher, as head of the Inter-Agency Standing Committee (IASC), the highest-level humanitarian coordination forum of the UN system, in a "humanitarian reset", proposed 10 actions on dealing with the funding crisis.

These include putting people facing crises first, and providing as much funding as possible to local and national actors, as well as calling on the humanitarian coordinators to share strategies on how they will prioritize urgent life-saving actions.

Effect of US funding cuts

The US government actions from freezing funds to terminating contracts have severely impacted the ability of UN agencies operating in many countries, particularly the crisis-stricken countries such as Afghanistan, Haiti, Sudan and Myanmar, to continue to provide essential services to vulnerable populations.

According to an article by Jess Craig posted on the Vox Media website on 16 March, the US has provided more than $10 billion towards healthcare worldwide in 2024.

According to the Vox article, among the impacts of the US foreign aid freeze are that some 3.8 million women have lost access to contraception worldwide; nearly a quarter of the population in Afghanistan, or 9 million people, will no longer receive US-funded healthcare services; and some 700,000 people in Burkina Faso and Mali no longer have access to water, food, or health services.

The Vox article also said that the UN World Food Programme (WFP) had to shut down its operations in South Africa, where 27 million people are at risk of hunger, as the country faces its worst drought in decades.

Incidentally, the WFP on 14 March warned that more than one million people in Myanmar will be cut off from the UN agency's lifesaving food assistance starting in April due to critical funding shortfalls.

These cuts come just as increased conflict, displacement and access restrictions are already sharply driving up food aid needs, it said.

According to WFP, without immediate new funding, the agency will only be able to assist 35,000 of the most vulnerable people, including children under the age of five, pregnant and breast-feeding women, and people living with disabilities.

"The impending cuts will have a devastating impact on the most vulnerable communities across the country, many of whom depend entirely on WFP's support to survive," said Michael Dunford, the WFP's Representative and Country Director in Myanmar.

"WFP remains steadfast in its commitment to support the people of Myanmar, but more immediate funding is crucial to continue reaching those in need," he added.

WFP said the cuts will also impact almost 100,000 internally displaced people in central Rakhine who will have no access to food without WFP assistance, including Rohingya communities in camps.

WFP said it urgently needs US$60 million to maintain its life-saving food assistance to the people of Myanmar this year.

"WFP is calling on all partners to identify additional funding to meet the needs in Myanmar as the situation across the country continues to deteriorate," said Dunford.

"It is essential that the international community does not forget the people of Myanmar in their time of need, and respond immediately with adequate funding for WFP to restore life-saving aid," he added.

The US has also been a major donor towards providing lifesaving HIV treatment and related services to over 50 countries around the world, which have now been adversely impacted by the funding cuts, according to media reports.

In fact, the Joint United Nations Programme on HIV/AIDS (UNAIDS) earlier on 13 February said that HIV clinics around the world have shuttered and HIV prevention and treatment programmes have been derailed.

It warned that without funding from the US, within four years, 6.3 million people will die and 8.9 million will newly acquire HIV.

Furthermore, it said around 370,000 babies will acquire HIV, and without treatment, half will not live to see their second birthday.

UNAIDS said that even before the US announcement of a freeze in foreign aid funding, the AIDS response had a financing gap of US$9.5 billion, and that an estimated US$29.3 billion is needed to get countries back on track and end the AIDS pandemic by 2030.

In a later update issued on 10 March, UNAIDS said although some US-funded projects received waivers, there have been several reports of waivers not leading to a resumption of services because payments to implementers have not been resumed. In some cases, waivers have been superceded by termination notices.

For instance, UNAIDS said that in Ukraine, there are fears that a shipment of antiretrovirals (ARVs) en route to the country may get stuck in Poland because payment for the transport costs from Poland to Ukraine has not been confirmed. Civil society is negotiating with a potential donor to cover the costs from the Polish border, it added.

UNAIDS said in Mali, the government allocated 120 million CFA Francs to affected community organizations to help them continue some of their activities and mitigate the negative effects of the US funding cuts.

It also said that the Kenyan government is reallocating domestic resources to support priority HIV programmes.

In Namibia, some service providers received waivers but they have not received any additional funding since the initial stop-work order. As a result, some have notified staff of impending layoffs, it added.

Also in February, the United Nations Population Fund (UNFPA), the UN agency responsible for sexual and reproductive health, expressed deep regret over the termination of all funding agreements by the US government.

A statement issued by the UNFPA Executive Director on 28 February said that 48 grants, totaling approximately $377 million, were awarded for UNFPA to provide critical maternal health care, protection from violence, rape treatment and other life-saving care in over 25 crisis-stricken countries and territories, including Afghanistan, Chad, the Democratic Republic of the Congo, Gaza, Mali, Sudan, Syria and Ukraine.

It said that the vast majority of US funding supported UNFPA's work in emergency settings. The termination includes 16 grants for which UNFPA had received a humanitarian waiver.

(On 4 March, UNFPA said that it had received "rescission of termination" notices for seven USAID projects in Afghanistan, Haiti, Madagascar, Nigeria, Sudan, the Regional Syria Response, and Ukraine, totaling approximately $89 million, which enabled the UN agency to resume these programmes. However, the remaining 41 projects still remain terminated.)

UNFPA said over the last four years, these life-saving investments prevented more than 17,000 maternal deaths, 9 million unintended pregnancies and nearly 3 million unsafe abortions by expanding access to voluntary family planning.

UNFPA has also reached over 13 million women and young people with sexual and reproductive health services like cervical cancer screening, contraception counselling and prenatal and safe childbirth care.

According to the statement, this "devastating decision" will force thousands of health clinics to close. Women in crisis zones will be forced to give birth without medicines, midwives or equipment, putting their lives and their babies' lives in jeopardy, it said.

Furthermore, it said that rape survivors will be denied counselling and medical care, while midwives delivering babies in the world's worst humanitarian crises will lose their ability to function.

Meanwhile, the World Health Organization (WHO) on 17 March said that it is deeply concerned that funding shortages could force the closure of 80% of WHO-supported essential health care services in Afghanistan.

Millions, including vulnerable populations such as women, children, the elderly, the displaced and returnees, will be left without access to critical medical care, it warned.

As of 4 March 2025, 167 health facilities had shut down due to funding shortages, cutting off lifesaving medical care to 1.6 million people across 25 provinces, WHO reported.

Without urgent intervention, over 220 more facilities could close by June 2025, leaving an additional 1.8 million Afghans without access to primary health care, it warned.

In the worst affected regions – Northern, Western and Northeastern Afghanistan – more than a third of health care centres have shut down, raising alarms about an imminent humanitarian crisis, said WHO.

"These closures are not just numbers

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on a report, they represent mothers unable to give birth safely, children missing lifesaving vaccinations, entire communities left without protection from deadly disease outbreaks," said WHO Representative and Head of Mission in Afghanistan, Dr Edwin Ceniza Salvador.

"The consequences will be measured in lives lost," he warned.

According to WHO, Afghanistan is already battling multiple health emergencies, including outbreaks of measles, malaria, dengue, polio and Crimean-Congo haemorrhagic fever.

Without functioning health facilities, efforts to control these diseases are severely hindered, it pointed out.

Over 16,000 suspected measles cases, including 111 deaths, were reported in the first two months of 2025, it said.

With immunization rates at critically low levels (only 51% for the first dose of the measles vaccine and 37% for the second), children are at heightened risk of preventable illness and death, said the UN agency.

It also said that disruptions to WHO-led coordination mechanisms prevent health partners from tracking disease outbreaks, allocating resources and delivering essential services and threaten to push the country's already fragile health care system deeper into crisis.

While some donors continue to support Afghanistan's health sector, funding has been significantly reduced as development aid priorities have shifted, it further said.

The needs, however, remain immense, and current support is not enough to sustain critical health care services for millions of Afghans.

"This is not just about funding. It is a humanitarian emergency that threatens to undo years of progress in strengthening Afghanistan's health system," said Dr Salvador.

"Every day that passes without our collective support brings more suffering, more preventable deaths and lasting damage to the country's health care infrastructure." *(SUNS 10185)*

Health of nearly 13 million displaced people at risk due to funding cuts

UNHCR, the UN Refugee Agency, has warned that the current humanitarian funding crisis could leave nearly 13 million displaced people without essential life-saving health interventions in 2025.

by Kanaga Raja

PENANG: UNHCR, the UN Refugee Agency has warned that without adequate resources, an estimated 12.8 million displaced people, including 6.3 million children, could be left without life-saving health interventions in 2025.

Speaking at a media briefing at the United Nations Office at Geneva on 28 March, Dr. Allen Maina, UNHCR's Public Health Chief, said the current humanitarian funding crisis, exacerbated by declining health spending in hosting countries, is affecting the scope and quality of public health and nutrition programmes for refugees and host communities.

He said it is also disrupting access to essential services and increasing the risk of disease outbreaks, malnutrition, untreated chronic conditions and mental health issues.

Dr Maina further said when support for refugee health care is cut, refugees will be forced to pay from their own pockets – but they do not have the funds – and will face challenges accessing already strained public services, overwhelming local clinics and hospitals.

With funding cuts also affecting water supply systems, sanitation facilities, and waste management, outbreaks of infectious diseases such as cholera, dysentery, hepatitis and malaria could threaten large populations, with deadly consequences, he warned.

The funding reduction could significantly reverse progress in HIV responses in humanitarian settings, according to UNHCR.

Impact of funding cuts

The UNHCR official went on to cite several examples of the impact of funding cuts on health in countries such as Bangladesh, Burundi, Democratic Republic of the Congo (DRC), Egypt, Ethiopia, Jordan, and Mozambique.

He said in Bangladesh, about 1 million Rohingya refugees face a severe health crisis due to the funding freeze, threatening access to essential medical services.

In UNHCR-supported programmes, over 40,000 pregnant women may lose access to critical antenatal care, with 5,000 at risk of delivering in unsafe conditions.

Additionally, Dr Maina said 19,000 acutely malnourished children may lose life-saving treatment, while 10,000 refugees suffering from life-threatening conditions will be unable to access secondary and tertiary health care.

Mental health services are also at risk, with 200,000 refugees potentially losing access to primary health care, including mental health and psychosocial support.

Furthermore, the UNHCR official pointed out that 10,000 refugees will not receive Hepatitis C treatment.

Without immediate financial support, health-care systems in the refugee camps will collapse, putting thousands of lives at risk, Dr Maina warned.

