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General Council deadlock sets up tense MC14

The World Trade Organization's General Council (GC) wrapped up a three-day meeting on 18 December with little to show, leaving key issues unresolved and heightening expectations of a contentious 14th ministerial conference (MC14) in Yaounde, Cameroon in March 2026.

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GC meeting ends in stalemate, foreshadowing stormy MC14

A year-end meeting of the General Council of the World Trade Organization (WTO) ended without progress on several key issues, setting the stage for a rather tumultuous WTO's 14th ministerial conference (MC14), to be held in Yaounde, Cameroon, on 26-29 March 2026.

by D. Ravi Kanth

GENEVA: The much-anticipated year-end General Council (GC) meeting at the World Trade Organization concluded on a sombre note on 18 December, setting the stage for a likely stormy 14th ministerial conference (MC14), to be held in Yaounde, Cameroon, on 26-29 March next year.

The marathon three-day meeting ended without progress on several issues that the WTO Director-General, Ms Ngozi Okonjo-Iweala, had sought to conclude in Geneva rather than send to trade ministers at MC14.

That plan, however, appears to have evaporated amidst sharp disagreements and little to no convergence, said people familiar with the development.

On 18 December, the United States, Switzerland, and Thailand appeared to have blocked a request from Colombia to extend the moratorium on TRIPS non-violation complaints, said people familiar with the development.

On a separate issue concerning the accession of Ethiopia and Uzbekistan to the WTO at MC14 – which was supported by many members at the GC meeting – the US apparently made it clear that technical progress, rather than a timeline, would determine the conclusion, said participants familiar with the proceedings.

Meanwhile, the US, which was earlier placed on the list of countries facing administrative measures for non-payment of its annual membership dues, has now been removed from the list following its payment for 2024, said participants familiar with the proceedings.

In another matter, concerning the permanent special and differential treatment accorded to the US through the Jones Act, China and Korea called for the termination of this exclusive flexibility, said people familiar with the development.

TRIPS moratorium

In its proposal (WT/GC/W/976) circulated on 4 December, Colombia explained that "in general, disputes in the WTO involve allegations that a country has violated an agreement or broken a commitment."

However, it noted that in some situations, a member can go to the Dispute Settlement Body even when an agreement has not been violated, in what is referred to as "a non-violation complaint."

Such a complaint is allowed if a member can show that "it has been deprived of an expected benefit because of another government's action, or because of any other situation that exists," Colombia argued.

While non-violation complaints are allowed for trade in goods and services, the TRIPS Agreement was accorded different treatment during the negotiation of the Marrakesh package.

Members decided not to allow non-violation complaints under TRIPS (Article 64.2 of the TRIPS Agreement).

According to Colombia, "this 'moratorium' (i.e., the agreement not to use TRIPS non-violation cases) was to last for the first five years of the WTO (i.e., 1995-99)", but "it has been extended since then."

The extension, largely premised on protecting public health measures, has been in place since 2000. The last extension came at MC13 in Abu Dhabi, said Colombia.

The MC13 decision of 2 March 2024 (WT/L/1194) on "TRIPS Non-

Violation and Situation Complaints" states: "We take note of the work done by the Council for Trade-Related Aspects of Intellectual Property Rights pursuant to our Decision of 17 June 2022 on 'TRIPS Non-Violation and Situation Complaints' (document WT/L/1137), and direct it to continue its examination of the scope and modalities for complaints of the types provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 and make recommendations to the 14th Ministerial Conference. It is agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement."

However, the US and Switzerland, which are global hubs for much of the research-based patented drug industry, have repeatedly opposed continuing the moratorium, including at TRIPS Council meetings.

With the exception of the US and Switzerland, many countries have continually demanded a permanent moratorium on TRIPS non-violation complaints.

Against this backdrop, the TRIPS Council decided to leave the agenda item open for further discussion as part of the "Road to Yaounde," said people familiar with the development.

Thailand, which had not apparently raised opposition to continuing the TRIPS moratorium, chose to join the US and Switzerland on inexplicable grounds, said a TRIPS official who asked not to be quoted.

In all likelihood, the issue will be linked to the demand for extending the moratorium on customs duties on electronic transmissions, despite the agreement that the e-commerce moratorium will terminate at MC14 as per the Abu Dhabi decision.

According to the Abu Dhabi decision, trade ministers said, "We agree to maintain the current practice of not imposing customs duties on electronic transmissions until the 14th Session of the Ministerial Conference or 31 March 2026, whichever is earlier. The moratorium and the Work Programme will expire on that date."

However, the US, Costa Rica, Guatemala, Ecuador, and Paraguay have called for an indefinite moratorium on customs duties on electronic transmissions, while Barbados proposed a two-year extension, said people familiar with the development.

WTO accessions

Although ongoing accession work has progressed substantially toward the admission of Ethiopia and Uzbekistan to the WTO at MC14, the US has raised several technical and other concerns during the dedicated sessions for the two countries, said people familiar with the development.

It remains to be seen at MC14 whether Washington will allow the planned adoption of the two accession protocols, said people familiar with the development.

Regarding the continuation of the GATT exemption for the US Merchant Marine Act of 1920, or the Jones Act - in place since 1995 – China and Korea appear to have called for its termination on grounds that it allegedly harms the global shipping industry.

In the past, the European Union has said the Jones Act is a piece of legislation that "restricts fair competition in the shipbuilding and shipping markets and no longer serves a legitimate purpose in today's global economy."

Surprisingly, the EU, Norway, and Japan, among others, did not join China and Korea this time at the GC meeting, said people familiar with the development.

However, the US seemed rather unfazed by the opposition raised by China and Korea, said a participant who asked not to be identified. *(SUNS #10358)*

"Progress" and sharp divergence mark WTO reform talks as MC14 looms

The facilitator overseeing the discussions on the reform of the World Trade Organization (WTO) reported on 18 December that while members have advanced discussions on several key issues, significant divisions continue to block consensus.

by D. Ravi Kanth

GENEVA: The facilitator overseeing the World Trade Organization reform work on 18 December said members have made "quite a bit of progress" on the three issues of decision-making, special and differential treatment (S&DT) and development, and "level playing field" issues, while acknowledging that sharp divergences remain among members.

Speaking to reporters from Copenhagen at the close of the three-day General Council (GC) meeting on 18 December, the facilitator, Ambassador Petter Olberg of Norway, warned that if members "don't do anything" on reforms, they risk "witnessing WTO's sliding backwards."

The facilitator acknowledged that "there is also a lot of divergence in the core," but stressed the need to reform the trade body to address the latest global challenges.

Responding to a question about a US proposal to address the continuation of the foundational principle of non-discrimination – as embodied in the Most-Favored-Nation (MFN) principle – in the reform discussions, the facilitator said, "it should not surprise anyone that they're saying that. They have been saying that and they have been doing that since the beginning of the year, and practising non-MFN."

He added, "I think this is not an issue whether membership would agree," noting that "most members would like to have MFN, even reaffirm MFN."

However, he said that members should discuss the issue, as there have been no in-depth discussions on it so far.

Ambassador Olberg is expected to put the issue before ministers for discussion at the WTO's 14th ministerial conference (MC14), to be held in Yaounde, Cameroon, on 26-29 March next year.

The MFN issue "is a very political thing, and it goes to the very heart of the topic," the facilitator said, adding that he expects "in-depth exchange(s) between ministers on some of these foundational questions, like MFN."

"They should discuss what it means if one member, a big important member, says we will trust MFN is no longer the rule," he emphasized.

Facilitator's report

In his restricted report (Job/GC/485) presented at the GC meeting on 16 December, seen by the SUNS, Ambassador Olberg said: "while divergences remain, our discussions since June have made tangible progress. The goal in the lead up to MC14 is not to resolve every issue, but to lay the foundation for Ministers to be in a position to provide guidance at MC14 that will allow officials to begin examining approaches after MC14."

According to a trade envoy who asked not to be quoted, this approach essentially seeks to launch a new round of trade negotiations on only three WTO reform issues – an "unbalanced" agenda that will be unacceptable to many members.

The facilitator warned in his report that "reform must mean change – not a restatement of familiar approaches. A return to the status quo will only deepen scepticism – and with such an approach, we run the much more risk of sliding into irrelevance."

During the Christmas break, Ambassador Olberg urged members to "reflect together with our Senior Officials and return ready to do things differently."

The facilitator continued: "The world has evolved. Our rules, processes, and mindset must evolve too, or confidence – inside and outside – will erode. No Member should be left behind. The needs and interests of all must be considered. At the same time, stakeholder engagement – including the private sector and the civil society – has been strong and constructive. We should positively consider a mechanism to receive meaningful contributions from those who are directly impacted by our actions."

Ambassador Olberg recommended four steps for continuing the reform work: (1) that Ministers engage in a different, focused, Ministerial-level discussion on the foundational and pressing systemic issues that many Members have identified as essential; (2) that Ministers endorse a balanced and forward-looking plan for post-MC14 reform work, building on the outcomes of Reform Week and the revised one-pagers; (3) that Ministers endorse clearly defined check-points to guide and assess progress; and (4) that Ministers endorse appropriate modalities to enable concrete and effective reform following MC14.

"To ensure that Ministers will be in a position to endorse these four recommendations, we must focus our reform work when we return in January," he stated.