In Burundi, the suspension of nutrition programmes in several camps means that thousands of refugee children under five may not receive adequate treatment for malnutrition and, without additional support, an estimated 10,000 pregnant refugee women could lose access to antenatal care, heightening the risk of complications and preventable maternal deaths, he said.

Local health facilities, already operating beyond capacity, are bracing for a further increase in patient numbers and outbreaks of communicable diseases such as cholera, notably in the Cibitoke province hosting arrivals from DR Congo, where 11 cholera cases have been recorded among Congolese refugees, who are currently receiving treatment.

In the DRC, the health-care system is on the brink of collapse. Financial resources allocated to the sector are inadequate to meet urgent life-saving needs, according to UNHCR.

The 2025 UNHCR health budget has been cut by 87 per cent compared to 2024, triggering severe and immediate consequences, said Dr Maina, adding that health facilities are overwhelmed, facing critical shortages of medical staff and supplies.

He said essential medicines are running low, and referrals for secondary health care are no longer guaranteed.

Disruption to the water supply has led to reported cases of cholera, signalling the looming threat of infectious disease outbreaks.

Dr Maina said that the health consequences of funding cuts are expected to be devastating, putting over 520,000 refugees at heightened risk of infectious diseases and death.

In Egypt, all medical treatment for refugees has been suspended, except emergency life-saving procedures, he pointed out.

The suspensions include planned surgeries, treatment for severe conditions and medication for chronic diseases such as diabetes and hypertension, which if left untreated could lead to dire consequences, Dr Maina said.

At least 20,000 patients will be affected, including many refugees who fled the war in Sudan, according to UNHCR.

In Ethiopia's Gambella region, funding cuts have severely impacted nutrition services, leading to the closure of operations in four of seven refugee sites in February.

Dr Maina said that as a result, nine severely malnourished children under five were discharged and referred to outpatient programmes before recovering, likely leading to their deaths.

Currently, 980 acute malnutrition cases are being managed by just two staff, significantly compromising their care, he added.

The funding shortfall threatens to push 80,000 children under five into life-threatening malnutrition, increasing child mortality rates and long-term health consequences, according to the UNHCR official.

Shuttering community-based programmes for sexual and reproductive health will likely lead to an increase in maternal and newborn deaths, he warned.

He also said due to funding cuts in Jordan, 43,000 refugees risk losing access to primary health care and cash for health, putting 335,000 women of reproductive age at risk of not receiving essential services for maternal care.

Meanwhile, Dr Maina highlighted that Mozambique's Maratane refugee settlement hosts 8,000 refugees and asylum-seekers, with surrounding host communities also relying on the settlement for services like education and health care.

Last year, a UNHCR-supported health care centre in Maratane provided over 80,000 consultations to refugees and host community members.

However, Dr Maina said that this support has been severely impacted by a 50 per cent assistance cut.

The funding constraints have also led to significant cuts in mental health and psychosocial support services and supplementary food to improve the nutrition of 300 people.

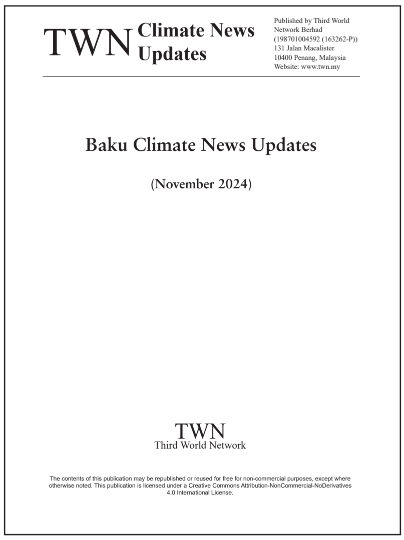
Other critical services, supported by partners, such as medical treatment for survivors of gender-based violence, sexual and reproductive health care for women and girls, HIV and tuberculosis (TB) testing and treatment, and referrals for food assistance for HIV-positive mothers, have also been affected, according to the UNHCR official.

Responding to questions at the media briefing, William Spindler, also from UNHCR, pointed out that the United States was the UN agency's biggest donor.

He said the funding uncertainty had an obvious impact on the service delivery: lives were being lost, people were dying, and some assistance would have to be cut. *(SUNS 10193)*

Baku Climate News Updates

(November 2024)


TWN Climate News Updates

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Funding cuts posing a threat to global TB efforts, warns WHO

The recent "drastic and abrupt" cuts in global health funding are threatening to reverse the gains made over the past 20 years in combating tuberculosis (TB), the world's deadliest infectious disease, the World Health Organization has warned.

by Kanaga Raja

PENANG: Early reports reveal that severe disruptions in the tuberculosis (TB) response are being seen across several of the highest-burden countries following the recent "drastic and abrupt" cuts in global health funding, according to the World Health Organization (WHO).

Countries in the WHO African Region are experiencing the greatest impact, followed by countries in the WHO South-East Asian and Western Pacific Regions, it said.

In a news release issued on 20 March on the occasion of World Tuberculosis Day, marked on 24 March, WHO called for an urgent investment of resources to protect and maintain tuberculosis (TB) care and support services for people in need across regions and countries.

Pointing out that TB remains the world's deadliest infectious disease, WHO said: "Global efforts to combat TB have saved an estimated 79 million lives since 2000."

"However, the drastic and abrupt cuts in global health funding happening now are threatening to reverse these gains," it warned.

Rising drug resistance especially across Europe and the ongoing conflicts across the Middle-East, Africa and Eastern Europe, are further exacerbating the situation for the most vulnerable, said WHO.

"The huge gains the world has made against TB over the past 20 years are now at risk as cuts to funding start to disrupt access to services for prevention, screening, and treatment for people with TB," said Dr Tedros Adhanom Ghebreyesus, the WHO Director-General.

"But we cannot give up on the concrete commitments that world leaders made at the UN General Assembly just 18 months ago to accelerate work to end TB," he added.

"WHO is committed to working with all donors, partners and affected countries to mitigate the impact of funding cuts and find innovative solutions," said the WHO chief.

As a result of the funding cuts, WHO said 27 countries are facing crippling breakdowns in their TB response, with devastating consequences.

These include: human resource shortages undermining service delivery; diagnostic services severely disrupted, delaying detection and treatment; data and surveillance systems collapsing, compromising disease tracking and management; community engagement efforts, including active case finding, screening, and contact tracing, are deteriorating, leading to delayed diagnoses and increased transmission risks.

Nine countries report failing TB drug procurement and supply chains, jeopardizing treatment continuity and patient outcomes, said WHO.

The 2025 funding cuts further exacerbate an already existing under-funding for global TB response.

In 2023, only 26% of the US$22 billion annually needed for TB prevention and care was available, leaving a massive shortfall, it pointed out.

TB research is in crisis, receiving just one-fifth of the US$5 billion annual target in 2022 – severely delaying advancements in diagnostics, treatments, and vaccines, WHO further said.

WHO is leading efforts to accelerate TB vaccine development through the TB Vaccine Accelerator Council, but it said that progress remains at risk without urgent financial commitments.

In response to the urgent challenges threatening TB services worldwide, the WHO Director-General and the Civil Society Task Force on Tuberculosis issued a joint statement this week demanding immediate, coordinated efforts from governments, global health leaders, donors, and policymakers to prevent further disruptions, said WHO.

"This urgent call is timely and underscores the necessity of swift, decisive action to sustain global TB progress and prevent setbacks that could cost lives," said Dr Tereza Kasaeva, Director of WHO's Global Programme on TB and Lung Health.

"Investing in ending TB is not only a moral imperative but also an economic necessity – every dollar spent on prevention and treatment yields an estimated US$43 in economic returns," Dr Kasaeva pointed out.

In an earlier statement issued on 5 March, WHO said that in the past two decades, TB prevention, testing and treatment services have saved more than 79 million lives – averting approximately 3.65 million deaths last year alone from the world's deadliest infectious disease.

This progress has been driven by critical foreign aid especially in low- and middle-income countries (LMICs), particularly from the US Agency for International Development (USAID), it said.

However, abrupt funding cuts now threaten to undo these hard-won gains, putting millions – especially the most vulnerable – at grave risk, it added.

In addition, it said USAID, the world's third-largest TB research funder, has halted all its funded trials, severely disrupting progress in TB research and innovation.

According to WHO, the US government has provided approximately US$200-250 million annually in bilateral funding for the TB response at the country level, representing approximately one quarter of the total amount of international donor funding for TB.

The 2025 funding cuts will have a devastating impact on TB programmes, particularly in LMICs that rely heavily on international aid, given that the US has been the largest bilateral donor, it said.

These cuts put 18 of the highest burden countries at risk, as they depend on 89% of the expected US funding for TB care, it noted.

"Any disruption to TB services - whether financial, political or operational – can have devastating and often fatal consequences for millions worldwide," said Dr Kasaeva, Director of WHO's Global Programme on TB and Lung Health, in the news release issued on 5 March.

"The COVID-19 pandemic proved this, as service interruptions led to over 700,000 excess deaths from TB between 2020 and 2023, exacerbated by inadequate social protection measures. Without immediate action, hard-won progress in the fight against TB is at risk," the WHO official said.

"Our collective response must be swift, strategic and fully resourced to protect the most vulnerable and maintain momentum toward ending TB," Dr Kasaeva added.

Last October, WHO released its Global Tuberculosis Report 2024, finding that approximately 8.2 million people were newly diagnosed with TB in 2023 – the highest number recorded since WHO began global TB monitoring in 1995.

WHO said this represents a notable increase from 7.5 million reported in 2022, placing TB again as the leading infectious disease killer in 2023, surpassing the COVID-19 pandemic.

Meanwhile, an update issued by the Stop TB Partnership, grouping together some 2,000 partner organizations and hosted by the United Nations, on 3 March said that the US government funding halt, particularly through USAID, has significantly disrupted the TB response efforts in several high TB burden countries.

For instance, it said that in Cambodia, active case finding in half of the country has halted, resulting in 100,000 people missing TB screening, while in India, USAID-funded TB screening projects in vulnerable groups (urban slums, and poor populations) have also stopped.

In Ethiopia, 5,000 health staff funded by USAID are not working, severely affecting TB screening and detection, it added.

Children with TB

Also ahead of World Tuberculosis Day on 24 March, Medecins Sans Frontieres (MSF) called on all countries and international donors to prioritise and ensure sustained investments for diagnosing, treating, and preventing tuberculosis (TB) for all, and especially children, who remain the most vulnerable.

Pointing out that every 3 minutes, a child dies of TB, MSF noted in a press release issued on 20 March that the World Health Organization (WHO) estimates that 1.25 million children and young adolescents (0-14 years) fall ill with TB each year, but that only half of these children are diagnosed and treated.

Against this backdrop, MSF said that it is gravely concerned about the recent US funding cuts.

It said the US is the largest financial contributor for TB programmes, accounting for half of all international and bilateral donor funding, according to the WHO.

"For years, we have witnessed the deadly gaps that children face to access diagnosis and treatment for TB in countries where we work," said Dr Cathy Hewison, Head of MSF's TB working group.

"Children at risk of having TB are often overlooked, either going undiagnosed or facing delays in diagnosis. Now, with the recent US funding cuts, these gaps in identifying and treating children with TB will only widen further which threatens to roll back years of progress in TB care," she added.

"We urgently call on all countries and international donors to step up and ensure sustained funding for TB care for all, especially young children. No one should die or suffer from this preventable and treatable disease," Dr Hewison said.

MSF said its teams in Sindh province, Pakistan, are witnessing the US funding cuts leading to the disruption of community-based services, which play a key role in a country that has a high burden of TB, especially in active screening of people in the community, which increases the diagnosis, the screening of families at high risk and the provision of TB preventive treatment for children.

"Children are already highly vulnerable to TB, and we are worried that the US funding cuts that have impacted the community-based services will have a disproportionate effect on children, leading to more children with TB and more avoidable deaths," said Dr Ei Hnin Hnin Phyu, the Medical Coordinator with MSF in Pakistan.

"We cannot afford to let funding decisions cost children's lives," Dr Phyu emphasized.

MSF said children with weakened immune systems, for instance, due to HIV infection or malnutrition, are the most vulnerable, hence will be disproportionately affected by disruption of TB, HIV and nutrition services.

Children with TB are often excluded from research and development trials being carried out on new tools for TB.

The recent US funding cuts have halted numerous clinical trials, setting back TB research and innovation, with many of them being critical for children with TB, said MSF.

This is a major step back in the fight against TB, as it delays the development of much-needed diagnostics and treatments for children, it added.

MSF called on the pharmaceutical industry and international donors to ensure sustained investments in the development and evaluation of medical tools that can improve TB care for children. *(SUNS 10187)*

"Brutal" funding cuts putting millions of lives at risk, says UNHCR

The United Nations High Commissioner for Refugees (UNHCR) has warned that "brutal" funding cuts will have devastating consequences for people fleeing danger, in particular refugee women and girls that are at extreme risk of rape and other abuse.

by Kanaga Raja

PENANG: "Brutal funding cuts in the humanitarian sector are putting millions of lives at risk", Mr Filippo Grandi, the United Nations High Commissioner for Refugees, has warned.

In a statement issued on 20 March highlighting the impact of global aid cuts on refugees, the head of UNHCR, the UN

Refugee Agency, said the consequences for people fleeing danger will be immediate and devastating.

In this regard, he said that refugee women and girls at extreme risk of rape and other abuse are already losing access to services that kept them safe.

Children are being left without teachers or schools, pushing them into child labour, trafficking, or early marriage, while refugee communities will have less shelter, water and food, said Mr Grandi.

Most refugees stay close to home. Slashing aid will make the world less safe, driving more desperate people to become refugees or keep moving onwards, he added.

"UNHCR, the UN Refugee Agency, has sought innovative and efficient ways to deliver its mission, making the most of every donation for those fleeing danger," Mr Grandi pointed out.

"Over 90 per cent of our staff are on the front lines, delivering for affected communities," he said.

"Together with our partners, we responded to 43 refugee emergencies last year alone. With less funding, fewer staff and a smaller UNHCR presence in countries hosting refugees, the equation is simple: lives will be lost," Mr Grandi warned.

He said this "is not just a funding shortfall – it is a crisis of responsibility. The cost of inaction will be measured in suffering, instability and lost futures."

However, Mr Grandi said: "Our commitment to people forced to flee remains unwavering."

"With continued support, we can identify and assist the most vulnerable, rapidly deploy when new emergencies hit, help stabilize fragile regions and facilitate the safe return home of refugees," he added.

"We appeal to member States to honour their commitments to displaced people. Now is the time for solidarity, not retreat."

Earlier, the UN International Organization for Migration (IOM) said that an unprecedented 30 per cent reduction in estimated donor funding for the year, including a major decrease in United States-funded projects worldwide, has forced it to implement "essential structural adjustments" at its Geneva headquarters and globally.

In a statement issued on 18 March, IOM said that the reduction in funding has severe impacts on vulnerable migrant communities, exacerbating humanitarian crises and undermining vital support systems for displaced populations.

Further, this adjustment includes scaling back or ending projects affecting over 6,000 staff members worldwide and implementing a structural realignment at headquarters, reducing headquarters staffing by approximately 20 per cent (more than 250 staff), it added.

The statement underlined that at a time when conflict, climate-induced disasters, and economic instability are driving record levels of displacement, migration is not a peripheral issue, it is central to global security, stability, and sustainable development.

"The world is witnessing historic displacement levels, yet funding to address the root causes of displacement is shrinking," IOM pointed out. (See *SUNS #10185* dated 20 March 2025).

A "troubling" trend

These developments come as the Danish Refugee Council (DRC), a private humanitarian organization operating in 40 countries around the world, on 14 March released its Global Displacement Forecast Report 2025.

Highlighting "a troubling trend", the report said that the number of displaced people worldwide is expected to rise significantly from the current 122.6 million.

By the end of 2026, an additional 6.7 million people are projected to be displaced globally, with sub-Saharan Africa and Asia experiencing the largest increases of approximately 3.1 million and 1.8 million respectively, followed by the Middle East, with an anticipated increase of around 900,000 displaced people, it added.

Of the 6.7 million people forecasted to be displaced by the end of 2026, some 70% will be internally displaced.

"We live in an age of war and impunity, and civilians are paying the heaviest price," said the DRC's Secretary-General Charlotte Slente, in a news release posted on the DRC's website.

"Our AI-driven modeling paints a tragic picture: 6.7 million people displaced over the next two years," Slente added.

She said: "These are not cold statistics. These are families forced to flee their homes, carrying next to nothing, and searching for water, food, and shelter."

According to DRC, globally, Sudan is the world's biggest displacement and hunger crisis.

DRC said that its projections show that it will continue to be the most urgent humanitarian crisis: by the end of 2026, another 2.1 million people will be displaced, adding to the 12.6 million people already displaced inside Sudan and to neighbouring countries.

Meanwhile, it said that in Myanmar, an intense multi-front civil war has intensified and resulted in 3.5 million people displaced, and nearly 20 million people, or a third of the population, need humanitarian assistance.

DRC said that it is forecasting 1.4 million new forced displacements by the end of 2026.

The United States, formerly the world's largest global donor, has terminated 83% of USAID contracts, and other major donors are also cutting aid, it noted.

This withdrawal comes at a time when humanitarian needs are at an all-time high, said the DRC.

According to DRC analysis included in this year's report, the cancellation of all US aid funding could result in 57 million fewer people being reached with critical humanitarian aid, said the DRC news release.

"Millions are facing starvation and displacement, and just as they need us most, wealthy nations are slashing aid. It's a betrayal of the most vulnerable," said Slente.

"We're in the middle of a global 'perfect storm': Record displacement, surging needs, and devastating funding cuts. Major donors are abandoning their duty, leaving millions to suffer. This is more than a crisis. It is a moral failure," she added. *(SUNS 10187)*

Third World ECONOMICS No. 814-815, 1-31 March 2025

Crisis deepens in DRC as funding cuts hit critical humanitarian aid

UNHCR, the UN Refugee Agency, has warned that critical funding cuts risk pushing the dire humanitarian situation in the eastern Democratic Republic of the Congo (DRC) and beyond closer to catastrophe.

by Kanaga Raja

PENANG: Critical funding gaps are severely hampering humanitarian efforts in the eastern Democratic Republic of the Congo (DRC) and beyond, leaving thousands without life-saving aid and pushing an already dire humanitarian situation closer to catastrophe, UNHCR, the UN Refugee Agency, has warned.

Speaking at a media briefing at the United Nations Office at Geneva on 21 March, UNHCR spokesperson Eujin Byun said in less than three months, the number of Congolese fleeing to neighbouring countries has surged to over 100,000.

Byun said ongoing hostilities in North Kivu province, particularly in Masisi and Walikale territories, along with an extremely volatile security situation in Bukavu and surrounding areas in South Kivu province, have forced hundreds of thousands of civilians to flee.

In and around the city of Goma in North Kivu, sites that were previously home to 400,000 internally displaced people (IDPs) have all been destroyed, leaving families stranded without shelter or protection, she added.

Due to funding cuts, humanitarian partners are struggling to rebuild shelters, leaving displaced people with few options for survival, said Byun.

Since January, more than 40,000 IDPs from North and South Kivu have arrived in Kalemie, in neighbouring Tanganyika province, after making perilous 700-kilometre journeys through multiple conflict zones, and across lakes.

Among them are young people fleeing forced conscription into armed groups, and women and children separated from their families in the chaos of displacement, said the UNHCR official.

The dangers of the journey have led to multiple tragedies as overcrowded and fragile boats, often the only means of crossing vast waterways, have capsized.

Funding constraints have made a proper emergency response by UNHCR, civil society and local government nearly impossible, hampering shelter construction and the distribution of essentials like blankets, mosquito nets, menstruation supplies and soap, Byun further said.

For instance, she said that frozen funding has prevented the replenishment of UNHCR's emergency stocks in Kalemie, leaving only 147 blankets for displaced people.

The situation in neighbouring Uganda and Burundi is almost as dire, Byun pointed out.

More than 28,000 Congolese refugees have crossed into Uganda since January this year – a 500 per cent increase from the same time last year – with another 10,000 people expected to arrive by the end of this month, she said.

Reports from new arrivals indicate a desperate flight from conflict and horrific human rights violations, Byun added.

Most reception and transit centres in Uganda are currently hosting seven times more than their capacity and lack sufficient water, sanitation and shelter, said the UNHCR spokesperson.

"Funding cuts have left health centres overwhelmed, with child malnutrition soaring due to the termination of feeding centres in areas hosting the new arrivals."