"In particular, we must: (i) prepare the Ministerial discussion or exchange at MC14, with clear framing, key questions, and guidance to ensure a productive and high-level political conversation; (ii) develop a draft of a balanced plan for WTO Reform work post-MC14, building on the concrete challenges and possible approaches while ensuring flexibility to accommodate further discussion; and (iii) define modalities for follow-up and identify check-points, responsibilities, and practical mechanisms to monitor progress, maintain transparency and accountability throughout the process." *(SUNS #10358)*

Deadlock over digital & investment JSIs sets up showdown at MC14

The year-end General Council meeting of the World Trade Organization (WTO) is poised to push two contentious Joint Statement Initiatives (JSIs) on investment facilitation and electronic commerce to the WTO's 14th ministerial conference (MC14), reflecting persistent divisions among members.

by D. Ravi Kanth

GENEVA: The year-end General Council (GC) meeting at the World Trade Organization (WTO) is set to kick the proverbial can down the road on two major controversial draft decisions concerning the incorporation of the Investment Facilitation for Development Agreement (IFDA) and Agreement on Electronic Commerce into Annex 4 of the WTO Agreement dealing with plurilateral agreements.

In all likelihood, the upcoming WTO's 14th ministerial conference (MC14), to be held in Yaounde, Cameroon on 26-29 March next year, will decide the fate of these two Joint Statement Initiatives (JSIs), said people familiar with the development.

Besides, the three-day GC meeting (16-18 December), prepared with much gusto and fanfare, seemed like a disaster, particularly for some industrialized countries and the "Friends of the System" group who sought decisions on these two JSIs, said people familiar with the development.

The WTO's Director-General, Ms Ngozi Okonjo-Iweala, had insisted on a cut-off date for discussing or deciding on issues in Geneva that created a huge agenda, as nearly every member wanted its topic included on the agenda to avoid any potential problems, including for MC14, said people familiar with the development.

In contrast, a senior trade official from a South American country, on a background basis, said the GC meeting "was not the pragmatic, clean, easy GC for a clean MC14 that the Director-General, Ms Ngozi Okonjo-Iweala, had envisaged."

IFDA & E-COM

At the GC meeting on 17 December, India, which has blocked the incorporation of IFDA into Annex 4 of the WTO Agreement on grounds of alleged procedural and systemic violations of the rules, stuck to its position at the GC meeting, said people familiar with the development.

India presented a detailed proposal as to why it is opposing the incorporation of IFDA into the Annex 4 schedule of plurilateral agreements.

At the beginning of the GC meeting on 16 December, India actually blocked the adoption of the GC agenda on grounds that its submission on IFDA was pushed down the agenda while the proponents' proposal for a decision to incorporate IFDA into Annex 4 was accorded higher status, said people familiar with the development.

India's submission came up for discussion on 18 December when the European Union, Japan, and Singapore among others severely opposed the arguments advanced by India, said people familiar with the development.

Two other developing countries – South Africa and Turkiye – raised their specific concerns while not blocking the demand from more than 125 countries for incorporating IFDA into the Annex 4 list of plurilateral agreements.

After receiving instructions from their capital, South Africa intervened on a later agenda item, reportedly stating that it won't object to IFDA's incorporation.

Turkiye is understood to have recalled the meeting it had held with the European Union, while reiterating its concerns about IFDA, said people familiar with the development.

However, the proponents, who submitted a draft decision (WT/GC/W/927/Rev.4) on 4 December, requested the General Council to adopt the draft decision "pursuant to paragraph 9 of Article X of the Marrakesh Agreement Establishing the World Trade Organization."

In this regard, the proponents said that they remain "committed to further discussions and consultations with all Members."

They also invited all WTO Members to review the Investment Facilitation for Development "Toolkit" – which contains useful information on the background, content and economic benefits of the IFD Agreement.

However, the proponents did not explain how the IFDA can be incorporated into Annex 4 of the WTO Agreement, which laid out the condition that such an initiative required formal approval from a ministerial meeting - something that has not happened since the WTO's 11th ministerial conference (MC11) in Buenos Aires, Argentina, in December 2017, said people familiar with the development.

The proponents failed to explain how an initiative, which was never adopted at any previous ministerial meeting through consensus, can now be incorporated into Annex 4, as per Article X.9.

The proponents never fulfilled this basic condition but went on to negotiate an agreement on an alleged illegal framework. It was agreed in a General Council meeting in 2015 that the JSIs will be negotiated outside the WTO as informal agreements.

Consequently, there is no legal merit in the proposal to integrate the IFDA into the plurilateral schedule of Annex 4, but the proponents through brute majority chose to impose their demand in a rules-based organization, said people familiar with the development.

The proponents of IFDA include Afghanistan; Albania; Angola; Antigua and Barbuda; Argentina; Armenia; Australia; Bahrain, Kingdom of; Barbados; Belize; Benin; Bolivia, Plurinational State of; Brazil; Burkina Faso; Burundi; Cabo Verde; Cambodia; Cameroon; Canada; Central African Republic; Chad; Chile; China; Congo; Costa Rica; Cote d'Ivoire; Democratic Republic of the Congo; Djibouti; Dominica; Dominican Republic; Ecuador; Egypt; El Salvador; European Union; Gabon; Gambia; Georgia; Grenada; Guatemala; Guinea; Guinea Bissau; Honduras; Hong Kong, China; Iceland; Indonesia; Japan; Kazakhstan; Korea, Republic of; Kuwait, the State of; Kyrgyz Republic; Lao People's Democratic Republic; Liberia; Liechtenstein; Macao, China; Malawi; Malaysia; Maldives; Mali; Mauritania; Mauritius; Mexico; Moldova, Republic of; Mongolia; Montenegro; Morocco; Mozambique; Myanmar; New Zealand; Nicaragua; Niger; Nigeria; North Macedonia; Norway; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saudi Arabia, Kingdom of; Seychelles; Sierra Leone; Singapore; Solomon Islands; Suriname; Switzerland; Tajikistan; Thailand; Togo; Uganda; United Arab Emirates; United Kingdom; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Yemen; Zambia; and Zimbabwe.

Up until now, the US has never objected to IFDA, which has been largely pushed by China, suggesting that it will not come in the way of its incorporation into Annex 4 of the WTO Agreement, said people familiar with the development.

Meanwhile, another JSI dealing with electronic commerce – which was pushed by the Trump administration during its first term – also met with the same fate as the IFDA at the GC meeting on 17 December, said people familiar with the development.

Several countries – India, Indonesia, Pakistan, Brazil, Bangladesh, South Africa, and Turkiye – in varying levels of emphasis, opposed the request from many countries for the incorporation of the Agreement on Electronic Commerce into Annex 4 of the WTO Agreement, said people familiar with the development.

The proponents of the JSI on e-commerce include: Albania, Argentina; Australia; Bahrain, Kingdom of; Benin; Brunei Darussalam; Burkina Faso; Cabo Verde; Canada; Chile; China; Costa Rica; European Union; The Gambia; Georgia; Hong Kong, China; Iceland; Israel; Japan; Kazakhstan; Kenya; Korea, Republic of; Kuwait, the State of; Kyrgyz Republic; Lao People's Democratic Republic; Liechtenstein; Malaysia; Mauritius; Moldova, Republic of; Mongolia; Montenegro; Myanmar; New Zealand; North Macedonia; Norway; Oman; Paraguay; Peru; Philippines; Qatar; Saudi Arabia, Kingdom of; Singapore; Switzerland; Ukraine; United Arab Emirates; and the United Kingdom.

Surprisingly, the US, which is the leading proponent of the JSI on digital trade, has not signed onto the request from the above countries.

The proponents – coordinated by Australia, Japan, and Singapore – in their communication (WT/GC/W/963/Rev.1) submitted on 3 December, requested "the General Council to adopt the attached draft decision, pursuant to paragraph 9 of Article X of the Marrakesh Agreement Establishing the World Trade Organization."

The proponents stated that they "recognise the importance of global electronic commerce and the opportunities it creates for inclusive trade and development, and the important role of the WTO in promoting open, transparent, non-discriminatory and predictable regulatory environments in facilitating electronic commerce."

Further, they argued that "the Agreement on Electronic Commerce is set to benefit consumers and businesses involved in digital trade, especially MSMEs, and that it will play a pivotal role in supporting digital transformation among participating Members."

The proponents invited "all WTO Members to review the Agreement on Electronic Commerce Information Package, which contains useful information on the background, content and economic benefits of the Agreement on Electronic Commerce. In this regard, we are committed to further discussions and consultations with all Members."

The proponents also underscored "the importance of supporting developing and least-developed country Members parties in implementing the Agreement on Electronic Commerce by addressing their individual and targeted development needs through implementation periods, technical assistance and capacity building as described in Article 20 of the Agreement on Electronic Commerce."

The JSI also called for the continuation of the moratorium on customs duties on electronic transmissions, which will be reviewed at the end of five years, said people familiar with the development.

Earlier, the JSI contained several core proposals on cross-border data flows, location of computing facilities, and source code.

But in a sudden move in October 2020, the US withdrew its demands on cross-border data flows, location of computing facilities, and source code, diluting the agreement from its original goals.

At a meeting of the Joint Statement Initiative (JSI) group on digital trade on 25 October 2023, a US official announced that Washington is withdrawing its proposals on the three issues on public policy considerations as well as on privacy grounds, said participants, who asked not to be quoted.

The US apparently indicated that the withdrawal of its proposals on cross-border data flows, location of computing facilities, and source code could act as a catalyst to finalize an agreement by the WTO's 13th ministerial conference (MC13), which was held in Abu Dhabi in February 2024, said participants, preferring not to be quoted.