The UNHCR official said in Burundi's Rugombo commune, which is hosting the majority of the 68,000 refugees who have arrived in the country since February, inadequate sanitation facilities and overcrowding in and around the stadium where people have been sheltering, as well as the limited health care, have resulted in at least eight suspected cases of cholera.

Without more funding to increase health services, there is a significant risk of further spread of disease. A new site to host refugee arrivals is already over-capacity, said Byun.

The continued funding crisis has led to food shortages for new arrivals. Services for refugees with additional protection needs are also under strain, including for over 400 unaccompanied and separated children and for survivors of sexual violence, she added.

"We are grateful to those donors who have committed support so that UNHCR and partners can ramp up response efforts in the DRC and neighbouring countries, but the growing needs far exceed available resources," said Byun.

According to its latest update on the situation in eastern DRC issued on 21 March, UNHCR said the security situation across eastern DRC remains highly volatile. Human rights violations, including reprisal killings and abductions, continue to be reported, it added.

For instance, it said that on 18 March, seven civilians were reportedly killed in Walikale Territory, accused of collaborating with rival armed groups.

That same day, around 30 young men were reportedly abducted in Goma and Nyiragongo and there are concerns that it could be for forced recruitment.

Meanwhile, in Rutshuru, 10 civilians, including three women, were reportedly abducted while working in their fields.

According to the update, as of 20 March, over 103,000 people have fled DRC to neighbouring countries since the beginning of the year, the majority of whom have arrived in Burundi.

Elevated levels of daily arrivals continue to be recorded from DRC to Uganda, while recently, Tanzania has also recorded increased numbers of daily arrivals, it said.

It noted that the UN World Food Programme (WFP) has warned that it may be forced to cut all food assistance to some 120,000 refugees from the DRC by July if additional funding is not forthcoming.

"Brutal" funding cuts

Recently, Mr Filippo Grandi, the United Nations High Commissioner for Refugees, said that: "Brutal funding cuts in the humanitarian sector are putting millions of lives at risk."

In a statement issued on 20 March highlighting the impact of global aid cuts on refugees, the head of UNHCR said the consequences for people fleeing danger will be immediate and devastating.

"UNHCR, the UN Refugee Agency, has sought innovative and efficient ways to deliver its mission, making the most of every donation for those fleeing danger," Mr Grandi pointed out.

"Over 90 per cent of our staff are on the front lines, delivering for affected communities," he said.

"Together with our partners, we responded to 43 refugee emergencies last year alone. With less funding, fewer staff and a smaller UNHCR presence in countries hosting refugees, the equation is simple: lives will be lost," Mr Grandi warned. (See *SUNS #10187* dated 24 March 2025).

Responding to questions concerning the funding cuts at the media briefing in Geneva on 21 March, Mr Matthew Saltmarsh, a spokesperson for UNHCR, said the biggest concern was for the refugees and other displaced people, who would be feeling the brunt of those cuts.

Saltmarsh said UNHCR was undertaking a review of its operations, both at headquarters and in the field, after which the UN agency would be able to share more details on the organization's downsizing.

However, he said that it seems inevitable that some staff would lose their jobs, adding that some 99 per cent of UNHCR's funding were from voluntary contributions.

The impact of the cuts was already being felt across the world, including in South Sudan, where 80,000 people were unable to access emergency psychosocial support, or in Cox's Bazaar, Bangladesh, where as many as one million people were in need of support, according to Saltmarsh.

Until 2024, the US had been the major contributor, providing around 40 per cent of UNHCR's budget, followed by the European Union and East Asian countries, he said.

UNHCR was now looking into both expanding donations by the existing donors and searching for new sources of funding, he pointed out.

However, Saltmarsh said that some 400 jobs at UNHCR were currently being cut and that many more jobs were likely to be axed.

The UNHCR appears to be the latest UN agency to be hit hard by the US funding cuts, resulting in a decision to drastically reduce its staff.

Earlier, the UN International Organization for Migration (IOM) said that an unprecedented 30 per cent reduction in estimated donor funding for the year, including a major decrease in United States-funded projects worldwide, has forced it to implement "essential structural adjustments" at its Geneva headquarters and globally.

It said this adjustment includes scaling back or ending projects affecting over 6,000 staff members worldwide and implementing a structural realignment at headquarters, reducing headquarters staffing by approximately 20 per cent (more than 250 staff). (See *SUNS #10185* dated 20 March 2025). *(SUNS 10188)*

Decades of progress in child survival at risk amid funding cuts

Reduced global funding for life-saving child survival programmes is putting decades of progress in child survival at risk, a group of United Nations agencies has warned.

by Kanaga Raja

PENANG: Decades of progress in child survival are now at risk as major donors have announced or indicated significant funding cuts to aid ahead, the United Nations warned on 25 March.

In a joint press release, the United Nations Inter-agency Group for Child Mortality Estimation (UN IGME) said that reduced global funding for life-saving child survival programmes is causing healthcare worker shortages, clinic closures, vaccination programme disruptions, and a lack of essential supplies, such as malaria treatments.

These cuts are severely impacting regions in humanitarian crises, debt-stricken countries, and areas with already high child mortality rates, it said.

Global funding cuts could also undermine monitoring and tracking efforts, making it harder to reach the most vulnerable children, the Inter-agency Group warned.

The UN IGME is led by the UN Children's Fund (UNICEF) and includes the World Health Organization, the World Bank Group and the Population Division of the United Nations Department of Economic and Social Affairs (UN DESA).

The dire warning comes as the Inter-agency Group released two new reports on 25 March that found that the number of children dying globally before their fifth birthday declined to 4.8 million in 2023, while stillbirths declined modestly, still remaining at around 1.9 million.

According to the Inter-agency Group, since 2000, child deaths have dropped by more than half and stillbirths by over a third, fueled by sustained investments in child survival worldwide.

In 2022, the world reached a historic milestone when child deaths dropped slightly below 5 million for the first time. However, progress has slowed and too many children are still being lost to preventable causes, it said.

"Millions of children are alive today because of the global commitment to proven interventions, such as vaccines, nutrition, and access to safe water and basic sanitation," said UNICEF Executive Director Catherine Russell.

"Bringing preventable child deaths to a record low is a remarkable achievement. But without the right policy choices and adequate investment, we risk reversing these hard-earned gains, with millions more children dying from preventable causes. We cannot allow that to happen," she added.

"From tackling malaria to preventing stillbirths and ensuring evidence-based care for the tiniest babies, we can make a difference for millions of families," said Dr Tedros Adhanom Ghebreyesus, the Director-General of the World Health Organization.

"In the face of global funding cuts, there is a need more than ever to step up collaboration to protect and improve children's health," he added.

"Disparities in child mortality across and within nations remain one of the greatest challenges of our time," said the UN DESA Under-Secretary-General, Li Junhua.

Li said that: "Reducing such differences is not just a moral imperative but also a fundamental step towards sustainable development and global equity. Every child deserves a fair chance at life, and it is our collective responsibility to ensure that no child is left behind."

Even before the current funding crisis, the pace of progress on child survival had already slowed. Since 2015, the annual rate of reduction of under-five mortality has slowed by 42 per cent, and stillbirth reduction has slowed by 53 per cent, compared to 2000-2015, said the Inter-agency Group.

It said almost half of under-five deaths happen within the first month of life, mostly due to premature birth and complications during labour.

It said beyond the newborn period, infectious diseases, including acute respiratory infections such as pneumonia, malaria, and diarrhoea, are the leading causes of preventable child death.

Meanwhile, 45 per cent of late stillbirths occur during labour, often due to maternal infections, prolonged or obstructed labour, and lack of timely medical intervention, said the Inter-agency Group.

According to the UN IGME child mortality report, the world has made extraordinary progress in reducing child mortality.

Since 2000, the global under-five mortality rate (U5MR) has declined by 52 per cent, reflecting an immense collective effort by governments, donors and communities, it said.

This progress represents millions of lives saved – children who have had the chance to grow, learn and contribute to their communities and society as a whole, it added.

Nevertheless, the most recent estimates on under-five mortality leave little doubt that the journey to ending all preventable child deaths is far from over, said the report.

In 2023 alone, 4.8 million children died before reaching their fifth birthday, mostly from preventable causes, it added.

This includes 2.3 million deaths in the neonatal period (i.e., aged 0-27 days) and 2.5 million deaths among children aged 1-59 months.

It said in addition to this under-five deaths burden, there were 2.1 million deaths among those aged 5-24 years, including 0.9 million deaths among adolescents aged 10-19 years.

One of the most persistent and troubling challenges in child survival is the stark disparity in child mortality rates based on geography, economic status and fragility and conflict-affected status, the report observed.

The report said that children in sub-Saharan Africa and Southern Asia continue to face the highest risk of death.

"Similarly, children living in fragile and conflict-affected settings, as well as those in low- and lower-middle- income countries, bear a disproportionate burden of mortality."

These disparities are not inevitable; rather, they reflect inequities in access to quality health care, nutrition and other essential services, said the Inter-agency Group.

"The lower child mortality rates and faster declines in child mortality observed in many high-income countries - and even in some low- and lower-middle-income countries – demonstrate that survival is not a matter of chance but of investment and action."

In 2023, a child born in the country with the highest U5MR in the world – 115 deaths per 1,000 live births – was 80 times more likely to die before reaching age 5 than a child born in the country with the lowest U5MR, 1.4 deaths per 1,000 live births, said the report.

It said persistent inequality in child survival also occurs at regional levels. Sub-Saharan Africa had the highest regional U5MR in 2023, at 69 deaths per 1,000 live births, a position it has held since 1990, the earliest year that estimates are available.

The U5MR in this region is 14 times higher than that of Europe and Northern America and 18 times higher than that of Australia and New Zealand, the regions with the lowest regional U5MRs in 2023, it added.

Notably, the report said only four countries – the Niger, Nigeria, Somalia and Chad – had a U5MR exceeding 100 deaths per 1,000 live births in 2023, down from 42 in 2000, but all of them are in sub-Saharan Africa.

Moreover, sub-Saharan Africa is also home to the countries with the top 20 highest U5MRs globally in 2023, all exceeding 60 deaths per 1,000 live births.

The report said that almost 8 million deaths could be averted from 2024 to 2030 if countries at risk of missing the Sustainable Development Goal target on under-five mortality accelerated progress and achieved it by 2030.

It said between 2024 and 2030, approximately 30 million children will die before reaching their fifth birthday, if current trends continue.

Most of these deaths – 59 per cent (18 million) – will occur in sub-Saharan Africa, while another 25 per cent (7 million) will take place in Southern Asia, it added.

Meanwhile, in its stillbirth report, the Inter-agency Group said that in 2023, an estimated 1.9 million babies were stillborn at 28 weeks or more of gestation – down from 3.1 million in 2000.

This constitutes 1 in 70 births ending in stillbirth, with one occurring every 17 seconds in 2023.

The global stillbirth rate in 2023 was 14.3 stillbirths per 1,000 total births – a reduction of 37 per cent since 2000 when it was 22.6 stillbirths per 1,000 total births, it added.

The report said that stillbirths remain concentrated in sub-Saharan Africa and Southern Asia, which together accounted for 79 per cent of stillbirths globally in 2023, a stark reflection of systemic health care inequities between regions.

Sub-Saharan Africa alone bears nearly half (48 per cent) of the world's stillbirths despite representing only 30 per cent of live births, while Southern Asia accounts for nearly a third (32 per cent) of total stillbirths, it said.

In 2023, more than a third of stillbirths (34 per cent) took place in three countries: India, Nigeria and Pakistan, which together accounted for 29 per cent of live births.

The report said that low- and lower-middle-income countries accounted for 87 per cent of all stillbirths and 68 per cent of all live births in 2023 (low-income countries: 32 per cent of all stillbirths and 19 per cent of all live births; lower-middle-income countries: 56 per cent of all stillbirths and 49 per cent of all live births).

It said in upper-middle- and high-income countries, disproportionally more babies are born alive. Countries in these income groups accounted for 13 per cent of the estimated stillbirths that occurred in 2023 and 32 per cent of live births (upper-middle-income countries: 11 per cent of all stillbirths and 22 per cent of all live births; high-income countries: 2 per cent of all stillbirths and 10 per cent of all live births).

The report said that in sub-Saharan Africa, the estimated stillbirth rate of 22.2 stillbirths per 1,000 total births was 7.9 times the rate found in the region of Europe, Northern America, Australia and New Zealand, which had the lowest average stillbirth rate of 2.8 stillbirths per 1,000 total births.

Oceania (excluding Australia and New Zealand) had the second-highest estimated stillbirth rate at 17.2 stillbirths per 1,000 total births.

Southern Asia had the third-highest estimated rate, with 16.0 stillbirths per 1,000 total births in 2023, the report said.

In low-income countries, 1 in 43 births ended in a stillbirth compared to 1 in 356 in high-income countries.

On average, the risk of stillbirth in low-income countries was 8.3 times that in high-income countries in 2023, said the report.

"The stillbirth rate in low-income countries was estimated to be 23.3 stillbirths per 1,000 total births in 2023, compared to a rate of 2.8 stillbirths per 1,000 total births in high-income countries."

Better access to quality maternal, newborn, and child health care at all levels of the health system will save many more lives, according to the reports.

The reports said this includes promotive and preventive care in communities, timely visits to health facilities and health professionals at birth, high-quality antenatal and postnatal care, well-child preventive care such as routine vaccinations and comprehensive nutrition programmes, diagnosis and treatment for common childhood illnesses, and specialized care for small and sick newborns. *(SUNS 10190)*

Third World ECONOMICS No. 814-815, 1-31 March 2025

Trump escalates tariff war, paving the way for a global trade war

United States President Donald Trump on 26 March escalated his tariff war in announcing 25% tariffs on imports of cars and auto parts on top of the reciprocal tariffs to be imposed by the US on its major trading partners on 2 April.

by D. Ravi Kanth

GENEVA: United States President Donald Trump on 26 March seemingly caused fresh tremors in the global trading system with the announcement of 25% tariffs on imports of cars and auto parts, on top of the reciprocal tariffs to be imposed by the US on its major trading partners on 2 April.

Announcing his plans to impose the 25% tariffs on imports of cars and auto parts in the Oval Office, President Trump made it known that 2 April will be a grand day of "Liberation" when allegedly historic injustices committed by America's trading partners will be settled, according to his video comments.

Later, he issued two posts on his Truth Social website on 26 March, saying that "LIBERATION DAY IN AMERICA IS COMING, SOON", in apparent reference to the reciprocal tariffs to be imposed on 2 April.

He also said: "FOR YEARS WE HAVE BEEN RIPPED OFF BY VIRTUALLY EVERY COUNTRY IN THE WORLD, BOTH FRIEND AND FOE. BUT THOSE DAYS ARE OVER – AMERICA FIRST!!!"

Trump also threatened Canada and the European Union, two major exporters of cars and auto parts to the US, that if they initiate retaliatory measures against American products, then, he will impose "large scale" tariffs.

"If the European Union works with Canada in order to do economic harm to the USA, large scale Tariffs, far larger than currently planned, will be placed on them both in order to protect the best friend that each of those two countries has ever had!", he wrote in the post.

Earlier, President Trump had delayed the hefty tariffs on Canada and Mexico, while doubling the 10% tariff against China.

In addition, he had imposed a 25% tariff on all aluminium and steel products entering the US market.

It is increasingly becoming a "whirlpool of tariffs" on almost all items, said people familiar with the development.

The Economist magazine, in an article in its Leaders section on 27 March, titled "The cost of uncertainty", criticized President Trump's latest auto tariffs as well as the upcoming reciprocal tariffs to be imposed on 2 April.

It wrote that "The liberation America needs is from the paralysing uncertainty brought about by Mr Trump's chaotic approach."

Earlier, the London-based publication urged the affected countries to toughen up their stance against the tariffs imposed by President Trump.

Surprisingly, it now appears to have changed its stance, suggesting that retaliatory measures would induce "more pain" and "carries a cost", as retaliation might stoke further escalation from the US.

The World Trade Organization's leadership has remained silent on the allegedly unilateral tariffs imposed by the US.

In fact, the WTO's Director-General, Ms Ngozi Okonjo-Iweala, is yet to make a substantive statement on the spate of tariffs imposed by the US on all members of the global trade body.

Retaliation on the cards

In separate rather nuanced responses, Canada, Japan, Korea, and the EU have conveyed their intention to either impose or consider retaliatory measures against President Trump's latest threat of 25% tariffs on imports of cars and auto parts.

Mexico, the most likely affected country from the 25% tariffs, is yet to come out publicly on what it intends to do in terms of retaliatory measures.

Though the US, Mexico, and Canada struck a revised free trade agreement during President Trump's first term on zero duty treatment for all goods crisscrossing the three countries, the proposed action by the White House has put paid to that agreement, said people familiar with the development.

The Canadian Prime Minister Mark Carney said his officials will chalk out the next course of action after examining the language of President Trump's executive order.

"It's clear that this is a violation and he has betrayed our trade agreement," said Carney, according to a news report in the Wall Street Journal (WSJ).

Expressing regret over President Trump's proposed decision to impose 25% tariffs on cars and auto parts, the European Commission's President Ursula von der Leyen gave a rather ambiguous response.

"The EU will continue to seek negotiated solutions, while safeguarding its economic interests," von der Leyen said on 26 March.

According to the WSJ report, a US administration official said the proposed 25% tariffs "would cover finished automobiles and automotive parts."

The US administration had considered exempting auto parts from the tariffs. But components that are compliant with the US-Mexico-Canada Agreement would remain tariff-free until the Commerce Department "establishes a process to apply tariffs to their non-US content," the White House deputy press secretary Harrison Fields wrote online, the WSJ report suggested.

Further, the proposed 25% tariffs would "add to existing duties, including a 2.5% tariff imposed by the US, as well as existing 25% tariffs on light trucks, known as the 'chicken tax'," the senior administration official said, according to the WSJ report.

Besides, the auto tariffs will be added "on top of 25% tariffs on goods from Canada and Mexico that Trump imposed because he said those countries weren't doing enough to disrupt the illicit fentanyl trade," the WSJ report suggested.

Meanwhile, according to a report in the *Financial Times* on 27 March, Japan's Prime Minister Shigeru Ishiba indicated that "every option" was under consideration, while South Korea promised an emergency response.

In contrast, President Claudia Sheinbaum of Mexico suggested retaining preferential tariff treatment in talks with the Trump administration.

"We are the only country that has this level of communication with the US government," she said.

The United Kingdom ruled out any retaliatory measures. According to the FT report, the UK chancellor Rachel Reeves signalled that London will "not do anything to escalate these trade wars."

However, President Trump has said somewhat emphatically that he would not grant any concessions or exemptions like he did during his first term in office. *(SUNS 10192)*

Agriculture Committee concludes decisions on export competition, TRQs

The World Trade Organization's Committee on Agriculture on 26 March among others concluded several important outcomes relating to export competition and tariff rate quotas (TRQs).

by D. Ravi Kanth

GENEVA: The World Trade Organization's Committee on Agriculture on 26 March concluded several important outcomes including the third triennial review of the Nairobi Decision on Export Competition, transparency of Tariff Rate Quotas (TRQs), and the continuation of the current list of net-food importing developing countries (NFIDCs), among others, said people familiar with the development.

In addition, India held a rather fruitful workshop on the need to address the issue of food security, which remains entangled in the failed WTO agriculture negotiations, said people familiar with the development.

While the regular meeting of the Committee on Agriculture (CoA) took place on 24-25 March, the Indian workshop took place on 26 March.

The outgoing chair of the CoA, Ms Anna Leung of Hong Kong, China, informed that work on the third triennial review of the much-delayed Nairobi Decision on Export Competition, which was adopted at the WTO's tenth ministerial conference (MC10) in Nairobi, Kenya, in December 2015, was finally concluded in December last year.

The outcome package stemming from the triennial review consists of the Review Report (G/AG/39) and a decision on a comprehensive export competition notification requirements and formats (G/AG/2/Add.2).

This is the first time that such a task was accomplished since 1995 wherein members were able to modify the notification requirements based on rules that were agreed in the Uruguay Round, said a former negotiator who asked not to be quoted.

Apparently, the Uruguay Round negotiators spent a considerable amount of time negotiating the notification requirements but could not succeed due to several reasons, the negotiator said.

More importantly, the burdensome notification work on tariff rate quotas has also been concluded with respect to tariff rate quotas in the export competition pillar.

The decisions concluded on these "ticklish" issues would result in streamlining the relevant notification requirements, said another negotiator who asked not to be quoted.

Further, according to the negotiator, members agreed on the enhanced transparency of the TRQ administration notifications (RD/AG/134/Rev.2).