Several JSI members seemed somewhat puzzled by the US announcement, as many industrialized countries, including the three coordinators of the JSI on digital trade – Singapore, Japan, and Australia – had thrown their weight behind the US proposals.

Apparently, Canada and the United Kingdom among others expressed concern over Washington's withdrawal of the three issues, while the EU seemed somewhat equivocal in its comments on the US action, said participants.

However, it was China that asked for a detailed explanation from the US on its withdrawal of the three issues.

Beijing had opposed several provisions concerning the three issues during the JSI e-commerce negotiations, said participants who preferred not to be quoted.

In one stroke, the JSI e-commerce negotiations, which have been challenged as being allegedly WTO-illegal for failing to adhere to the provisions of the Marrakesh Agreement, have now centred on issues like "enabling electronic commerce", which includes (1) facilitating electronic transactions, (2) electronic transaction frameworks, (3) electronic authentication and electronic signatures, (4) electronic contracts, and (5) digital trade facilitation and logistics, involving paperless trading and single window data exchange and system interoperability/unique consignment reference numbers.

Interestingly, many of these issues seem to be largely China-driven, said a participant, who asked not to be quoted.

Nevertheless, the shortened version of the Agreement on Electronic Commerce failed to see the light of day at MC13.

In short, the latest rejection of the Agreement on Electronic Commerce at the GC meeting suggests that the road to its incorporation into Annex 4 of the WTO Agreement is strewn with hurdles, said people familiar with the development. *(SUNS #10358)*

Little progress at year-end GC meeting amid agenda wrangling

The General Council (GC) meeting of the World Trade Organization (WTO) on 16 December made minimal progress, marked by procedural squabbles, sharp divisions over priorities, and renewed warnings that meaningful WTO reform is impossible without breakthroughs in agriculture and dispute settlement.

by D. Ravi Kanth

GENEVA: The World Trade Organization's much-hyped year-end General Council (GC) meeting on 16 December made little progress, as it reportedly witnessed a minor bedlam over the agenda and several issues, with many members cautioning that without reforms in agriculture and the dispute settlement system, there can be no real reform, said people familiar with the development.

The GC meeting was preceded by a meeting of capital-based senior officials on 15 December, in which officials from major countries participated.

Jointly convened by the chair of the General Council, Ambassador Saqer Abdullah AlMoqbel of Saudi Arabia, and the WTO's Director-General, Ms. Ngozi Okonjo-Iweala, the senior officials' meeting proved to be a "damp squib", lasting less than two hours, said people familiar with the development.

At the beginning of the GC meeting on 16 December, India appears to have sharply objected to the agenda for the meeting.

Several countries seemingly aligned with India, while others objected to the fierce opposition to the framing of the GC agenda, according to people familiar with the development.

Subsequently, the Cameroonian trade minister, who was present at the meeting, is understood to have "calmed the waters".

The WTO's 14th ministerial conference (MC14) is to be held in Yaounde, Cameroon on 26-29 March 2026.

At the opening of the GC meeting on 16 December, members elected Luc Magloire Mbarga Atangana, Minister of Trade of Cameroon, as chair of MC14.

Members also elected the following to serve as vice-chairs for MC14: Kamina Johnson Smith (Jamaica); Todd McClay (New Zealand); and Francisco Tiu-Laurel (Philippines).

Following the showdown on the agenda, members discussed item two concerning "possible deliverables for MC14" for almost seven hours, said people familiar with the development.

Under this rubric, members discussed the following items:

1. Report by the Chairperson of the Trade Negotiations Committee and Report by the Director-General.
2. Follow-Up to Outcomes of Ministerial Conferences: MC13 (Abu Dhabi); MC12 (Geneva, co-hosted by Kazakhstan); MC11 (Buenos Aires); MC10 (Nairobi); and MC9 (Bali) – Statement by the General Council Chairperson.
3. WTO Reform – Report by the Facilitator.
4. Dispute Settlement Reform – Report by the DSB Chairperson.

Significantly, India rejected the extension of the moratorium on customs duties on electronic transmissions, while South Africa and Brazil said they are open to agreeing to an extension provided an overall balance is achieved, said people familiar with the development.

The US, along with Costa Rica, Paraguay, Guatemala, and Ecuador, proposed an indefinite extension of the moratorium – a proposal supported by several other countries at the meeting, said people familiar with the discussions.

Beyond item two, members could not discuss other issues on the GC agenda on 16 December, said a participant, who asked not to be quoted.

The remaining items to be discussed on 17 December, as per document WT/GC/W/983, are as follows:

"For action/decision

3. Proposal for a Decision on an Extension of the Period for the Acceptance by Members of the Protocol Amending the TRIPS Agreement (IP/C/103).
4. Waivers under Article IX of the WTO Agreement
   - 4.1. Introduction of Harmonized System 2002 Changes into WTO Schedules of Tariff Concessions – Draft Decision (G/C/W/875).
   - 4.2. Introduction of Harmonized System 2007 Changes into WTO Schedules of Tariff Concessions – Draft Decision (G/C/W/876).
   - 4.3. Introduction of Harmonized System 2012 Changes into WTO Schedules of Tariff Concessions – Draft Decision (G/C/W/877).
   - 4.4. Introduction of Harmonized System 2017 Changes into WTO Schedules of Tariff Concessions – Draft Decision (G/C/W/878/Rev.1).
   - 4.5. Introduction of Harmonized System 2022 Changes into WTO Schedules of Tariff Concessions – Draft Decision (G/C/W/879/Rev.2).
5. Review of WTO Activities
   - 5.1. General Council (WT/GC/W/972), Dispute Settlement Body (WT/DSB/87), and Trade Policy Review Body (WT/TPR/543).
   - 5.2. Sectoral Councils (G/L/1617, S/C/68, and IP/C/105).
   - 5.3. Committees on Trade and Environment (WT/CTE/32), Balance-of-Payments Restrictions (WT/BOP/R/125), Budget, Finance and Administration (WT/BFA/231), and Regional Trade Agreements (WT/REG/36).
   - 5.4. Working Groups on Trade, Debt and Finance (WT/WGTDF/24) and Trade and Transfer of Technology (WT/WGTTT/27).
   - 5.5. Committees on Government Procurement and Trade in Civil Aircraft (GPA/AR/8, WT/L/1222 – TCA/23).
6. Committee on Budget, Finance and Administration (CBFA) – Reports on Meetings of 29 September and 17 November 2025 (WT/BFA/229; WT/BFA/232) – Statement by the Chairperson of the CBFA.
7. International Trade Centre UNCTAD/WTO – Report of the Joint Advisory Group on its 59th Session.
8. For Consideration under the Mandate in paragraph 4 of WT/MIN(24)/34; WT/L/1189: WTO Smooth Transition Support Measures in Favour of Countries Graduated from the LDC Category Pursuant to paragraph 3 of WT/MIN(24)/34; WT/L/1189 – Communication from Djibouti on behalf of the LDC Group (WT/GC/W/967) – Request from the Gambia on behalf of the LDC Group.
9. General Council Decision on Enhancing the Precise, Effective and Operational Implementation of Special and Differential Treatment Provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT) – Communication from the G-90 (WT/GC/W/ 974 – TN/C/W/92 – JOB/TN/CTD/19) – Request from South Africa on behalf of the G-90.
10. Incorporation of the Investment Facilitation for Development Agreement into Annex 4 of the WTO Agreement - Draft Decision (WT/GC/W/927/Rev.4).
11. Incorporation of the Agreement on Electronic Commerce into Annex 4 of the WTO Agreement – Draft Decision (WT/GC/W/963/Rev.1).

For discussion

12. The Development Assistance Aspects of Cotton – Periodic Report by the Director-General (WT/GC/278 – WT/CFMC/DG/11 – WT/MIN(26)/2).
13. Work Programme on Small Economies – Report by the Chairperson of the Dedicated Session of the Committee on Trade and Development.
14. African Group Submission on Agriculture for MC14 – Communication from Mozambique on behalf of the African Group (WT/GC/W/977 – TN/AG/W/12).
15. Dialogue on Sustainable Agriculture in the Multilateral Trading System – Request from Brazil.
16. Rethinking the Rules-Based

Multilateral Trading System – Request from Brazil.

17. Heightened Trade Turbulence and Responses from WTO – Request from China.
18. Draft Ministerial Declaration on Reducing the Cost of Cross-Border Remittances: A Lever for Sustainable Development – Communication from Morocco (WT/GC/W/978).
19. Concerns on Incorporating the "Investment Facilitation for Development (IFD)" into Annex 4 of the WTO Agreement – Request from India.