The document on TRQ administration comprises some 30 pages with some dozen notification requirements.

At the CoA meeting, the UN Food and Agriculture Organization (FAO) and the World Bank made a presentation on the current state of play on food security and agriculture.

With the slashing of funds by the United States and several other industrialized countries for food security, the two international organizations presented a rather dire picture, said people familiar with the development.

It appears that the World Food Programme (WFP), which depends on food aid from major donors like the US, warned that "the world is entering a period of high uncertainty, marked by a worsening global food security crisis and humanitarian funding cuts," according to a news release posted on the WTO's website.

The WFP estimated that 343 million people appear to have suffered from acute food insecurity across 74 countries in 2024 – nearly 200 million more than pre-pandemic levels.

The World Bank also expressed sharp concern, stating that acute food insecurity remains at record levels with an estimated 713-757 million people being under-nourished.

The World Bank also highlighted its commitment to nutrition security, emphasizing its alignment with global efforts such as the Nutrition for Growth Summit in Paris.

NFIDC list

For some time now, a group of South American farm-exporting countries, particularly Paraguay, have seemingly mounted a campaign aimed at curtailing the specific flexibilities accorded to NFIDCs, said people familiar with the development.

These farm-exporting countries are insisting on a "data-based review exercise requiring NFIDCs to present updated statistics," while the original NFIDCs including Egypt vehemently opposed such a review on grounds that it is aimed at curtailing their flexibilities, said people familiar with the development.

Given the divergences between the two sides, the discussion on the annual review of the NFIDCs list resulted in no review.

However, members agreed that the current list (G/AG/5/Rev.12) will continue to remain valid in the face of lack of consensus.

According to document G/AG/5/Rev.12, the list of NFIDCs "eligible as beneficiaries in respect of the measures provided for within the framework of the Decision, revised to include Tonga as decided at the meeting of the Committee on Agriculture on 27-28 March 2023" includes:

a. the least-developed countries as recognized by the Economic and Social Council of the United Nations;

plus

b. Antigua and Barbuda, Barbados, Botswana, Cote d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, El Salvador, Eswatini, Gabon, Grenada, Honduras, Jamaica, Jordan, Kenya, Maldives, Mauritius, Mongolia, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Senegal, Sri Lanka, Trinidad and Tobago, Tonga, Tunisia and the Bolivarian Republic of Venezuela. *(SUNS 10191)*

Third World ECONOMICS No. 814-815, 1-31 March 2025

Global trade hits record $33 trillion in 2024, but new risks loom

While global trade hit a record $33 trillion in 2024, mounting geoeconomic tensions, protectionist policies, and trade disputes are likely to cloud the global trade outlook for 2025, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global trade hit a record $33 trillion in 2024, expanding by 3.7%, or US$1.2 trillion, from 2023, but mounting geoeconomic tensions, protectionist policies, and trade disputes signal likely disruptions ahead, according to UN Trade and Development (UNCTAD).

In its latest Global Trade Update, covering data through early March, UNCTAD said that services drove growth, rising 9% for the year and adding US$700 billion – nearly 60% of the total growth, while trade in goods grew by 2%, contributing US$500 billion.

In 2024, developing economies outpaced developed nations, with imports and exports rising 4% for the year and 2% in the fourth quarter, driven mainly by East and South Asia, while South-South trade expanded 5% annually and 4% in the last quarter, it added.

UNCTAD said trade policies are redrawing the map. Governments are expanding tariffs, subsidies, and industrial policies, reshaping trade flows.

The United States, European Union and others are increasingly tying trade measures to economic security and climate goals, while China is using stimulus policies to maintain export momentum, it said.

However, it said this policy realignment is contributing to uncertainty.

Rising protectionism (policies favouring domestic industries through tariffs or restrictions), particularly in advanced economies, is triggering retaliatory measures (countermeasures from trading partners in response to trade restrictions) and adding to trade barriers.

Meanwhile, industrial policies (long-term strategies to develop specific sectors) are reshaping key sectors like clean energy, technology and critical raw materials, risking competition distortion, it suggested.

As trade uncertainty grows, global cooperation and balanced policies remain critical. While China's stimulus measures and lower inflation in some regions could support trade, protectionism and shifting policies in major economies remain key risks, said UNCTAD.

The challenge in 2025 is to prevent global fragmentation – where nations form isolated trade blocs – while managing policy shifts without undermining long-term growth.

The actions taken now by governments and businesses will shape trade resilience for years to come, it said.

According to the UNCTAD report, global trade in goods and services saw a significant growth during 2024, increasing by about 3.7 per cent.

However, growth trajectories slowed in the last two quarters. Trade in goods increased by less than half a per cent quarter-over-quarter (QoQ) in Q4, while services trade grew by around one per cent.

According to the UNCTAD nowcast, this positive momentum is expected to continue into Q1 2025, building on a global trade value of nearly US$33 trillion in 2024.

This record high has been largely driven by a 9 per cent annual increase in services trade, while goods trade saw a more modest increase of 2 per cent, said the report.

"Overall, global trade expanded by almost US$1.2 trillion in 2024, with goods contributing approximately US$500 billion and services US$700 billion."

Prices for traded goods saw virtually no increase during Q4 2024. The volatile and deflationary trends observed in previous periods appear to have run their course, as the lingering effects on traded goods prices of the high inflation experienced post-pandemic seems to have been exhausted, it added.

Throughout 2024, the global trade trends that began in the second half of 2023 continued to prevail.

Over the last four quarters, trade growth in developing countries generally outpaced that of developed countries. South-South trade also performed above average during 2024, said the report.

A significant boost to trade growth in developing countries and South-South trade came from East and South Asian economies, it noted.

Looking at Q4 2024 trends, the growth in global trade observed in previous quarters decelerated in relation to goods, while trade in services maintained its strong momentum.

The report said that preliminary data for Q1 2025 indicated continued growth in both goods and services.

"However, part of this growth is likely the result of front-loading shipments in anticipation of increases in United States tariffs."

Looking further into 2025, UNCTAD said that the dynamics of international trade may shift significantly.

While global economic activity is expected to maintain modest momentum, the forecast for international trade is marked by significant uncertainty, with risk of downturn, it added.

In particular, it said the ongoing shifts in United States trade policy, concerns over global trade imbalances, and continuing geopolitical challenges are likely to negatively influence global trade growth.

Moreover, the possibility of trade policy escalations casts a shadow of uncertainty over the global trade outlook for 2025, UNCTAD added.

On the other hand, it said that the expected easing in global inflation and China's economic stimulus for 2025 – with a growth target of about 5 per cent – may provide some tailwind to global trade.

"Still, several policy disruptions could impact trade and financial stability, highlighting the need for balanced policy decisions and stronger multilateral cooperation to support global trade and economic growth."

Key factors

According to the report, some of the

most relevant factors making global trade trends very uncertain for 2025 include:

• Shifts in trade policy: There is a growing trend in the implementation of protectionist trade policies, with a growing tendency to link trade measures with non-trade policy objectives.

This shift is evident in the implementation of broad new tariffs targeting specific countries, as well as more targeted tariffs affecting particular products, such as steel and aluminium, said the report.

These tariffs are expected to have significant repercussions on global and regional value chains. The disruptions caused by these tariffs could lead to shifts in production and sourcing patterns, as companies and countries adjust to new trade barriers and seek to mitigate the costs of these tariffs, it added.

• Potential spillovers from ongoing trade tensions among major economies: Unilateral and highly restrictive trade policies can set off ripple effects.

Such measures frequently prompt retaliatory actions from affected trading partners, often creating a cycle of escalating trade barriers which may eventually involve also third parties, said UNCTAD.

Moreover, tariffs applied to specific segments of global value chains are widely considered to be impacting not only the targeted industries and countries, but also the entire value chain which may encompass third countries.

• An increase in subsidies and inward-looking industrial policy: The prioritization of national concerns and the urgency to fulfill climate commitments will likely continue to shape changes in both industrial and trade policies into 2025.

A rise in trade-restrictive measures and inward-looking industrial policies designed to support the production of sustainable and environmentally-friendly products is expected to negatively affect the growth of international trade, particularly in strategic sectors and critical minerals, said the report.

• Potential for an economic slowdown in the upcoming quarters: In the first months of 2025, there has been a noticeable reduction in demand for container shipping, as reflected by a significant decrease in the Shanghai Containerized Freight Index (SCFI).

While these indices suggest lower shipping costs, they also indicate reduced global demand for both intermediate inputs and processed goods, said the report.

It said that the decline in the SCFI points to weaker trade volumes, signalling a slowdown in global economic activity.

Additionally, the Baltic Dry Index, which tracks shipping rates for bulk commodities such as coal, iron ore, and grain, remains at relatively low levels compared to 2024.

UNCTAD said this may further suggest an incoming contraction in global trade and reduced economic activity, as lower demand for bulk shipping is typically associated with weaker industrial output and slower growth in key sectors.

Trade trends

Merchandise trade showed mixed trends among major economies in Q4 2024. China and India trade continued to increase, particularly in exports, said the report.

Conversely, export growth in the Republic of Korea decelerated, although it remained the highest among major economies on an annual basis.

In the United States, import growth remained positive in Q4 2024, while export growth turned negative, it said.

Import growth trends were negative on both a quarterly and annual basis for Japan, the Russian Federation, South Africa, and the European Union.

Services trade continued to grow in Q4 2024, but at a slower pace compared to annual figures, suggesting that the positive trend in services trade may have plateaued for most economies. Growth in services trade remained strong for India and South Africa, said UNCTAD.

It said on an annual basis, services trade growth reached double-digit figures for many of the largest developing economies, while remaining at very high levels for most developed economies.

During Q4 2024, trade growth in developing countries significantly outpaced that of developed countries on both yearly and quarterly bases, it noted.

Developed countries experienced a sharp decline, with both imports and exports decreasing by about 2 per cent.

Meanwhile, the report said developing countries saw trade growth of approximately 2 per cent.

However, in Q4 2024, quarter-over-quarter growth for developing countries remained below the annual average.

South-South trade growth was notably stronger in Q4 2024, a continuation of the robust growth experienced throughout 2024, said the report.

A significant boost to developing countries' trade and South-South trade growth came from East Asian countries.

It said most regions experienced positive overall trade growth during Q4 2024, except for Europe and Central Asia where trade contracted.

Trade growth was particularly strong in Latin America, East Asia, South Asia and Oceania.

"During Q4 2024, intra-regional trade remained robust in Latin America and East Asia but reversed course in Africa, where it contracted by 4 per cent QoQ."

Notably, UNCTAD said trade growth was below annual averages for the North American region during Q4 2024, including intra-regional trade.

Global imbalances in goods trade have been increasing in 2024, approaching levels seen in 2022, the report said further.

The US trade deficit with China reached -US$355 billion, widening by US$14 billion in the fourth quarter, while its deficit with the European Union increased by US$12 billion to -US$241 billion, said UNCTAD.

Meanwhile, China's strong exports pushed its trade surplus to the highest level since 2022, while the European Union reversed previous deficits and posted a trade surplus for the year, helped by high energy prices.

UNCTAD said that other major economies with trade deficits include India, Japan, and the United Kingdom.

It also said "near-shoring" and "friend-shoring" trends reversed in 2024, as businesses moved beyond limiting trade to geopolitical allies or nearby regions.

Instead of consolidating supply chains, firms are now diversifying trade networks across multiple regions to reduce risk – creating opportunities but adding to complexity, it said.

Trade dependence is also shifting. Economies such as Russia, Viet Nam, and India, have deepened trade ties with specific partners, while others, including Australia and the EU, are reducing reliance on traditional markets.

The decline in trade concentration

suggests that smaller economies are playing a bigger role, said UNCTAD.

Trade growth has varied significantly across sectors over the past four quarters. Trade in office equipment and pharmaceuticals has grown at a rate substantially above the average, it noted.

Conversely, the value of trade in the energy sector declined sharply in 2024. In Q4 2024, global trade growth was most pronounced in agri-food, communication equipment, precision instruments, and transport, while it declined in the apparel sector and extractive industries (energy and minerals).

Role of tariffs

Providing some policy insights into the role of tariffs in international trade, the UNCTAD report said while global trends indicate a general decline in tariff rates due to trade liberalization, and multilateral and regional trade agreements (RTAs), developing countries continue to face higher tariffs.

For developing countries, tariffs play a crucial role in multiple dimensions, it pointed out.

First, they serve as a source of revenue, which is particularly important for economies with limited capacity to generate income through direct taxation.

In many cases, tariffs contribute significantly to government budgets, financing essential services such as infrastructure, healthcare, and education.

"Second, tariffs can act as a policy instrument to support nascent industries. By imposing duties on imported goods, governments can create a more favourable environment for domestic industries to grow and compete."

This form of protection is especially relevant in sectors such as agriculture, textiles, and light manufacturing, where developing countries have competitive potential but face stiff competition from more established players in global markets, said the report.

Third, it said that tariffs influence market access and trade negotiations. Developing countries often navigate a complex system of trade agreements and preferential market access schemes that determine the tariff rates they face when exporting goods.

While many advanced economies provide preferential access to exports from developing nations, certain sectors – such as agriculture and apparel – continue to experience high tariffs.

This restricts the ability of developing countries to expand their exports and integrate into global value chains, said the report.

"However, high import duties can increase costs for businesses and consumers, potentially stifling economic growth and competitiveness."

Furthermore, it said the general pattern of tariff escalation – where higher tariffs are applied to processed goods and lower ones to raw materials – discourages the export of value-added products from developing economies, thereby reducing value addition and hindering their industrialization efforts.

Agricultural products face some of the highest tariffs in international trade.

Agricultural products face some of the highest tariffs in international trade. While regional trade agreements (RTAs) and multilateral trade negotiations have reduced some barriers, agriculture remains highly protected in many countries, it noted.

Agricultural exports from developing countries face high import duties, averaging almost 20 per cent under most-favoured-nation (MFN) treatment, said the report.

Many agricultural exports benefit from preferential access as a result of RTAs, but these schemes are not always comprehensive, leading to fragmented market access, it pointed out.

Developed countries have relatively low average tariffs, with zero tariff often applied on raw products that they do not produce.

However, these countries also have some of the highest tariff peaks with tariffs beyond 100 per cent, said the report.

"Processed agricultural goods face higher tariffs than raw agricultural commodities, known as tariff escalation, discouraging value addition in developing countries."

Manufactured goods experience varying tariff structures depending on the product category and the region applying the tariffs, the report noted.

Between 2012 and 2023, manufacturing tariffs decreased by approximately 1 percentage point due to trade liberalization efforts.

Textiles and apparel remain subject to some of the highest tariff rates, with import duties averaging close to 6 per cent, limiting the competitiveness of developing countries in these industries, the report underlined.

"As of 2023, developing countries generally impose higher import tariffs than developed nations to protect domestic industries and generate government revenue."

At the same time, they also often face higher tariffs on their exports, particularly in sectors like agriculture and labour-intensive manufacturing, said the report.

The creation of a rules-based trading system with the General Agreement on Tariffs and Trade (1947) and then the World Trade Organization (1995) has contributed to a gradual but continuous reduction of tariffs, which also bolstered international trade, including among developing countries, it added.

Today, about two-thirds of international trade occurs without tariffs, either because countries have chosen to reduce duties under MFN treatment or through other trade agreements, said the report.

However, it said tariff levels applied to the remainder of international trade are often very high, with important differences among agriculture, manufacturing and natural resources.

When agricultural trade is duty free, this is largely due to preferential access (as many countries maintain high MFN rates).

Specifically, when non-duty free, the average tariff on agricultural products averages at almost 20 per cent.

About 40 per cent of the trade in manufacturing products is duty free because of zero MFN, with an additional 30 per cent free of duty because of preferences, said the report.

Still, the remaining 30 per cent of global manufacturing trade is subject to an average tariff of about 10 per cent, it added. *(SUNS 10184)*

Third World ECONOMICS No. 814-815, 1-31 March 2025

Global goods trade holds steady, but trade policy uncertainty looms

While global trade in goods is set to continue its growth in the first months of 2025, rising trade policy uncertainty and the prospect of new tariffs could weigh on the outlook in the medium term, according to the World Trade Organization (WTO).

by Kanaga Raja

PENANG: While global goods trade appeared to remain steady in the fourth quarter of 2024 and looks set to continue its growth in the first months of 2025, increased trade policy uncertainty and the prospect of new tariffs could weigh on trade in the medium term, according to the World Trade Organization (WTO).

In a post on its website on 12 March providing real-time information on the trajectory of merchandise trade, the WTO said the current value of 102.8 for its Goods Trade Barometer index is above the quarterly trade volume index but little changed compared to the previous reading of 102.7 from last December.

This would normally signify that merchandise trade was above trend with growth that was accelerating, said the WTO.

However, rising trade policy uncertainty could have temporarily boosted trade as businesses and consumers front-load imports ahead of potential measures, possibly reducing demand later in the year, it said, adding that as a result, the barometer index should be interpreted with caution.

Barometer values greater than 100 are associated with above-trend trade volumes, while barometer values less than 100 suggest that goods trade has either fallen below trend or will do so in the near future, it explained.

According to the WTO, in the third quarter of 2024 – the latest period for which WTO data is available – the volume of world merchandise trade continued to recover from the trade slump of 2023, growing 3.3% year-on-year.

Developments in the first three quarters last year were broadly in line with the WTO's most recent trade forecast of 10 October, which predicted trade volume growth of 2.7% for the whole of 2024, it said.

Although the global average has remained steady, there have been some significant regional disparities in goods trade growth, the WTO's Goods Trade Barometer pointed out.

In particular, European exports and imports were much weaker than anticipated, while Asia's exports and North America's imports exceeded expectations, the WTO said.

The WTO reported that all of the barometer's component indices are currently on or above trend.

It said that export orders (101.0), electronic components (102.3) and raw materials (101.6) are on trend, while indices for automotive products (105.5), container shipping (103.7) and air freight (102.7) are above trend to varying degrees.

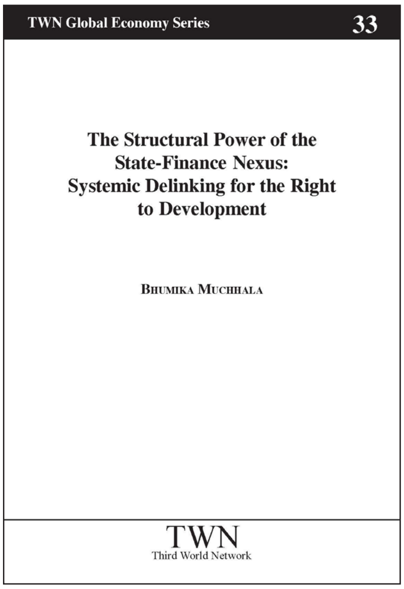
Export orders, which are usually the most predictive barometer component, remain close to the baseline value of 100, it noted.

This indicator should be watched closely for any sign of an emerging trade slowdown, the WTO suggested. *(SUNS 10182)*

TWN Global Economy Series No. 33

The Structural Power of the State-Finance Nexus: Systemic Delinking for the Right to Development

by Bhumika Muchhala



The current era of financial hegemony is characterized by a dense financial actor concentration, an exacerbated reliance of many South countries on private credit, and an internalized compliance of South states with financial market interests and priorities. This structural power of finance enacts itself through disciplinary mechanisms such as credit ratings and economic surveillance, compelling many South states to respond to creditor interests at the expense of people's needs.

As a human rights paradigm, the Declaration on the Right to Development has the active potential to redress the structural power of finance and the distortion of the role of the state through upholding the creation of an enabling international environment for equitable and rights-based development on two levels of change. The first comprises structural policy reforms in critical areas of debt, fiscal policy, tax, trade, capital flows and credit rating agencies. The second area of change envisions systemic transformation through delinking as articulated by dependency theorist Samir Amin, which entails a reorientation of national development strategies away from the imperatives of globalization and towards economic, social and ecological priorities and interests of people.

Available at https://twn.my/title2/ge/ge33.htm

 Third World ECONOMICS No. 814-815, 1-31 March 2025

Markets caught in cross-currents of uncertainty, says BIS

While long-term government bond yields in core markets rose, tightening financial conditions, corporate credit remained buoyant, equity valuations stayed elevated and US dollar appreciation halted, resulting in easier conditions despite the uncertain outlook, the Bank for International Settlements (BIS) has said.

by Kanaga Raja

PENANG: Markets were pulled in different directions during the period from 3 December 2024 to 28 February 2025, according to the Bank for International Settlements (BIS).