For information

20. Fifteenth Session of the Ministerial Conference (MC15) – Communication from the Kingdom of Saudi Arabia (WT/GC/277).
21. Fundamentals for WTO Reform – Communication on behalf of the ACP Group (WT/GC/W/975).
22. Member Conversations on Current Economic Issues – Request from Canada and Costa Rica.
23. LDC Priorities – Communication from the Gambia on behalf of the LDC Group (WT/GC/W/979).
24. Agriculture & Food Security Draft Declaration – Communication from the Gambia on behalf of the LDC Group (WT/GC/W/980).
25. Possible Illustrative List of Non-Binding, Voluntary Incentives for Reporting under Article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (G90 Proposal) – Communication from the Gambia on behalf of the LDC Group (IP/C/W/727 – JOB/TN/CTD/18/Rev.2).
26. TRIPS Non-Violation Complaints – IP Moratorium – Communication from Colombia (WT/GC/W/976).
27. Implementation of Technical Assistance Programmes – Request from Niger.
28. Presentation of the Commonwealth Statement on the Multilateral Trading System by Namibia – Communication from Namibia (WT/GC/279).
29. Briefing on the Vice-Ministerial Meeting of Latin American Countries on WTO Issues held in Santiago (Chile) on 12 November 2025 – Request from Chile.
30. Briefing on the Latest Developments in the Accession of Ethiopia – Request from the United Kingdom.
31. Briefing on the Latest Developments in the Accession of Uzbekistan – Request from the Republic of Korea.
32. Review of Waivers pursuant to Article IX:4 of the WTO Agreement
    - 32.1. Preferential Tariff Treatment for Least-Developed Countries, granted on 16 October 2019 until 30 June 2029 (WT/L/1069).
    - 32.2. Extension of Waiver concerning Kimberley Process Certification Scheme for Rough Diamonds, granted on 16 December 2024 until 31 December 2030 (WT/L/1213).
    - 32.3. Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries, granted on 17 December 2011 until 31 December 2030 (WT/L/847, WT/L/982).
    - 32.4. Cuba – Article XV:6 – Extension of Waiver, granted on 23 November 2021 until 31 December 2026 (WT/L/1128, WT/L/1227).
    - 32.5. United States – Former Trust Territory of the Pacific Islands, granted on 7 December 2016 until 31 December 2026 (WT/L/1000, WT/L/1225).
    - 32.6. United States – Trade Preferences granted by the United States of America to Nepal, granted on 7 December 2016 until 31 December 2025 (WT/L/1001, WT/L/1226).
    - 32.7. United States – Caribbean Basin Economic Recovery Act, granted on 16 October 2019 until 30 September 2025 (WT/L/1070, WT/L/1224) and on 23 July 2025 until 30 September 2030 (WT/L/1220).
33. Annual Review of the Special Compulsory Licensing System – Paragraph 7 of the Annex to the Amended TRIPS Agreement and paragraph 8 of the Decision on the Implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health (WT/L/540 and WT/L/540/Corr.1) – Report of the Council For TRIPS (IP/C/104).
34. Review of the Exemption provided under paragraph 3 of the GATT 1994 (WT/L/1214).
35. Appointment of Officers to WTO Bodies – Announcement by the Chairperson pursuant to paragraph 7.1(a) of the Guidelines (WT/L/510)." *(SUNS #10357)*

Global Governance for Justice, Democracy and Sustainability

By *Lim Mah Hui*

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

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

 Third World ECONOMICS No. 833, 16 December - 31 December 2025

US launches "maximalist" assault, calls for WTO reforms on its own terms

On the eve of a General Council (GC) meeting of the World Trade Organization (WTO) on 16 December, the United States tabled an assertive, far-reaching reform agenda that seeks to reshape the WTO around US strategic and security priorities.

by D. Ravi Kanth

GENEVA: Ahead of the crucial World Trade Organization General Council meeting on 16 December, the United States on 15 December unveiled a seemingly "maximalist" agenda for reforming the WTO on its own terms.

This includes raising concerns about the continuation of most-favoured nation (MFN) treatment, the "application of security exceptions" based on national priorities rather than WTO rules, and limiting special and differential treatment (S&DT) only to least-developed countries.

More importantly, the US has called for transforming the multilateral trade body into a "plurilateral" negotiating mechanism based on the interests of groups of countries, limiting the WTO Secretariat's role to only administrative tasks, and addressing more "systemic" concerns.

In its six-page proposal (WT/GC/W/684) circulated on 15 December, the US said while it welcomes the "WTO reform" work being carried out by the facilitator, Ambassador Petter Olberg of Norway, on "decision-making, special and differential treatment, and level playing field," it expressed its views on those three issues as well as on the need to include "concerns regarding the most-favored-nation principle (MFN), the role of the Secretariat, and application of the essential security exception."

Moreover, seemingly pointing a finger at the WTO Director-General, Ms Ngozi Okonjo-Iweala, who has allegedly breached her mandate, the US maintained that "the Secretariat has sought to influence the agenda for work at the WTO," stressing that "it has advocated for specific outcomes at the negotiating table and has leveraged its tools to apply pressure to Members that hold different views."

The US said it is Washington's view that "the WTO is unable to address certain systemic problems, such as imbalances, overcapacity, economic security, and supply chain resilience."

The US said it "has serious concerns with the trading system embodied by the WTO, given that the system has overseen and contributed to a world of severe and sustained imbalances."

Seemingly pointing a finger at China, the US said, "These imbalances are driven in part by overcapacity and concentration of production, have created dangerous dependencies and vulnerabilities for many countries and have undermined many countries' legitimate aspirations to develop or maintain industrial capacity."

It justified its unilateral reciprocal tariffs that have wreaked havoc on the global trading system, urging "other Members to follow our lead and take actions – both within the WTO and outside the WTO – to combat such predatory economic policies."

The US maintained that the WTO "cannot serve as the forum for solving all existing and future challenges in the global trading system," claiming that "the WTO does not fully live up to its own mission."

"Our collective reform efforts," the US said, "should be directed at making changes that recognize the limitations of the organization and strengthen what Members can realistically achieve through the WTO."

Decision-making

On decision-making, which is the cornerstone of arriving at multilateral decisions at the WTO based on the consensus principle, the US said, without naming the countries, "a few Members seem to disagree with another reasonable principle: Members that are willing to consent to a new obligation should be able to forge a new agreement among themselves."

Maintaining that "the path to plurilateral agreements is blocked, and it is a serious problem for the viability of the WTO," the US argued that "reaching consensus among 166 Members on new, substantive agreements of any significance is very unlikely, given the wide differences in Members' economic systems and levels of ambition."

Having been the beneficiary of multilateral trade agreements like the Information Technology Agreement, the Trade Facilitation Agreement, and the Agreement on Fisheries Subsidies, the US said "members may have wrung all they can from multilateral negotiations."

Effectively, the US appears to be suggesting that there is no room for other multilateral decisions in areas of agriculture, trade and environment, and trade-related aspects of intellectual property rights, said people familiar with the development.

Yet, somewhat paradoxically, the US is now seeking a multilateral agreement on a permanent moratorium on customs duties on electronic transmissions that would benefit its tech giants like Google, Amazon, Meta, and Microsoft, among others, said people familiar with the US proposal.

Plurilateral talks

The US said somewhat audaciously that "if the WTO is to have a future as a negotiating forum, it is likely to be for plurilateral negotiations."

Essentially, the US is proposing to do away with the provisions of Article IX of the Marrakesh Agreement on embarking on plurilateral negotiations as well as the incorporation of their outcomes into the Annex 4 list of plurilateral agreements, said people familiar with the development.

The US goes on to argue that "finding a path forward at the WTO for plurilateral agreements whose benefits and responsibilities are limited to the consenting parties must be a priority," stressing that "such plurilateral agreements would allow those Members that are ready to take on new commitments to do so in a reciprocal manner, while allowing other Members to join and gain the benefits of those commitments in the future, when they are ready."

According to the US, "plurilateral agreements allow like-minded trading partners committed to fair and reciprocal trade to strengthen their ties for their mutual benefit and to do so within the architecture of the WTO agreements."

It urged members to follow suit on plurilateral agreements, suggesting that "if there is no path for Members to enter into plurilateral agreements at the WTO, we must acknowledge that the WTO is not a viable forum for negotiating."

"Trade negotiations will happen, but not at the WTO," the US stressed.

The US position on differentiation among developing countries for availing of special and differential treatment (S&DT) began during the Trump administration's first term.

It had called for doing away with the self-designated framework for availing of S&DT by developing countries.

Continuing the attack on S&DT based on the self-designation framework, the US said that "SDT eligibility must be reformed for the WTO to remain credible" and that it must be done "substantively and politically", as it "is unacceptable for significant players in the trading system to benefit from preferential treatment."

Without any apparent regard to the Enabling Clause, which it had agreed to at the end of the Tokyo Round of trade negotiations in the late 1970s, and other treaty-bound rights, the US now maintains that S&DT is "also untenable for WTO rules to apply to some Members, and not others, in perpetuity."

Interestingly, the US is the sole beneficiary of S&DT when it comes to insulating its maritime sector from international competition (through the Jones Act), as well as several other S&DT benefits, said a former trade envoy, preferring anonymity.

The US suggested that S&DT allows a developing country not to comply with its "WTO commitments".

However, S&DT should not "be eliminated altogether," the US said, adding that "it may be appropriate for least-developed countries (LDCs) to benefit from certain flexibilities. However, SDT should be viewed as a tool to enable Members to achieve the capability to follow the same rules that all other Members must follow and in a timely manner."

Without naming countries like South Korea, Singapore, and recently China, which have disavowed S&DT in current and future trade negotiations, the US said it "would expect Members that preach about the importance of the rules-based multilateral trading system to be disciplined by those rules, not exempt from them," in what appears to be a pointed criticism of countries like India that have called for preserving the multilateral trade rules.

"Reform in the area of 'development' must focus on transitioning all Members to follow the same rules, regardless of their economic differences," the US said.

Level playing field

Without naming China, which has been constantly attacked over its state-owned enterprises and the allegedly huge subsidies being given to these enterprises – a practice also employed by the US in agriculture and several high-tech sectors – the US argued that "the actions of Members with economic systems that are incompatible with the principles of the WTO have tilted the playing field away from free market economies and have eroded trust in the ability of this organization to ensure fair treatment in global trade."

To address the problem of so-called non-market economies, the US wants members to "focus on where the WTO can add value and incentivize reciprocity."

The US said it "explained in the General Council that 'WTO Membership is a privilege that also includes notification obligations that all Members agreed to as a condition of Membership.' But the Membership, as a whole, has not accepted this basic principle."

While "transparency plays a critical role in delivering value to Members and our stakeholders," the US said that "certain Members' lack of transparency and chronic lack of adherence to WTO notification obligations prevent other Members from effectively using the WTO committee system to monitor compliance with WTO rules and principles, a core function of the WTO."

"A Member's failure to comply with its notification obligations not only undermines trust in that Member; it undermines trust in the organization and the agreements negotiated at the WTO," the US said, while insisting that "chronic and widespread noncompliance with notification obligations also makes it more difficult for Members to identify opportunities to negotiate the 'reciprocal and mutually advantageous arrangements' envisioned in the WTO's founding documents."

MFN principle

In addition to the above reform issues, the US argued that the "MFN principle, which seeks to prevent discriminatory trade practices and promote equal treatment among trade partners, was designed for an era of deepening convergence among trading partners."

Suggesting that the Marrakesh Declaration bolstered previous GATT practices, including market-oriented trade policies, as stated by the founding Members of the WTO in the preamble to the Marrakesh Declaration, the US said: "That expectation was naive, and that era has passed."

Seemingly taking aim at China, the US said the current era is one "of deepening divergence, rooted in some countries' unwillingness to pursue and uphold fair, market-oriented competition, some countries' insistence on maintaining economic systems that are fundamentally incompatible with WTO principles, and many countries' pursuit of chronic trade surpluses that have adverse economic and political consequences in deficit countries."

In order to address these "challenges, trading nations must be able to treat different trading partners differently," the US said, hinting at the need to terminate MFN-based trade.

The US, which has unilaterally brought the multilateral trading system crumbling down over the past nine months through its reciprocal tariffs, maintained that "the MFN principle is not just unsuitable for this era; it prevents countries from optimizing their trade relationships in ways that would benefit each party in that relationship."

"Put differently," the US said, "MFN impedes welfare-enhancing liberalization" while pushing "Members to engage in one venue – the WTO – and attempt to develop a one-size-fits-all approach – If Country A lowers a tariff for Country B, and Country B lowers a tariff for Country A, both countries have to lower those tariffs for all countries, unless their agreement covers 'substantially all the trade' or a waiver or exception applies."

The US offered a justification for imposing its unilateral reciprocal tariffs by stating that "given the distinction between developed and developing status is now blurred, it is time to recognize the necessity of allowing all Members to enter into mutually beneficial agreements that may not extend to every Member."

However, such "mutually beneficial agreements" perpetuate the principle of "might is right" in global trade, said people familiar with the development.

Role of secretariat

The US stated unambiguously that it "sees the role of the WTO Secretariat as fundamentally administrative, not substantive."

"In a Member-led organization," the US said, "the Secretariat facilitates the day-to-day administration of Members' work, which focuses on administering and monitoring compliance with WTO agreements and negotiating new trade rules."

"However," the US said, "in recent years, the Secretariat has increasingly pursued roles – and issued social media posts and other communications – that step far beyond the neutral administration of Members' work."

Moreover, the US maintained that "the Secretariat has sought to influence the agenda for work at the WTO," stressing that "it has advocated for specific outcomes at the negotiating table and has leveraged its tools to apply pressure to Members that hold different views."

Continuing its criticism over the manner in which the Secretariat, under the leadership of Ms. Ngozi Okonjo-Iweala, has conducted negotiations at the WTO, the US said that "it has assigned to itself a growing role in monitoring and commenting on Members' trade-related measures, including by judging whether those measures restrict or facilitate trade."

"These roles," the US said, "belong only to Members, not the Secretariat," adding that "the Secretariat also envisions itself as a trade research unit, undertaking projects that have not been authorized by Members, may be prejudicial to Members' positions, and may utilize funds from Members. All of this erodes trust in the Secretariat as a neutral administrator."

The US called on the Secretariat "to maintain its credibility", saying that "the Secretariat's work must be transparent, objective, neutral, fiscally-disciplined, and guided by Members."

"For more than a decade, the United States and several other Members have been raising systemic concerns about the Secretariat's failure to appropriately inform and consult with Members prior to undertaking certain activities that are highly relevant to Members' work, including in the Council for Trade in Goods and its sub-bodies," the US said.

Security exceptions

The US, which has recently lost trade disputes at the WTO for egregiously using security exceptions for its unilateral trade measures like the Section 232 tariffs under national security provisions, argued that "WTO panels have recently interpreted WTO rules to find that the WTO has the authority to pass judgment on actions determined by Members to be in their essential security interests."

It stressed that "litigating sovereign matters of essential security at the WTO undermines public trust in the WTO by dragging the organization into inherently political matters."

"To prevent further undermining of the WTO, Members need to adopt a shared understanding of the essential security exception that prevents second-guessing of a Member's critical essential security decisions," the US maintained.

The US also castigated the WTO for failing to negotiate new rules while allowing members significant exemptions from existing rules.

"It therefore defies belief that the WTO, which is unable to achieve its primary mission, would somehow take on new issues." *(SUNS #10355)*

Defying consensus, US pushes to make E-com moratorium permanent

The United States, joined by Costa Rica, Ecuador, Guatemala, and Paraguay, proposed a draft decision to make the World Trade Organization's e-commerce moratorium permanent by extending it indefinitely, a move that directly contradicts the mandate of the WTO's 13th ministerial conference (MC13).

by D. Ravi Kanth

GENEVA: The United States, along with Costa Rica, Ecuador, Guatemala, and Paraguay, on 12 December floated a draft ministerial decision at the World Trade Organization on extending indefinitely the current moratorium on customs duties on electronic transmissions, effectively making the moratorium permanent, according to people familiar with the draft decision.

Moreover, this move contravenes the WTO's 13th ministerial conference (MC13) decision to terminate the moratorium at the WTO's 14th ministerial conference (MC14), to be held in Yaounde, Cameroon on 26-29 March 2026.

At MC13 in Abu Dhabi in March 2024, trade ministers decided to "maintain the current practice of not imposing customs duties on electronic transmissions until the 14th Session of the Ministerial Conference or 31 March 2026, whichever is earlier. The moratorium and the Work Programme will expire on that date."

Yet, the US and its newly found South American allies issued a restricted draft decision (Job/GC/WPEC/1/Rev.1) on 12 December, calling on trade ministers at MC14 to "maintain the current practice of not imposing customs

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duties on electronic transmissions."

Justifying what appears to be a gross violation of the MC13 decision, the US – which has lobbied bilaterally with several countries for the past month – and its allies stated that "the practice of not imposing customs duties on electronic transmissions has played an important role in the development of the digital economy and promotes stability and predictability in the trading system for the benefit of least-developed, developing, and developed Members."

However, the US and its allies did not provide any evidence for this claim.

The draft decision, clearly aimed at benefiting US tech giants such as Google, Amazon, Microsoft, Apple and Meta, appears to be consistent with the US move to impose unilateral reciprocal tariffs on WTO members.

That action allegedly contravenes the binding Most-Favoured Nation (MFN) treatment provision in Article I of the GATT (1994) and Article II concerning binding tariff schedules, according to disputes filed by China at the WTO earlier this year.

Conversely, the US now appears to be pressuring countries to join in extending the e-com moratorium permanently at the WTO, even though it has already included a permanent moratorium in bilateral trade agreements with several countries, said people familiar with the development.

Memo on DSTs

Earlier, the Trump administration included Digital Services Taxes (DSTs) under its proposed reciprocal tariff plan, as well as securing a permanent moratorium on customs duties on electronic transmissions, according to a memo issued by the White House on 21 February 2025.

The Trump administration's intention to make the current moratorium permanent has now been made public, despite the decision taken by ministers at MC13 in Abu Dhabi in March last year to terminate the moratorium by 31 March 2026.

The memo, titled "Defending American companies and innovators from overseas extortion and unfair fines and penalties", was unveiled by the Trump administration on 21 February 2025.

Effectively, the Trump administration appears to have decided to set aside previous WTO ministerial decisions on the e-com moratorium, said people familiar with the memo.

The Trump administration has made it clear that its "digital economy", driven by cutting-edge American technology companies, has come under attack from foreign governments, which have "increasingly exerted extraterritorial authority over American companies, particularly in the technology sector, hindering these companies' success and appropriating revenues that should contribute to our Nation's well-being, not theirs."

The accusatory language deployed in the memo by the world's largest economy has now become the lingua franca for extracting market access – from services to critical raw materials – from a beleaguered Ukraine, said people familiar with the development.

The memo issued by the Trump administration on DSTs states that "beginning in 2019, several trading partners enacted digital services taxes (DSTs) that could cost American companies billions of dollars and that foreign government officials openly admit are designed to plunder American companies," an allegedly false statement without any material evidence.

The memo further says that "foreign countries have additionally adopted regulations governing digital services that are more burdensome and restrictive on United States companies than their own domestic companies."

To recall, several European Union member states, including France, as well as New Zealand and Canada among others, have imposed digital services taxes.

They argued that these were a better option in light of the WTO's moratorium on customs duties on electronic transmissions.

To counter countries such as India and South Africa that called for the termination of the moratorium at the WTO's 12th ministerial conference (MC12) in Geneva in June 2022 – and later agreed on its expiry at MC13 in Abu Dhabi in March last year – the advocates of DSTs always justified them as a better option.

With MC14 slated to take place in Yaounde, Cameroon on 26-29 March 2026, it remains to be seen whether the moratorium will be finally terminated or made permanent, said people familiar with the development.