In its latest Quarterly Review, BIS said long-term government bond yields in core markets rose despite easing monetary policies, tightening financial conditions.

In contrast, corporate credit remained buoyant, equity valuations stayed elevated and US dollar appreciation halted, it added.

"This resulted in easier conditions despite the uncertain outlook, which seemed not fully priced in financial markets."

Sentiment towards emerging market economies (EMEs) remained subdued, as investors struggled to ascertain their outlook amid diverse domestic conditions and global policy uncertainty, said BIS.

Irrespective of the bond market ebbs and flows, and brief episodes of heightened volatility, risky assets exhibited resilience across advanced economies (AEs).

Risk-taking was especially pronounced in corporate credit markets, with credit spreads narrowing further, particularly in Europe, it added.

BIS said that leveraged loans and private credit continued to pick up pace on the back of resurgent leveraged buyout (LBO) and merger and acquisition (M&A) activity, while stock markets in most advanced economies (AEs) traded sideways but stayed at relatively high valuations.

However, it said financial conditions were more mixed across EMEs, but the overall sentiment was subdued.

"Headwinds seemed to gather strength from a pause in the Federal Reserve's easing trajectory, uncertainty with regard to US trade policy and a still struggling Chinese economy."

While the breather in the US dollar appreciation provided some relief, local currency government bond yields lingered at elevated levels, said the Basel-based central bank for the world's central banks.

Long-term yields rise

A key takeaway from the report is that despite policy easing, long-term government bond yields saw upward pressure across advanced economies, with fluctuations in real yields and term premia as the biggest drivers of yield moves.

Bond markets reflected most clearly the cross-currents of uncertainty. Long-term yields whipsawed in AEs but finished the review period higher despite policy easing by major central banks, said the BIS report.

The swings in bond yields largely owed to fluctuating real yields amid an upward drift in inflation compensation.

BIS said in some countries, the upward move was bolstered by unfavourable market dynamics and heightened investor unease with fiscal outlooks.

"Central banks in major economies continued on their path of policy easing during the review period, but with varying outlooks."

The Federal Reserve cut its policy rate by 25 basis points in December but signalled fewer rate cuts in 2025, as the economy and labour market looked robust, BIS pointed out.

It said other central banks, including the Bank of England and Sveriges Riksbank, also hinted at a pause in policy easing.

BIS said the European Central Bank (ECB) lowered policy rates and indicated that further cuts might be needed in the light of slower than expected growth.

In contrast, the Bank of Japan raised rates once again, as it continued with its process of policy normalisation.

These policy moves, and expectations thereof, were reflected in a downward trend in short-term rates, said BIS.

In contrast to short-term rates, long-term rates soared in December, initially boosted by strong macroeconomic data, according to the BIS report.

In the United States, 10-year yields rose by more than 60 basis points before largely retracing that surge from mid-January onwards.

These swings in long-term rates were driven by real yields, while inflation compensation edged up during the period, said BIS.

Inflation readings across major economies stayed above target throughout 2024 and ticked up at year-end.

The persistence of inflation, together with the resilience of labour markets, particularly in the United States, pushed rates higher as investors reassessed the prospects of a prolonged period of higher policy rates, it added.

In this market environment, the rise in US yields pulled up those in other major economies early in the review period.

As US yields subsequently came down in February, rates in other major economies traded sideways, it said further.

The rise of long-term rates led to a material steepening of yield curves. Term spreads turned solidly positive in most AEs, particularly in non-US markets.

BIS said that the yield curve steepening was exacerbated by a notable increase in term premia, indicating that investors demanded greater compensation for holding long-term interest rate exposure.

The increase in term premia coincided with market signals of abundant government bond supply, it added.

For instance, it said interest rate swap spreads – the difference between the fixed rate leg of an interest rate swap and government bond yields of the same tenor – turned negative for Japanese yen swaps during the review period, joining comparable US and German instruments.

"Swap spreads have been negative in the United States for a prolonged time, but touched multi-year lows during the review period."

The BIS report said that the appreciation of the US dollar peaked and then reversed during the review period.

While the greenback gained some additional ground in December, reaching its highest parity since late 2022, it retraced its path from mid-January as doubts about the US growth outlook began to mount, it noted.

However, it said this turnaround was not uniform across currencies, as some commodity currencies and the yen still depreciated further.

Pricing of risky assets

Another key takeaway from the report was that risky assets exhibited resilience despite brief bouts of volatility and lingering concerns over tariffs, with robust risk-taking in corporate credit and European stocks.

Risky asset markets remained resilient during the review period, shrugging off uncertainties about the outlook, said BIS.

"Buoyant credit markets and elevated equity valuations countervailed the pressure from rising long-term bond yields, contributing to an easing of financial conditions in AEs."

Risk sentiment in equity markets remained largely intact, even though the performance of individual markets varied across major economies, it added.

European stocks surprised with a strong rally and outperformed US equities, which traded sideways like those of most other jurisdictions.

Accordingly, BIS said valuations (as measured by price/dividend ratios) remained elevated in the United States and increased materially in Europe.

US market valuations were supported by strong earnings, particularly from technology firms. These companies performed well and sustained the US market, while the post-election surge in small cap stocks faded away, said BIS.

Across the Atlantic, investors shrugged off weaker than expected earnings, consistent with relatively weaker economies.

The surge appeared driven by a large compression of the European equity risk premium and by the strong rally of banks - whose earnings continued showing strength – and other sectors that had been particularly shaken in the first quarter of 2022, said the BIS report.

However, BIS said despite the solid equity performance in most AEs, bouts of volatility returned briefly during the period.

The VIX spiked in the wake of the Federal Open Market Committee meeting in December, increasing by more than 70% on the day of the policy decision announcement.

The substantial jump in volatility underscored the swift and pronounced market response to a reassessment of beliefs about the monetary policy path ahead, said BIS.

"However, the increase was short-lived as contrarian investors and sellers of volatility presumably dampened the move."

Markets were also jittery in late January on the back of risk-off sentiment related to artificial intelligence (AI) and in late February to early March on deteriorating investor confidence following a softening of growth signals and tariff-related news, said the BIS report.

Corporate funding markets remained robust, with issuers taking advantage of the resilient risk sentiment.

Credit spreads compressed further across the rating spectrum, particularly for European high-yield bonds, and stayed widely below historical watermarks, it added.

Furthermore, BIS said the long dormant initial public offering (IPO) market extended its 2024 recovery, with a sizeable number of firms bringing public and strong first-day performance, particularly during the fourth quarter.

"Other corners of private markets also benefited from the positive sentiment. Private credit continued to exhibit strong momentum and closed the year at strength, despite losing some ground to banks' leveraged lending."

BIS said venture capital funds saw strong fundraising given the sustained interest of investors in AI bets, while the growth investment segment also saw a material improvement, amid a flurry of mergers and acquisitions.

BIS said in contrast to the pressures faced by traditional safe havens, the price of gold sustained its strong upward momentum and gained pace during the review period – yet another case of markets being subject to cross-currents.

"Gold prices rose steadily during the period, irrespective of the wide fluctuations elsewhere. The 2024 rally in gold prices was unusual, as it coincided with a stronger US dollar and increasing real yields."

However, BIS said that in the crypto space, bitcoin lost momentum while ether plummeted.

Subdued sentiment

A third key takeaway from the report is that sentiment was subdued in emerging market economies, as investors struggled to gauge the outlook for them amid varied domestic conditions and global policy uncertainty.

Financial conditions in EMEs generally tightened, but to differing degrees. The dollar provided mild relief as its appreciation against EME currencies took a breather, said BIS.

But headwinds gained strength amid generally mediocre macroeconomic conditions, the threat of tariffs and still sluggish growth in the Chinese economy, it added.

"Central banks' decisions reflected the diverse domestic conditions and constraints from the Federal Reserve pausing its easing."

It said in Latin America, most central banks cut rates during the review period, as their easing cycle may not be completed yet, adding that Brazil was the exception, hiking rates by 200 basis points in the midst of persistent inflationary pressures.

"In other parts of the world, notably in Europe and Asia, policy rate cuts were prevalent. In China, benchmark loan prime rates remained stable while the central bank ramped up measures to stabilise the renminbi exchange rate."

The appreciation of the US dollar stalled during this review period, and several EME currencies appreciated against the greenback, said the BIS report.

That was particularly the case of Latin American and EMEA (European, Middle Eastern and African) currencies, which largely rebounded from their pronounced Q4 2024 slide amid wide fluctuations.

It said Asian EME currencies also saw ample swings in their parities, as US trade policy uncertainty mounted, and slightly depreciated over the review period.

"Carry trade activity, where investors borrow in low-yielding currencies to invest in higher-yielding ones, was likely limited as high volatility made the returns on such trades riskier and less attractive." BIS said yields on government bonds in domestic currency generally saw upward pressure, tightening financial conditions.

"Yields whipsawed in Latin America and EMEA and stayed largely unchanged in Asia. The rise was particularly sharp at the long end of Brazil's term structure, as fiscal concerns took centre stage in investors' view."

It said that other countries in Latin America saw more stable yields, in coincidence with developments in other regions.

Issuance of dollar-denominated bonds was mixed despite falling spreads. The easier financial conditions of AE credit markets reflected more clearly on the spreads of dollar-denominated bonds, which compressed by about 20 basis points, said BIS.

It said despite that compression, sovereign issuance remained generally circumspect, especially in the high-yield segment, although it gained some traction in February within the investment grade sovereign segment.

"EME stock markets trended downwards on average, adding to the tightening pressure on financial conditions."

Chinese equity markets saw a rebound in February after months-long weakness, and ended the period flat on the back of improving sentiment and optimism related to the outlook for AI, said the BIS report.

It said this sudden awakening of the continental market was also reflected in Hong Kong SAR equities, whose valuations soared.

Additionally, there were bright spots in some small Latin American markets and in EMEA, the latter seemingly pulled by the momentum of the major European exchanges.

Moreover, BIS said India's IPO market continued its strong performance in the fourth quarter, having contributed a sizeable volume share to the global IPO market in 2024.

BIS said overall, however, sentiment towards EMEs remained downcast.

With attractive yields on safe debt of AEs, foreign investors in EME debt securities extended the caution that characterised the last quarter of 2024.

It said portfolio flows turned negative for emerging Asia, in line with the lacklustre stock performance and lower yields, while flows into other EMEs also weakened, reflecting the overall anaemic sentiment. *(SUNS 10191)*