The termination of the moratorium on customs duties on electronic transmissions could adversely affect the revenues of Google, Amazon, Meta (previously known as Facebook), Apple, Microsoft, Alibaba and Tencent, among others, said people familiar with the development.

But with the Trump administration having brought the issue of DSTs to the center stage, the tariff battle assumes a dangerous dimension altogether, said people familiar with the development.

"Trump's Memo on DSTs and the push for its implementation will make many developing countries lose their policy space to regulate the online delivery of services. In order to sustain any kind of competitiveness in services and retain GATS flexibilities to build their own services sector (which is the largest provider of employment in many countries), it becomes critical to remove the Moratorium on Electronic Transmissions. The use of customs duties on online imports is the most simple and effective way to regulate what enters the national boundaries. The advancements in Artificial Intelligence further makes it important to terminate the Moratorium and regulate online imports, as unregulated online imports may pose significant national security risks," said an international expert on services.

Surprisingly, while the previous Biden administration withdrew its proposal on cross-border data flows from the Joint Statement Initiative (JSI) negotiations on digital trade last year, the Trump administration has accused foreign governments like the EU and China, saying that "additional foreign legal regimes limit cross-border data flows, require American streaming services to fund local productions, and charge network usage and internet termination fees."

Interestingly, the Trump administration says in the memo that it "will not allow American companies and workers and American economic and national security interests to be compromised by one-sided, anti-competitive policies and practices of foreign governments. American businesses will no longer prop up failed foreign economies through extortive fines and taxes."

In the second section of the memo

concerning "Policy", US President Donald Trump elaborated on how his administration will impose tariffs on countries levying DSTs.

"It is the policy of my Administration that where a foreign government, through its tax or regulatory structure, imposes a fine, penalty, tax, or other burden that is discriminatory, disproportionate, or designed to transfer significant funds or intellectual property from American companies to the foreign government or the foreign government's favored domestic entities, my Administration will act, imposing tariffs and taking such other responsive actions necessary to mitigate the harm to the United States and to repair any resulting imbalance."

The US will consider when to take responsive action based on the following guidelines:

- taxes imposed on United States companies by foreign governments, including those that may discriminate against United States companies;
- regulations imposed on United States companies by foreign governments that could inhibit the growth or intended operation of United States companies;
- any act, policy, or practice of a foreign government that could require a United States company to jeopardize its intellectual property; and
- any other act, policy, or practice of a foreign government that serves to undermine the global competitiveness of United States companies.

Under the section on "Agency Responsibilities", President Trump states in the memo that "the United States Trade Representative shall determine, in accordance with applicable law, whether to renew investigations under section 301 of the Trade Act of 1974 (19 U.S.C. 2411) of the DSTs of France, Austria, Italy, Spain, Turkey, and the United Kingdom, which were initiated under my Administration on July 16, 2019, and June 5, 2020. If the United States Trade Representative determines to renew such investigations, he shall take all appropriate and feasible action in response to those DSTs."

The USTR "shall determine, consistent with section 302(b) of the Trade Act of 1974 (19 U.S.C. 2412(b)) (section 302(b)), whether to investigate the DST of any other country that may discriminate against United States companies or burden or restrict United States commerce."

Accordingly, the USTR shall further "determine whether to pursue a panel under the United States-Mexico-Canada Agreement on the DST imposed by Canada and whether to investigate Canada's DST under section 302(b). In making these determinations, the United States Trade Representative shall consult with the Secretary of the Treasury, as appropriate."

President Trump further states in the memo, "the Secretary of the Treasury, the Secretary of Commerce, and the United States Trade Representative shall jointly identify trade and other regulatory practices by other countries, including, without limitation, those described in section 2 of this memorandum, that discriminate against, disproportionately affect, or otherwise undermine the global competitiveness or intended operation of United States companies, in the digital economy and more generally, and recommend to me appropriate actions to counter such practices under applicable authorities."

Promoting the "America First Trade Policy", President Trump states in the memo: "The Secretary of the Treasury, the Secretary of Commerce, and the United States Trade Representative shall investigate whether any act, policy, or practice of any country in the European Union or the United Kingdom has the effect of requiring or incentivizing the use or development of United States companies' products or services in ways that undermine freedom of speech and political engagement or otherwise moderate content, and recommend appropriate actions to counter such practices under applicable authorities."

Further, the memo states that "the Secretary of the Treasury, in consultation with the Secretary of Commerce and the United States Trade Representative, shall determine whether any foreign country subjects United States citizens or companies, including, without limitation, in the digital economy, to discriminatory or extraterritorial taxes, or has any tax measure in place that otherwise undermines the global competitiveness of United States companies, is inconsistent with any tax treaty of the United States, or is otherwise actionable under section 891 of title 26, United States Code, or other tax-related legal authority."

"The Secretary of the Treasury shall include the results of this determination as part of the report required in section 2 of the Presidential Memorandum of January 20, 2025 (The Organization for Economic Co-Operation and Development (OECD) Global Tax Deal)."

Significantly, the current moratorium on customs duties on electronic transmissions has also been brought into the memo, which states that "the United States Trade Representative shall identify tools the United States can use to secure among trading partners a permanent moratorium on customs duties on electronic transmissions."

It adds that "the United States Trade Representative shall include the results of this review as part of the report required in section 5(c) of the America First Trade Policy Memorandum."

The draft decision tabled by the US and its South American allies places the proverbial "sword of Damocles" over the heads of India and South Africa, among others, for their sustained efforts to terminate the e-com moratorium, said people familiar with the development. *(SUNS #10355)*

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Global trade to surpass $35 trillion in 2025 despite headwinds

Global trade in goods and services continued expanding in the second half of 2025 and is expected to surpass $35 trillion for the first time, with goods trade projected to contribute roughly $1.5 trillion to this increase, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global trade in goods and services continued to grow through the second half of 2025 and is projected to exceed $35 trillion for the first time – an increase of about $2.2 trillion, or around 7 per cent, compared with 2024, according to UN Trade and Development (UNCTAD).

In its year-end Global Trade Update, UNCTAD said trade in goods will account for about $1.5 trillion of that rise, while services are set to grow by roughly $750 billion, nearly 9 per cent.

The new data confirm that trade continued expanding through the second half of 2025, even as geopolitical tensions, higher costs and uneven global demand slowed momentum, said UNCTAD.

UNCTAD expects growth to remain positive in the fourth quarter, though at a slower pace: 0.5 per cent for goods and 2 per cent for services.

A key shift is unfolding on prices. After two quarters in which trade values rose partly because goods became more expensive, prices are now expected to drop, it said.

As a result, the increase in global trade at the end of 2025 comes from higher volumes – the actual quantity of goods shipped – rather than from price increases.

Looking ahead, momentum is expected to weaken in 2026. Slower global growth, rising debt, higher trade costs and continued uncertainty are likely to weigh on trade flows, it suggested.

Trade outlook

According to the UNCTAD report, global trade growth slowed in Q3 2025, but remained positive at about 2.5 per cent quarter-on-quarter.

"Both goods and services contributed to this rise: goods trade increased by nearly 2 per cent from Q2, while services expanded by 4 per cent."

UNCTAD's nowcast suggests that this positive trend will continue in the final quarter of the year, with trade in goods expected to grow by 0.5 per cent, and services by 2 per cent.

If these projections hold, global trade in 2025 will exceed $35 trillion, an increase of around $2.2 trillion – roughly 7 per cent – compared to 2024, said the report.

It said after two periods of inflationary trends, prices for traded goods are expected to decline in Q4 2025. This suggests that while the increase in trade value in Q2 and Q3 2025 was partly driven by higher prices, the increase in Q4 is expected to be fueled by rising volumes.

Trade growth remained positive in Q3 2025, supported by developing economies, strong South-South trade, and robust performance in Africa and East Asia, said the report.

UNCTAD nowcast for Q4 2025 indicates continued growth. In 2025, international trade is set to grow faster than the global economy (in real terms), reflecting renewed momentum in cross-border trade, it pointed out.

"In 2026, global trade growth is expected to be more muted as slowing global economic growth, geopolitical fragmentation, continued policy uncertainty, and heightened vulnerability weigh on trade activity."

In addition, UNCTAD said rising trade costs contribute to an outlook marked by caution.

It said that while import demand in some consumer-driven markets and sectors, such as digital technologies and environmental industries, may provide some support, these factors are unlikely to fully offset weaker economic momentum and rising trade frictions.

On a more positive note, the report said sentiment toward trade remains broadly supportive in many developing regions, sustaining commitments to increasing openness and investment in cross-border commerce, which could result in further expansion of intra-regional and South-South trade.

All factors considered, expectations for the next few quarters point to a continuing deceleration in global trade growth, with trade performance likely to be uneven across countries and sectors, it suggested.

The report highlighted the following positive factors influencing the global trade outlook: growing South-South trade; increasing demand from emerging economies; digital, AI, and environmental sectors; and easing interest rates and lower borrowing costs.

Expanding trade among developing economies is expected to continue, strengthening diversification, resilience, and opportunities to develop intra- and inter-regional trade networks, said the report.

The potential of stronger consumer demand for imports in emerging economies could help sustain imports of goods and services, supporting global trade flows, it added.

"Rapid growth in technology, digital, and environmental industries could provide some boosts in high-value, knowledge-intensive goods and services trade."

Central banks are expected to gradually cut interest rates in 2026, sustaining economic growth and global trade, it noted.

UNCTAD also pointed to the following negative factors hindering the trade outlook: geopolitical tensions and conflicts; rising trade costs; persisting uncertainty in United States trade policy; potential increase of restrictive policies due to overcapacity; and mounting debt pressures, especially in developing countries.

Persistent instability and ongoing conflicts continue to disrupt bilateral and regional trade patterns, increasing uncertainty for global commerce, said the report.

"Tariffs, complex regulations, restructuring of global value chains, and logistics bottlenecks are raising the cost, complexity, and unpredictability of cross-border trade."

Negotiations between the United States and key partners are likely to continue, leaving room for policy shifts affecting business confidence and investment decisions, it suggested.

It also said that the surge in industrial policy paired with weaker global demand may result in oversupply and encourage defensive trade measures, with trade in certain strategic sectors particularly affected.

High public and private debt levels constrain fiscal support, reduce investment, and weaken import demand, limiting trade growth, it stressed.

Regional trends

Goods trade growth in Q3 2025 was fairly balanced between developed and developing economies, with imports outside East Asia growing more strongly, said the report.

South-South trade posted below-average growth in the quarter but remained well above average over the past 12 months, expanding around 8 per cent, it noted.

When excluding East Asian economies, South-South trade growth was stronger in Q3, but comparatively weaker on T4Q (trailing four quarters) basis, it further said.

The report said in Q3 2025, goods trade growth was strongest in South America and the Pacific, while North America experienced declines in exports. Intra-regional trade expanded robustly in South America and Africa.

Over the past 12 months, Europe, East Asia, and Africa outperformed, whereas the Pacific and Central Asia lagged, particularly in exports. During the 12-month period, East Asia intra-regional trade surged by 10 per cent.

Goods trade in Q3 2025 displayed a mixed picture across major economies. Brazil, the Republic of Korea and South Africa recorded strong growth, while Japan and the United States saw weaker performance, it added.

It said in China, imports rose, but export growth stalled, even though the country remained the top exporter on a 12-month basis.

"Trade figures for the Russian Federation remained highly volatile, reflecting reversing quarterly trends."

Services trade showed mixed trends among major economies in Q3 2025. Exports grew strongly in China and the Republic of Korea, but slipped slightly in Japan, said the report.

"Imports expanded notably in Brazil and India. Over the past 12 months, services trade remained robust across major economies, with China and India leading in export growth."

Global imbalances in goods trade remained relatively stable in Q3 2025. However, they are expected to have been growing on an annual basis due to the highest imbalances in Q1 2025, said UNCTAD.

China's surplus in goods trade continued to narrow in Q3 2025, but was still $30 billion higher than in Q3 2024, while the United States' trade deficit declined in Q3 with respect to both Q2 2025 and Q3 2024.

"Bilateral trade imbalances in goods among major economies remain high, with some widening over the past quarter."

The report said the United States' trade deficits with Canada, China and the European Union continued to shrink, while its deficits with Mexico and Viet Nam increased.

Meanwhile, China's surpluses with Viet Nam and the European Union grew considerably, while its deficits with Australia and Taiwan Province of China narrowed, it added.

Q3 2025 data indicate a shift in global trade growth patterns. Trade growth between politically close countries remains above historical averages and is rising again in Q3 after a recent downturn, it noted.

It also said that trade concentration reversed trend in Q3, indicating faster growth among the largest economies.

Meanwhile, near-shoring, although still below historical averages, has shown improvement, suggesting slightly stronger trade growth between geographically close countries, said UNCTAD.

Geoeconomic factors continue to play a significant role in shaping key bilateral trade patterns. These dynamics have had a substantial impact on trade between major economies and on their relationships with other partners, it added.

However, the report said some of these shifts have been stabilizing. For instance, over the past 12 months, trade inter-dependence between China and the United States has changed little, while more significant changes have occurred among some of their respective trading partners.

Sectoral trends

Trade growth in Q3 2025 varied significantly across sectors. Agricultural trade rose strongly, led by cereals, fruits, vegetables, oil seeds and oils, said the report.

However, it said comparing quarter-on-quarter growth with T4Q indicates some volatility in the trade of many agricultural products.

"Manufacturing also recorded significant gains, particularly in non-electrical machinery and iron and steel products."

On the other hand, the report said trade in natural resources was more subdued, weighed down by lower prices of mineral fuels.

Over the past 12 months, manufacturing trade outpaced other sectors, expanding around 10 per cent, with iron and steel products showing particularly strong growth.

Conversely, the report said trade in natural resources registered a negative growth over the past 12-month period.

The report also recorded a notable shift in trade patterns in the energy, electronics, and automotive sectors over the past 12 months.

UNCTAD said fossil fuel trade declined sharply amid falling prices, while renewable energy products showed mixed performance: wind- and battery-related goods expanded, whereas solar products and critical minerals fell, reflecting both price drops and changing policies.

Overall, trade in renewables remained volatile, influenced by market dynamics and policy incentives. Electronics trade outperformed manufacturing averages, driven in part by rising AI-related demand, although growth slowed down in Q3 2025.

The automotive sector continued to decline overall, with T4Q growth driven primarily by hybrid vehicles, the report concluded. *(SUNS #10352)*

Higher volatility tests resilience of risk-on sentiment, says BIS

Global financial markets, after a prolonged risk-on phase, have begun experiencing renewed volatility, with rising policy uncertainty, mounting fears of an economic slowdown, and worries over overstretched equity valuations collectively unsettling investor sentiment, according to the Bank for International Settlements (BIS).

by Kanaga Raja

PENANG: Global financial markets, which had largely enjoyed a risk-on environment for much of the review period, began to encounter bouts of volatility driven by rising policy uncertainty and growing fears of an economic slowdown, with concerns over stretched equity valuations adding to the unease, according to the Bank for International Settlements (BIS).

In its latest Quarterly Review covering the period from 5 September to 28 November 2025, BIS said that despite some retrenchment, valuations of risk assets remained at historically elevated levels, prompting questions about the consequences of any swing in investor sentiment.

The artificial intelligence (AI)-related boom in equity prices continued to shape financial market developments, it said, adding that large-cap technology stocks continued to outperform for much of the review period, buoyed by strong earnings.

However, they showed signs of retrenchment towards the end of the period due to greater investor wariness about stretched valuations, it added.

The Basel-based central bank for the world's central banks said equity prices in emerging market economies (EMEs) rallied and in many cases posted larger gains than in advanced economies. Nevertheless, the positive tone was punctuated by episodes of volatility.

Credit markets were mostly unswayed by equity market volatility, with credit spreads remaining compressed, even if some cracks started appearing in the weakest segments of credit markets, it noted.

It said following highly publicised defaults in October, leveraged loan spreads edged up, with some spillovers to investment vehicles providing credit via private markets. Yet these tremors proved short-lived and did not lead to any impairment of primary corporate credit markets.

Expectations of future monetary policy easing helped to keep long-term rates in check and provided a cushion to risk asset valuations, said BIS.

While the Federal Reserve cut rates twice, a lack of hard data due to the US government shutdown injected some uncertainty over the policy path ahead, it added.

Nevertheless, BIS said weakening labour markets and a restrained outlook for inflation led market participants to anticipate further cuts in the medium run.

It said amid upward pressure on repo rates and volatility in money markets, the Federal Open Market Committee (FOMC) announced that it planned to halt its balance sheet reduction in December.

"After having cut their policy rates at an earlier stage, other major central banks stayed on hold, but signalled readiness to provide support should economic conditions deteriorate."

These developments were reflected in largely stable longer-term bond yields across many jurisdictions, despite growing strains on fiscal balances, BIS observed.

In the early part of the review period, gold prices surged in parallel with other risk assets. This is at odds with the historical pattern of lacklustre gold performance during risk-on phases, it said.

Appetite for precious metals may underscore market participants seeking at least some safe asset exposure in the event that things turn sour, BIS suggested.

"But part of the surge can also be traced to investors trying to take advantage of the momentum in search of price appreciation, consistent with elevated risk-taking."

Risk assests

Over the review period, investors' risk appetite was challenged by bouts of volatility ignited by renewed trade conflicts, mounting concerns about stretched valuations in parts of the equity market and fiscal woes in certain jurisdictions, said the Basel-based central bank.

That said, the risk-on mood proved resilient, hence risk asset valuations remained elevated, and tech stocks even posted additional gains, it added.

"The buoyancy in equity markets that characterised the last review period broadly carried over, even as concerns about a potential overvaluation of US tech stocks grew and resulted in higher volatility."

It said strong risk appetite, aided by solid earnings, propelled US equity markets to new all-time highs. European equities also rallied, in lockstep with their US counterparts, despite weaker earnings growth.

Japanese equities saw a particularly strong rise, boosted by political developments and their overall attractiveness to international investors.

Towards the end of the review period, global equity prices underwent a correction amid spells of volatility, but nevertheless posted gains compared with the beginning of the review period, said BIS.

"Most major EME equity indices also gained ground during the review period. Asian equity markets weathered the US-China trade tensions well and gained momentum as they waned," it said, noting that in Latin America, the Argentine and Brazilian stock markets had a sustained rally.

The "Magnificent 7" (M7 – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) stocks continued to outperform the rest of the index, said BIS.

The recent rally in M7 stock prices was fuelled by both optimistic expectations about the future profitability of AI and data centre investment and solid earnings growth, it suggested.

It said that this is dissimilar to the dotcom bubble of the late 1990s, which was largely fuelled by over-optimistic expectations that were not underpinned by realised earnings growth.

Nevertheless, BIS said the rally of M7 stocks has raised concerns about stretched valuations and the risks a price correction would entail for the broader stock markets and the economy.

As a consequence of their price surge, the weight of M7 stocks in the broad S&P 500 index has become sizeable, it noted.

Since the first breakthroughs in mainstream use of AI, the M7 share in the total index market capitalisation has grown to nearly 35%, from about 20% in November 2022.

BIS said M7 stocks became a linchpin for other tech stocks, whose share in market capitalisation also grew by 5 percentage points, from 10% to about 15%.

It said that the tech industry's increasing share in the overall market capitalisation magnifies risks of spillovers to risk assets more generally, should investors reassess their expectations about their profitability.

While so far isolated disappointing news on the earnings of certain firms did not spill over to the broader M7 or tech sector, some of the recent bouts of volatility can be traced to mounting concerns over the profitability of the massive investments in data centres and AI-related technologies, it suggested.

BIS pointed out that the attractiveness of the returns on tech stocks, as well as on US equities more generally, fuelled portfolio inflows.

"Flows into US equities rebounded strongly in mid-September 2025, particularly within the exchange-traded fund (ETF) segment, and outpaced those into European markets."

Yet, BIS said that these recent inflows into equities were characterised by some divergence across investor types: retail investors continued to pour money into US equity funds, even as institutional investors gradually withdrew.

Driven by the rally, valuations of tech firms have become hefty by historical standards. While still well below the levels reached at the peak of the dotcom bubble, price/earnings multiples have been approaching the top 10% of the historical distribution for the M7, significantly above the levels before the tariff turbulence, said BIS.

"What is more, the valuations of other tech firms, with a less established earnings track record than the M7, have been dragged even higher, approaching the levels reached at the peak of the dotcom bubble. Although the rest of the S&P 500 index posted smaller gains, aggregate valuations also appear elevated by historical norms, arguably because of more lacklustre growth in the earnings of non-tech sectors in the index."

The M7's performance also stands out from a cross-country perspective, as these firms have exhibited notably different performance over time compared with, for instance, their Chinese peers, it suggested.

BIS said that as is commonplace in a late-cycle risk-taking environment, volatility ticked up amid more frequent flare-ups.

In this regard, it said that the VIX experienced several notable spikes, and touched a seven-month high, driven by renewed US-China trade tensions, as well as concerns about frothy equity valuations.

In addition, the bankruptcies of First Brands and Tricolor affected financial institutions with direct exposure to these businesses but did not lead to broader contagion.

"The disclosure of borrower fraud at two US regional banks, sparked a wider sell-off, fuelled by concerns over the health of regional lenders. However, neither of these episodes led to major spillovers beyond the sector, even though they might herald the possibility of further credit market strains," said BIS.

While all these bouts of volatility were short-lived, volatility overall settled at a somewhat higher level, it added.

It said corporate credit markets in advanced economies appeared rather insulated from equity market volatility and generally retained a risk-on mood, while in EMEs risk-appetite was more fragile.

"Investment grade credit spreads hovered well below the historical norms in both the United States and the euro area."

In EMEs, corporate credit spreads edged higher on renewed trade tensions between the United States and China and remained elevated, particularly in Latin America, underpinning the fragility of the risk-on mood, said BIS.

The isolated corporate bankruptcies had a stronger effect on riskier segments of credit markets. High-yield corporate credit spreads edged higher amid concerns about US regional banks, although they later retraced and remained close to historical lows, it added.

"Leveraged loan spreads ticked up by 10 basis points in the weeks following the First Brands bankruptcy filing, while spreads on covenant-lite loans, the riskier sub-segment, increased by nearly 15 basis points and settled at this higher level."

All these pressures in credit markets, while indicating increased wariness, were mostly short-lived, as risk-taking reasserted itself, BIS pointed out.

It said against the backdrop of a somewhat higher pricing of risk, activity in primary markets for riskier credit instruments slowed.

Mounting concerns about credit market quality were reflected in a slowdown in high-yield bond and leveraged loan issuance, it added.

"Private credit deal-making also cooled amid concerns over a potential erosion in the lending standards in these transactions and growing awareness that the two recent bankruptcies may not have been isolated episodes."

Moreover, BIS said recent issuances of corporate bonds by large tech firms to fund investment in data centres were not received favourably by markets, with spreads to government bonds ticking higher.

While a swing in the risk-on mood might have farfetched consequences for credit markets and broader financial conditions, the relatively subdued pace of credit growth compared with the run-up to the Great Financial Crisis could allay some concerns, it suggested.

Sovereign yields

According to the Quarterly Review, US money markets also saw a pick-up in volatility since September, with repo rates spiking.

It said the SOFR spread – the difference between secured overnight financing rate and the effective federal funds rate – rose to levels not seen since March 2020, adding that such money market pressures reflected the interplay of demand and supply factors.

"Tremors in dollar money markets

occurred amid heightened demand for leverage via repo by the hedge fund sector," it said, adding that one highly leveraged strategy reliant on repo is the cash-futures basis trade.

Against this backdrop of buoyant demand, shortfalls in funding supply appear to have further contributed to the repo pressures.

BIS said reserve balances held by the banking system were shrinking amid the Fed's quantitative tightening, with settlements of large issuances of shorter-term government paper being a further drain.

Technical factors, such as the increases in the Treasury General Account due to the shutdown, as well as the end of the fiscal year for Canadian banks, further contributed to a relative shortage in liquidity versus collateral.

In this context, BIS said the Fed decided to halt its balance sheet reduction operations as early as December.

So far, such money market pressures have not spilled over to other parts of the yield curve. Indeed, volatility in fixed income markets has remained subdued, underscoring investors' confidence in a benign outlook, it added.

"Only the volatility at the very short end of the US Treasury yield curve appears to have increased visibly as money market volatility surged, while that at longer maturities remained subdued by historical standards."

BIS also said that US and euro area government bond yields moved sideways in the review period as market participants weighed the monetary policy outlook in the short run.

In the United States, the uncertainty was compounded by the lack of hard data releases due to the government shutdown, it noted.

Expectations of further policy rate cuts waxed and waned amid a perceived hawkish tone in the October FOMC press conference and signs of a weakening labour market from alternative indicators.

"As a consequence, market expectations for policy rates in the year ahead rose and then partially subsided, but still lay well below the median of FOMC participants' forecasts made in September."

Markets' optimism about the prospects for further policy easing was also underpinned by their implicit inflation outlook, said the Basel-based central bank.

"The term structure of market-based inflation expectations for the United States substantially shifted downwards since September, especially in the short to medium run."

BIS said other major central banks kept policy on hold after many had eased their stance in the previous review period, but stood ready to deliver further easing should economic conditions deteriorate.

One exception was Japan, where the central bank has adopted a cautious approach to policy tightening, and fiscal developments contributed to the rise in long-term yields, it added.

"A relatively loose fiscal stance in several advanced economies was reflected in hefty issuance of public debt, particularly at short tenors."

This, BIS said, coupled with major central banks' unwinding of their balance sheets, led to a large supply of government bonds for markets to absorb.

"Reflecting such pressure, swap spreads remained persistently negative, indicating a negative convenience yield of holding government bonds."

BIS said the resulting spread encourages hedge funds to engage in relative value trades using government bonds and interest rate swaps; the recent contraction in the US dollar swap spread hints indeed at greater hedge fund activity.

Nevertheless, markets largely tuned out lingering concerns over the longer-term fiscal outlook. Ten-year average yields in 10 years, a gauge of longer-dated risk compensation, had been trending upwards for at least the last four years, reflecting growing investor concerns about fiscal sustainability.

However, BIS said that with the exception of Japan and Germany, this upward trend paused in the review period, possibly due more to limited issuance of long-term bonds than a waning of the underlying fiscal strains.

Precious metals

Precious metals saw an impressive rally in the early part of the review period, followed by a correction amid high volatility, the Quarterly Review emphasized.

Gold resumed its upward trajectory, while other precious metals, such as silver, palladium and platinum, were also buoyant, it added.

"Such strong performance sits oddly with precious metals' traditional role as safe haven assets. This should make them unattractive in a risk-on environment, in which other assets promise much higher returns."

The appetite for precious metals may well reflect market participants seeking some safe asset exposure amid persistent fiscal strains and long-run inflation concerns, BIS explained.

Another (non-mutually exclusive) explanation is that trend-chasing investors – notably retail – might have sought to capitalise on gold's momentum by engaging in speculative behaviour, it said.

Meanwhile, BIS said cryptocurrencies slumped towards the end of the review period: bitcoin, for example, shed about 20%.

"This might also be a sign of the growing fragility of the risk-on environment, and increased investor wariness over speculative assets," it suggested.

BIS also said the US dollar halted the depreciation path it had entered in April and posted gains against other major currencies.

It appreciated markedly against the Japanese yen due to Japan's fiscal woes weighing on the currency and the Bank of Japan proceeding cautiously with rate hikes.

Other Asian currencies also lost some ground against the dollar, while EMEA (Europe, Middle East, and Africa) region and Latin American currencies continued to appreciate, it added.

Overall, BIS said that the dollar appreciation follows the trend observed in the previous review period. At first glance, this seems somewhat at odds with the typical pattern observed in a heightened risk-taking environment.

Yet, it could also reflect the relative out-performance of the US economy and the greater optimism on the profit prospects of its tech sector, it suggested.

"In the jargon of currency traders, this would signify that we are on the right side of the US dollar 'smile', as opposed to its bottom, where risk appetite prompts investors to seek heftier yields abroad, leading to a dollar depreciation," BIS concluded. *(SUNS #10357)*